



**SERVICE QUALITY AND CUSTOMER RETENTION IN UGANDA: A  
CASE OF CENTURY BOTTLING COMPANY  
LIMITED.**

**BY**

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**14/MBA/11/050**

**A DISSETATION SUBMITTED TO THE SCHOOL OF BUSINESS AND  
MANAGEMENT IN PARTIAL FULLFILMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE MASTERS DEGREE IN  
BUSINESS ADMINISTRATION OF UGANDA MANAGEMENT  
INSTITUTE**

**JANUARY 2018**

## DECLARATION

I, **Gerald Wubo** do hereby declare that this dissertation under the topic: “Service quality and customer retention in Uganda with a case of Century bottling company”, is entirely my novel piece of effort apart from where it has been recognized and no one has ever submitted it to any institution of higher learning or university for any award in form of a degree or diploma.

Signature..... Date.....

## **APPROVAL**

This dissertation by Gerald Wubo has been completed and submitted for examination with our approval as the candidate's supervisors'

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Signature:.....Date:.....

## **DEDICATION**

This piece of work is dedicated first and foremost to my Children, Wife; Mrs. Sharon Gayita Nyiraguhirwa Wubo, my father Mr. SKM. Mutenyo Solomon (RIP), my mother; Mrs. Kalanda Jeninah Mutenyo (May the almighty God save her from a Stroke so she can enjoy the fruits of her womb), Mrs. Kisakye Zewuliya Mutenyo, Lecturers without singling out any, workmates especially Mrs. Martha Munnu Omer and Mr. Edward Mugumya and lastly but not least my brother Mr. Dustan Mutenyo Kennedy.

## **ACKNOWLEDGEMENT**

It will be a total mockery if I do not thank Solomon Wubo Mutenyo, Precious Seline Wubo Kataha, Sean Konrad Wubo, Precious Sasha Wubo and Simon Peter Mooli and most importantly, my wife Sharon Gayita Nyiraguhirwa Wubo who suffered a loss of potential gain when they became an alternative while I was busy attending to this program.

Am also grateful to my mother; Mrs. Jeninah Kalanda Mutenyo because of the priceless struggles she was subjected to in nurturing me, my brother Mr. Dustan Kennedy Mutenyo and all those who stood with me all my entire life. The list is long to be mentioned here but I cannot forget to mention Mr. Dustan Mukasa.

Special thanks go to the management of Century bottling company for trusting and offering me a Job all these years and off course the financial support extended towards this program.

Most Importantly, I wish to extend my gratitude to Mrs. Martha Munnu Omer, Mr. Edward Mugumya, Mr. Ivan Bombom and Mr. Robert Davis. As Human resources Director, National Distributor Manager, Finance Director and Commercial Director at Century bottling Company respectively, you have done it all in guiding me all through my entire career life at Century bottling company. You have always stood with me during the thin and thick periods at my work place. You people mean a whole world to me. I cannot thank you enough except through this piece of work that will be referred to from time to time.

And lastly but not least, my Supervisors; Mr.Hannington Businge and Mr. Ben Mugerwa and all the lecturers School of management science at Uganda Management Institute without whose discernments and aids, this dissertation would have been a nightmare.

I cannot undermine the hard work of the Development and learning Manager at Century bottling company. Obtaining primary data was quite a challenge but you made my life simple.

You people have been an encouragement to me all through this program. May the almighty God bless you all!

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## LIST OF ABBREVIATIONS AND ACRONYMS

CBC:	Century bottling company limited
CCS & RTM:	Coca-Cola customer services and route to market
CCS:	Coca-Cola customer systems
CE:	Number of customer at the end of the period.
CN:	Number of New customers acquired during the period
CR:	Customer retention
CRR:	Customer retention rate
CS:	Number of Customers at the start of the period
CSQ:	Customer Service Quality
CSR:	Customer Satisfaction and retention
FMCGS:	Fast moving consumer goods
OCCDs:	Official Coca Cola Distributors
ROSM:	Rate of sales merchandising
SB:	Switching barriers
SERVQUAL:	Service Quality
SPSS:	Statistical package for social sciences.
SQ:	Service quality
TCCQS:	Total Coca Cola Quality Systems
WOM:	Word of Mouth

## ABSTRACT

The purpose of this research study was to establish the effect of service quality on customer retention in Uganda with a case of Century bottling company limited. The study objectives included; to establish the effect of tangibility, reliability and assurance on customer retention. A case study research design was used and a response rate of 85% out of the 95 accessible population was achieved. A population Census, purposive and Simple random sampling techniques were used to select participants from the population of study and the SPSS (statistical package for social sciences) was applied in analysing quantitative data while content analysis was used for analysing qualitative data. For purposes of simplicity, means, standard deviations, frequency tables and bar charts were used to present the findings. The study established a strong positive association between service reliability and customer retention as determined by person correlation coefficient of  $r=0.910^{**}$ , a moderate but significant relationship of service tangibility on customer retention indicated by Pearson correlation coefficient of  $r=0.569^{**}$  and weak but statistically significant relationship between service assurance and customer retention revealed by Pearson correlation coefficient of  $r=0.370^{**}$ . In Conclusion, the service quality dimensions of tangibility, assurance and reliability greatly affect customer retention. This implies that customer retention can be achieved through ensuring clean and well packaged products, using up-to-date communication materials, having responsible Company employees who act professionally and are accessible, good packaging of the products, good work Environment, availability of assorted product mix, right order fulfilment, accuracy and safety of customer transaction records, better problem and complaints handling, offering good business building advice, high level of integrity, professionalism and willingness of staff to listen and help customers besides improving on customer discount margins and ensuring continuous investment in product-service components of the company offerings.



# CHAPTER ONE

## INTRODUCTION

### **1.1: Introduction.**

The topic of this dissertation was; service quality and customer retention in Uganda with Century Bottling Company as a case study. Service quality was conceived as the independent variable while customer retention was the dependent variable. Service quality (SQ) was determined in terms of tangibles, reliability, responsiveness, empathy and assurance but, this study focused on tangibles, reliability and assurance while Customer retention (CR) was observed in terms of repeat purchases, product referrals, customer tenure and Volume and revenue growth. Peppers and Rogers (2004), asserts that the goal of every business once you put aside all the activities that keep board members for long hours in boardrooms each other day, is to get, keep and grow customers which later translates in profitable businesses. Accordingly, it does not matter whether a business is putting its efforts on operation efficiency, customer intimacy, product innovation or low costs, that business must have customers or it's not in business at all. This is because today customers are facing a wide range of product and brand choices and are becoming harder to please and increasingly over demanding (Kotler, 1999). Yet if a customer has a terrible experience that is not properly remedied, he or she is unlikely to return (Walton, 2015). The soft drinks industry is not prone to these challenges and is perhaps one of the fastest growing sectors in Uganda characterised by fierce competition amongst the five bottlers including Sai Beverages, Bakhresa food products, Harris International, Crown beverages and Century Bottling company. Although there are many service providers of carbonated soft drinks in Uganda, complaints from customers with regard to poor service delivery have steadily been increasing of late and this study is aimed at establishing the gap in the service delivery.

The chapter presents the introduction to the research study, background to the research study, problem statement, purpose of the study, objectives of the study, research questions, research hypothesis, conceptual frame work, significance of the study, justification of the study, scope of the study and operational definitions of the components of the variables under study.

## **1.2: Background to the Study.**

The background was broken down into four distinct portions. These include the historical viewpoint which covers the previous over view of the variables of the study, the theoretical perspective which gives the theories or Models which reinforced the study, the conceptual perspective which defines key variables and explains the processes which were applied to guide this study and the contextual perception which shows the problem on the ground that prompted this research study.

### **1.2.1: Historical Background.**

The service quality concept (SQ) was first proposed by the Nordic School in 1980s (Gronross, 1982) and later extended to North America much as the wave of service quality worldwide started in 1920s as a way of product inspection basically to ensure that the work done by employees was within acceptable standards (Berry, Zeithaml & parasuraman, 1988). However, in 1924, the movement of quality become a managerial ulcer as Walter Shewhart designed the first control chart involving statistical control processes and a program for improving quality (Best & Neuhauser, 2006).

But it must at this point in time, be noted that before the mass production all services that we take for granted these days were done by hands. It was not therefore by accident that all these amenities could be afforded by only rich people. It later become such a necessity in the last quarter of the pre-industrial age that a middle class household could not function without

servants to respond to their needs. It's from this background that we inherited the conception of good service which is satisfying and responsive (Grossberg, 2009).

### **1.2.2: Theoretical Background.**

The researcher adopted the SERVQUAL model as a guide for this study due to the fact that it is a multiple-item scale that can be used to better understand the service expectations and perceptions from the customer point of view and therefore be able to improve services based on the research findings for further development of either quality service or value proposition for the customer (Parasurman, Zeithaml and Berry, 1988).

SERVQUAL is built on the expectancy-disconfirmation paradigm which in simple terms means that service quality is understood as the extent to which consumers' pre-consumption expectations of quality are confirmed or disconfirmed by their actual perceptions of the service (Parasuraman et al. 1988). Accordingly Zeithaml et.al. (1990), looks at service quality as the degree and direction of disagreement between customer expectations and perception of the actual service delivered. Basing on this belief, measuring both perceptions and expectations of a service is a prerequisite for evaluating the service quality (Howey, 2001). Measuring service quality is very significant for companies as it enables them to assess their performance using customer opinions against the actual service delivered. Here the customer's feedback in form of complaints or suggestions is very important as it works towards guiding a service provider to take appropriate steps to design standard operating procedures from a customer's view point. According to Parasuraman, (1994), measuring service quality may be difficult if there are no measurements for expectations. This is consistent with Armstrong (1997), who pointed out that customer expectations have got a greater contribution to measurements of a quality service. Customers' expectations refers to the wish by the customer to receive a standard service from the provider. These expectations

however differ depending on many factors for example past experience, word-of-mouth promotions, place of purchase and the time at which a product or service is bought. This drives customer satisfaction which may be either superior or inferior or worse still moderate (M.S, 2008). Measuring the perceptions of customers considers many factors which do not only comprise of the operations procedures but also how the human resource is managed (Waldman, 1996).

The roots of the SERVQUAL Model is the GAP Model. The gap model investigates service processes basically to establish if customer expectations are met or not accurate. Therefore simply determining the difference between perception and expectations may not be good enough until the causes of Actual decline in service quality are known. In order to understand the actual situation and how over-promising or lower performance destroys service quality, the service gap score is applied. To arrive at the service gap, expectations are subtracted from the perceptions. Mathematically, this is given as  $Q=P-E$ . This model initially had twenty two items used to measure service quality however they were reduced to five dimensions and each dimension is rated according to its importance in evaluating the service quality (Parasuraman et al., 1991). These five dimensions include; Tangibility which talk about the appearance of the physical facilities of the business entity which may include business equipment, company employees, and the appearance of communication materials, Reliability which refers to organisations capability to execute a service well and accurately, Responsiveness which involves the readiness to deliver services promptly, Assurance which involves the politeness, Gentility and understanding of the organisations staff and ability to stir confidence and trust and lastly Empathy which involves caring and providing personalised attention to customers (Zeithaml, 1990).

### **1.2.3: Conceptual Background.**

Service quality can as well be demarcated as the consistency of how customer anticipations are satisfied in comparison to the superiority of the service quality relative to competition. Determining the service quality is a continuum whose scale lies between ideal and absolutely undesired service quality with the points along the continuum standing for satisfactory quality of service (Parasuruman et al., 1985).

The level of the Customers discernment of the quality of service along the continuum is dependent on the disagreements between the expected level of quality of the service and the perceived quality of the service. Therefore, when the actual service is less than the expected service, the quality of the service is described as being less than satisfactory. Whenever it tends towards total unacceptable quality, the negative discrepancy between perceived and expected service quality proportionally increases.

The ability of a company to attract and keep customers largely depends on its product-service offerings, the value customers attach on these product-service offerings and the image it creates in the eyes of the public. So it's imperative to ensure survival of a business establishment in today's turbulent business environment by delivering a quality service better than competition (Claycomb & Martin, 2001). This can be achieved through on-time delivery, availing customers with a variety of choices, promptly responding to customer complaints and having on board knowledgeable and competent employees.

It's believed world over, that quality services generates customer positive behavioral intensions leading to customer retention, product referrals, increased spending and willingness to pay a higher price (Zeithaml et al., 1996). Besides that, from the empirical studies, customer satisfaction, switching behaviors, trust and commitment were also seen to have a positive influence on customer retention.

#### 1.2.4: Contextual Background.

Century bottling company is a customer oriented producer and distributor of the products of the Coca-Cola Company and now the monster group of companies under the umbrella of Coca-Cola beverages Africa. Together with Crown beverages limited, Century bottling company had enjoyed a semi-monopoly for over three decades until 2011 when three carbonated soft drinks companies including Harris international, Bahrasa foods, and Sai beverages launched their products in Uganda ( Daily Monitor, Feb 24, 2015). This created discomfort in the business environment greatly affecting the performance of Century bottling company most especially in the lango and Acholi sub regions in northern Uganda due to unstable distributors (Kaketo, 2014). This can be illustrated as in the table below:

**Table 1: Customer Retention Rate in Northern Uganda from 2012 - 2016.**

<b>Year</b>	<b>CS</b>	<b>CN</b>	<b>CE</b>	<b>Retention Rate</b>
2012	25	3	26	92%
2013	26	8	30	85%
2014	30	4	28	80%
2015	28	2	24	79%
2016	24	2	19	71%
<b>Average</b>	<b>27</b>	<b>4</b>	<b>25</b>	<b>81%</b>

**Source: Century Bottling Company Limited Sales and Marketing report, January 2017.**

From the above illustration, on average, Northern Uganda is experiencing a challenge in sustaining its Distributors as evidenced by the above statistics. This has in turn affected the sales performance of century bottling company as is illustrated in the table below:

**Table 2. Table showing sales performance from 2012 to 2016.**

<b>Year under Observation</b>	<b>Ideal %ge Target Achievement</b>	<b>Actual %ge Target Achievement</b>	<b>Variance in %ge Sales Volume Growth</b>
2012	100%	95%	-2%
2013	100%	98%	7%
2014	100%	97%	5%
2015	100%	96%	-2%
2016	100%	94%	-7%

**Source: Century Bottling Company Limited Sales and Marketing business review report January 2017.**

As a way to revamp this performance, Century bottling company (CBC) has embarked on restructuring its go-to-market strategy, revised its rate of sales merchandising (ROSM) and reconfiguring its territories to reduce costs to serve by improving on the distributor sales volumes. Despite of all these marketing effort, the performance of Century Bottling Company (CBC) has continued to decline. Leading to a fall in the market share to the current 55 percent (Kaketo, 2014).

### **1.3: Problem Statement.**

Quality service builds customers trust, confidence and the delivery of a quality service can attract new customers, increase sales volumes and revenues with the current customers, increase word of mouth promotions thereby maximizing on the business profitability (Lee et al.,2009). This works to the contrary if a customer goes through a bad experience and worse still if there are no service recovery programs in place. This customer may never come back (Walton, 2015).

Bearing this effect in mind, Century bottling company in 2016 decided to increase its fleet of delivery trucks, recruited more delivery drivers and order capture clerks, created a sales capability development department whose task is to train the company's sales force to deliver on the customer service standards, developed a customer service policy where each distributor was assigned a delivery date, expanded its storage capacity to accommodate the increasing customer demands and is currently working in conjunction with Bank of Africa, Stanbic bank and Tata Uganda to extend credit in terms of bank guarantees for stocks and distribution trucks on hire purchase to build secondary distribution basically to improve product availability at the retail level. Besides introducing a sales automation application where the distributors place orders on-line to the plant with ease (Century Bottling Company News, Nov. 2016). In the face of these best practices, the company is still facing high distributor turnover (Kaketo, 2014). And looking at Northern Uganda, the company has operated for long without distributors in Kitgum, Pader, Kaberamaido and Apac to mention but a few. This has led to a fall in market share to the current 55% (Kaketo, 2014). This together with the declining economy (New Vision, 8<sup>th</sup> June 2016) and higher relative distributor margins by competition leaves a lot to be desired. This study therefore focused on the establishing the effect of service quality (SQ) on customer retention (CR) with a case study of Century bottling company limited (CBC).



#### **1.4: Purpose of the Study.**

The Drive to this study was to find out the relationship between the quality of a service and customer retention in Uganda with a case of Century Bottling Company limited.

#### **1.5 Objectives of the study**

1. To find out the effect of tangibility on customer retention in Century bottling company.
2. To find out the effect of reliability on customer retention in Century Bottling Company.
3. To find out the effect of assurance on customer retention in Century Bottling company.

#### **1.6: Research questions.**

1. What is the effect of tangibility on Customer retention in Century Bottling Company?
2. What is the effect of reliability on customer retention in Century Bottling Company?
3. What is the effect of assurance on customer retention in Century Bottling Company?

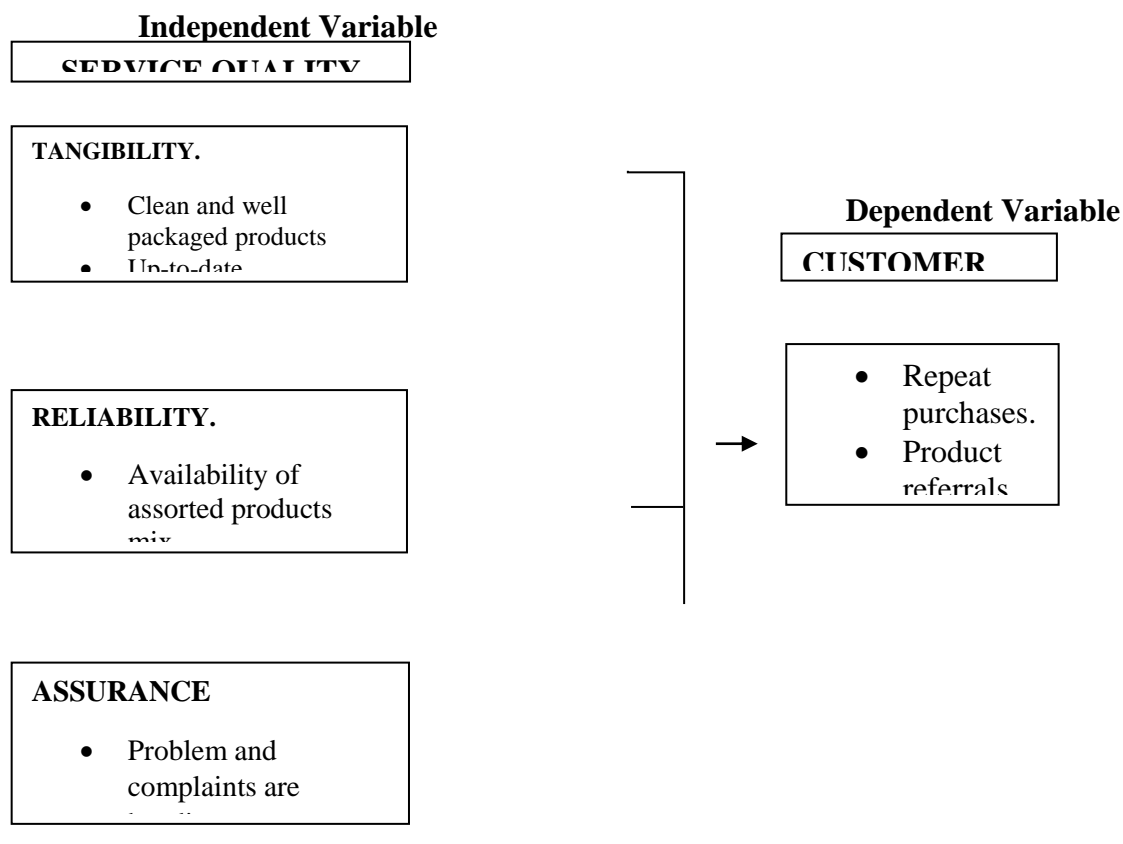
#### **1.7: Research Hypothesis.**

1. Tangibility has a significant positive effect on customer retention in Century Bottling Company limited.
2. Reliability has a significant positive effect on customer retention in Century bottling company limited.
3. Assurance has a significant positive effect on customer retention (CR) in Century bottling company limited.

## 1.8: Conceptual Framework.

Service expectations are viewed as prime factors for customer retention (Moira, 1997). The conceptual framework below explains the processes that were applied to guide this study and to organise ideas and make distinctions in the study concepts. This was guided by the research objectives, questions and hypotheses as stated above. It's therefore upon this background conceptualisation that service quality influences customer retention. Service quality is determined in terms of Tangibles, Reliability, Responsiveness, Empathy and Assurance but this study focused on Tangibility, Reliability and Assurance because there is little empirical studies on these dimensions and therefore the researcher's focus in this study. And customer retention on the other hand was measured in terms of repeat purchases, Customer tenure and revenue growth. Below is the graphical presentation.

**Figure 1: Conceptual Frame work.**



**Source:** From SERVQUAL Model by Kumar et al, 2009 and modified by the researcher.

## **1.10: Scope of the study.**

### **1.10.1: Content scope.**

The aim of the study was to establish the association between the quality of service and customer retention. The study therefore covered the service quality dimensions of which tangibility, Responsiveness, Reliability, empathy and assurance are a critical dimensions. However for purposes of this study, tangibility, assurance and reliability were used and on other hand customer retention of which repeat purchases, Length of customer tenure and lastly volume and revenue growth are the integral elements that were considered.

### **1.10.2: Geographical scope.**

The study covered employees from Century bottling company limited, Distributors, wholesalers and retailers of Century Bottling Company limited across the Country. Century bottling company is located 22km from Kampala on plot 964 Kyagwe block 111 Namanve industrial area. Century bottling company limited was used because this is the company whose Customer retention has been declining compared to other key players in the soft drinks industry in Uganda and most especially in northern Uganda (Kaketo, 2014).

### **1.10.3: Time scope**

The study covered the era ranging from 2012 to 2016. This is the period over which the customer retention rate has been fluctuating (Coca-Cola Sabco News, December 2015) in Century bottling company limited.

## **1.9: Significance of the study.**

It is anticipated that the proposed study will be significant in the following ways:

1. Help management of Century bottling company in examining the service activities that deliver high customer value so as to be able to design strategies which competitively differentiate superior value proposition and delivery systems that address the specific needs in specific market segments.
2. Contribute to the available pool of knowledge on customer retention and service quality thereby enriching the subject area and provide a foundation for future research.
3. Inform managers of particular areas in need of improvement and act as a guide to help organisations to design service level policies and the standard operating procedures necessary to attract and retain customers.

#### **1.11: Justification of the study.**

The changes in the Global business environment world over have led to changes in the world economy. The FMCGs' is the most affected industry (Rehman & Ahmed, 2008). As a result, businesses have embarked on the search for more innovative criteria for not only acquiring customers, but also to create and retain the existing ones. Besides, the search for quality is a vital consumer trend (Rabin, 1983) nowadays, due to the fact that today's consumer is demanding for products whose quality is very high (Takeuchi and Quelch, 1983). This is a motivator for further investigations although there has been a phenomenal growth in the service sector especially among the fast moving consumer goods.

### **1.12: Operational Definition of Terms and Concepts.**

This section presents the definitions of the terms used in the study.

**A Customer:** Refers to the person who will be buying goods or services from the person selling at a consideration usually in monetary terms (Frain, 1999).

**A Service:** Is a sequence of undertakings which are intangible in nature that occur during an interaction between a customer and the person offering the service. They act as solutions to the needs of the customer (Hinson, 2004).

**Quality:** Is the difference between the sum total of the benefits or value of activities experienced during a service encounter as perceived in his mind and the expected performance of the service (Klaus, 1985).

**Service Quality:** This is combination of two terms; service and quality. It can therefore be defined as the variance between anticipations of service performance and the actual perception of the service performance (Parasuraman et al., 1985).

**Reliability.** Refers to the ability of execute a service as promised accurately in a manner that is dependable (Klaus, 1985)

**Tangibility:** looks at the appearance of the business physical facilities such as the equipment used, the personnel, and the point of sale communication materials (Klaus, 1985).

**Assurance:** Can be defined as the employee's level of courtesy and knowledge and ability to inspire confidence and trust in a customer (Klaus, 1985).

**Empathy:** Is the customised caring attention the company employee provides to the customer during and after a service encounter (Klaus, 1985).

**Customer Retention:** Refers act of attracting, keeping and growing customers in an effort to continue conducting business transactions with the same customers in future (Murphy et al., 2006).

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Introduction.**

The study reviewed significant literature to the topic on establishing the effect of service quality on Customer retention in Uganda. This chapter was distributed into four divisions; First division is about introduction to literature review, second division is the theoretical review, the third division is the influence of service quality on customer retention and lastly the fourth division is the summary of literature review.

#### **2.2. Theoretical Review**

This division deliberates on the SERVQUAL model showing the factors inducing service quality and Customer retention. It puts forth the model used in the study concerning effects of service quality on Customer retention.

##### **2.2.1. Service quality Concept.**

According to Ladhari (2008), Service quality is regarded as a vital tool for organisations in differentiating their product – Service offering from those of its business rivals. The relevancy of Service quality to a business entity is clearly discussed in this chapter due to the fact that it generates competitive benefits to those business enterprises that work to achieve it and eventually realise Customer retention. According to Ghylin et al., (2008) describing service quality can help business organisations to convey an exemplary service quality standards apparently occasioning improved customer satisfaction and retention. It must however be noted that understanding service quality is critical and must involve recognising product characteristics such as intangibility, heterogeneity and inseparability (Ladhari,2008). In this research study, service quality is defined as the difference between a customer's

expectations of the performance of the service before the service encounter and the customers perception of the service actually received. Here customer expectations forms a basis for evaluating the quality of a service. Upon this background, quality is considered high if the performance of the service exceeds the customers' expectations. And it's considered low if the actual performance of a service offering fails to meet the customers' expectations (Asubonteng et al., (1996). Additionally, Gronroos (1984) emphasises that the Customers perceptions of the quality of service is largely determined by the difference between the customer's expectations and perceptions of the quality of the service by the service provider. He further goes on to elaborate that perceived service quality is a result of the consumer's perceptions of different service dimensions which may be functional or technical in nature. While, Parasuraman et al., (1988), looks at perceived service quality as attitudinal behaviour associated but not equivalent to satisfaction.

Upon this background, having an enhanced understanding of the customers attitudes can help in projecting customer perceived service quality. Negi (2009), goes on to explain that understanding how to measure service quality and critically observing and improving on the various dimensions of service quality on a continuous basis especially where the gaps exists, can greatly impact on the customers' expectations and perceptions towards the quality of a service offering. It's therefore very important to note here that Service quality should not only be measured as an outcome but also as how it is delivered to the customers through a firm's service processes and eventual effects on a consumers' dissatisfactions (Douglas and Connor, 2003).

Researchers have proven that providing good service quality to customers retains them, attracts new ones, enhances corporate image, positive word-of-mouth recommendation and above all guarantees survival and profitability (Negi, 2009; Ladhari, 2009). In the same spirit, Kumar (2008) advises that service quality is contributed by not only the service itself, but

also the production process, the time of production, the employee's behaviour to the customers, the delivery process and the waiting time for accepting service. With the delivering of final service, both the company size and the operational procedure have great contribution on the service quality measurement (Paquettea, 2009). According to customer consideration, Sarkara (2010), the long waiting time for the service create negative impact on the customer 'mind about service. The less time they have to stand for receiving service is understood as service quality and this should be a major concern for the company to improve their service and retain customers.

Despite limited previous research on service quality dimensions, many past researches have revealed that service quality perception can be viewed as a form of attitude that is related to but not equal to satisfaction, which results from comparing expectations with performance (Parasuraman et al., 1988; Bolton and Drew, 1991; Cronin and Taylor, 1992; Lee, 2010). Also some conceptual and empirical studies have inferred that service quality is made of service product, service environment and service delivery (Rust and Oliver, 1994) or interaction quality, physical environment quality and outcome quality as suggested by Brady and Cronin (2001) and Lee (2011).

In another development, studies by Cronin and Taylor (1992); Babakus and Boller (1992); Anderson and Lehmann (1994); Bayhaqi (2006); Olorunniwo and Hsu (2006); Gonzales, et al, (2007); Wen (2007); Brown and Lam (2008); Rachel et al. (2008); Huang et al. (2009); Jannang (2010); Udo et al. (2010) and Paul et al. (2011) found that service quality can improve customer satisfaction. And in a related study, Ojo (2010) investigated the relationship between service quality and customer satisfaction in the telecommunication industry with a focus on Mobile Telecommunication Network (MTN) Nigeria. A total of 230 respondents participated in the study. Regression analysis and Pearson product moment correlation coefficient were employed in analysing the data. The study revealed a positive



relationship between service quality and customer satisfaction. The researcher therefore recommended that organizations should focus more attention on service quality, because of its effects on customer satisfaction because satisfied consumers can repurchase again, as explained by Fornell et al. (1996); Oliver et al. (1999); Ganesh et al. (2000); Sirdeshmukh et al. (2002); Kim et al. (2004); Olorunniwo and Hsu (2006); Ernawati and Laksono (2008). Therefore to ensure that customer satisfaction level is high organization must first of all know the expectations of the customers and how they can meet such expectations. Customer satisfaction helps in customer loyalty and retention.

Not only that but numerous scientific research have also empirically proven that service quality significantly influences firms performance (Poretla & Thanassoulis, 2005), improves profit margin (Kish, 2000; Duncan & Elliot, 2002) and market share (Fisher, 2001), boost brand image (Caruana, 2002; Ehigie, 2006) and promote customer loyalty (Qadri & Khan, 2014; Loh et al., 2010).

Besides, Robert Johnston (1995), demonstrated that some determinants of quality predominate over others. The study found that for the personal customers of the bank, the main sources of satisfaction were attentiveness, responsiveness, care and friendliness. The study also found that the intangible aspects of the staff-customer interface had significant effects, both negative and positive, on service quality. Responsiveness was a crucial determinant of quality, as it was a key component in providing satisfaction and the lack of it is a major source of dissatisfaction. The main sources of dissatisfaction were integrity, reliability, responsiveness, availability and functionality. Reliability was predominantly a source of dissatisfaction not satisfaction. Robert Johnston (1995) study demonstrated the same results as revealed by Johnston and Silvestro (1990) study.

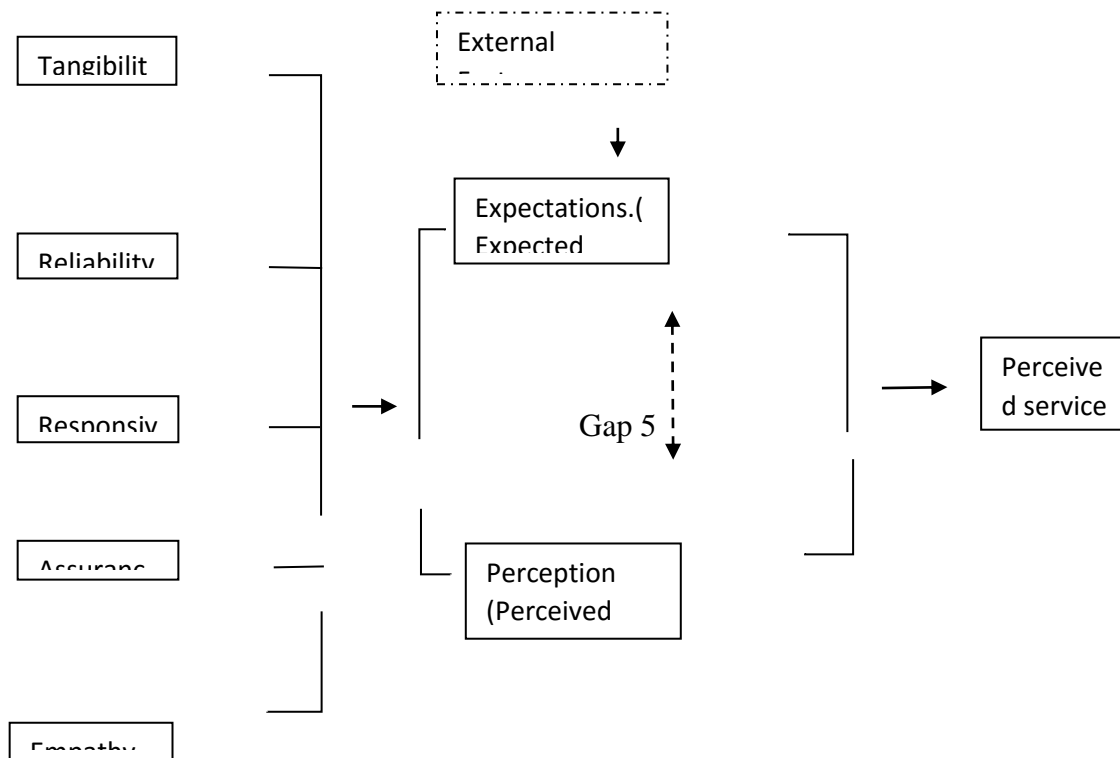
In subsequent developments, Kheng et al, (2010) employed the SERVQUAL model developed by Parasuraman et al., 1988 with five dimensions to evaluate the impact of service quality on customer loyalty among bank customers in Penang, Malaysia. Customer satisfaction was used as an intermediate variable. The service quality dimensions that play a significant role in the equation are reliability, empathy, and assurance. The findings indicate that the overall respondents evaluate the bank positively, but still there are rooms for improvements.

### 2.2.1.1 SERVQUAL MODEL.

Service quality measurement is one of the most prominent topics in management literature today (Parasuraman et al., 1988). This is because of the desire by business organisations to develop tools for assessment of the organisation's service performance as viewed by the customers' besides establishing the influence of perceived and expected service quality (Cronin et al., 2010). In this regard, Parasuraman, Zeithaml and Berry (1985), asserts that a consumers perception of the quality of a service is simply the difference between the expectations of the overall service providers performance and the actual performance perceptions of a business establishment.

**Figure 2: Measuring Service quality using the SERVQUAL model.**

#### **Servqual Dimensions.**



**Source:** Adopted from SERVQUAL model by Kumar et al., 2009

The figure above illustrates that customer expectations are subject to external influences that are under management of the service provider. Gap 5, in the figure above indicates the transformations between the customers' expectations and perceptions which are the determinants of perceived service quality (Kumar et al., 2009).

The SERVQUAL model is the most overriding tool for assessment of service quality. This tool was first used to measure perceptions of service in the service and retailing organisations (Parasuraman et al., 1988). It thus appeared as a synthetic scale with an accurate level of reliability and validity in service situations. This tool originally involves 10 dimensions comprising of 97 items but was later on reduced to 5 dimensions with 22 items. These five dimensions include; Tangibles which looks at the physical appearance of the physical facilities of a business entity including the people, product layout, point of sale communication materials to mention but a few (Zeithaml et al., 2006). Reliability which determines regularity of doing activities accurately and dependable. However, according to Zeithaml et al., (2006) reliability is the capability to execute the pledged service accurately and dependably. Assurance which deals with the competency i.e. skills and knowledge of doing things and the courtesy of the employees to inspire trust and confidence. Responsiveness which considers the readiness of the staff to offer service. This dimension therefore handles issues like customer's requirements, needs and complaints promptly and considerably. And lastly, Empathy that involves caring and availing customised attention to customers by the company employees. In this regard, the customers feel exceptional and superior (Zeithaml et al., 2006).

According to Parasuraman et al., (1988) this model should be applied in organisations at least three to four times in a year so as to be able to assess the quality of the services. This enables business entities to discover the discrepancies between the perceived and actual services and consequently come up with corrective measures to avert the situation. They commended that

the model must not be used independently but alongside other models and pointed out that in applying the model, there must be a measure of the relevancy of each and every dimension.

### **2.2.2. Customer Retention theories.**

Drucker (1973) asserted that the main reason for existence of a business is to create customers. The challenge however is that now days getting and keeping customer has become very important, this started when Dawkins and Reicheld (1990), stated that a reduction in customer retention would lead to a reduction in customer net present value.

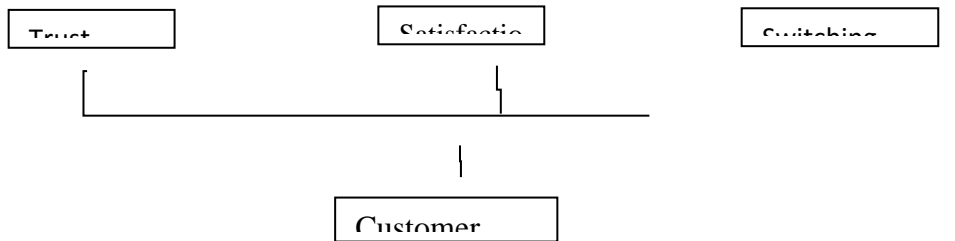
Upon this understanding, customers like products, have a life span which business organisations can manage. Accordingly, there is a consensus that Customers can be acquired, maintained and developed in terms of value over a period of time. Customers can grow along a value ladder (Christopher *et al.*, 1991) moving from the level of suspects to prospect to customers, to client and finally to an advocate or a partner (Ang & Buttle, 2006).

Many companies in the past took their customers for granted perhaps due to the fact that markets were growing very fast and because of this, none of them even bothered to satisfy its customers (Kotler, 2009). These companies were as such gaining and losing customers constantly. As a result, researchers employed a variety of conceptual perspectives and theories to explore the adoption of customer retention as a strategy for organisations to achieve success and also increase profitability.

Consequently, Ranaweera and Prabhu (2003) suggested one of the theories which involves a Combination of the impact of customer trust, customer satisfaction and the customer switching behaviours. Accordingly, they define customer retention as simply the propensity of the customers to stay with their current suppliers.

Here the frame work provided two important functions, first; to examine the main influence of the three variables on customer retention and then to examine the interaction impact that trust and switching behaviours have on customer retention.

**Figure 3. Model of customer retention determinants**



**Source: Ranaweera and Prabhu, (2003)**

### **Customer Satisfaction.**

This is conceptualised as the assessment of sentiments and declarations that the more complex the satisfaction, the greater the level of customer retention (Ranaweera & Prabhu, 2003). Most empirical studies indicate that the more customers are satisfied with the company’s offerings, the more loyal they will remain (Fornel, 1992). This has forced majority of the firms to embark on managing and growing customer satisfaction (Runaweera & Prabhu, 2003). In a related development, Johnson, Spreng & Patterson, (1997) argued that a customer who is satisfied is usually indispensable channel of developing sustainable advantage in turbulent business environments. They also refer to Anderson & Sullivan (1993), who indicated that investing in customer satisfaction is just but the opposite of getting an insurance policy – implying that if the firm faces some challenges, the customers are likely to remain loyal (Patterson et al., 1997). According to Patterson et al.,(1997) Customer dissatisfaction is the variance between individuals’ expectations before purchasing a product and the performance of services or products after purchase.

In another development, Ranaweera & Neely (2003), it's stated in one of their articles that earlier research on service quality aimed at establishing the metrics of customer satisfaction but nowadays, satisfaction alone cannot drive customer retention. This belief has diverted the researchers from studying drivers of satisfaction to behavioural change like re-purchase intentions. It's however noted that despite of the fact that customer satisfaction is paramount in retaining customers, it's not the only factor behind high customer retention (Gronroos, 1984). In agreement, Richards, (1996) argue that even though customers are satisfied, they may leave the business establishment while those that are dissatisfied can remain.

### **Trust.**

Trust is said to be prevailing if one party in a relationship is confident of the level of integrity and reliability of the other party is high. It's widely believed from written literature that at times firms may not be able to attract and retain customers even when firms strive to satisfy them. And therefore, satisfaction alone may not be enough to ensure a long term customer - service provider commitment. But on the other hand, because of the price involved in terminating a relation once trust is high, the probability that one party may terminate the relationship decreases (Runaweera & prabhu, 2003).

### **Perceived Switching Barriers.**

Customer switching behaviours are conceptualised as a consumers valuation of the resources and existing opportunities required to execute the activity of switching together with limitations which are hindering the switching to occur (Runaweera & Prabhu, 2003). Thus it's urged that the greater the degree of perceived switching costs, the higher the probability that customers will not switch service providers. This is also acknowledged by Morgan and Hunt, (1994) as a major contributor to retention of a relationship. The authors however, look at switching costs as being both emotional and psychological (Sharma & Patterson, 2000)

besides it being economic in nature (Morgan & Hunt, 1994). They also point a few switching barriers such as social bonds, trust built over time and the rapport existing between the parties. They go on to urge that switching barriers may be psychological exit barriers even when performance of the core product or service is dissatisfying. Others that they listed included difficulties in evaluating professional services.

## **2.3. Review of Service Quality and Customer Retention.**

### **2.3.1. Tangibility and Customer Retention.**

Tangibility communicates the physical traits of a service offering. The physical characteristics of a typical retailer may among others comprise of the physical appearance of the fixtures and equipment in use at the outlet, the appearance of the staff, the point of sales communication materials, the convenience and layout of the physical facilities to mention but a few are but some of the physical aspect of the tangibility dimension of service quality (Ananth et al., 2011). It is also widely believed that the higher the customers' acceptance of the physical facilities of the business, the greater the overall assessment of the quality of the service (Bellini et al., 2005).

Accordingly, Angur et al., (1999), stresses that the way business premises are presented in the face of a customer must be of a higher standard and decorated in a nice cool environment so as to positively inspire service quality and therefore customer loyalty and retention. The way a service set-up is presented remains a vital element of tangibility in stimulating service quality customer perceptions.

The business ambience is a significant tangible factor which impacts on service quality perceptions. Bitner (1992) for example, concentrated on foundations for control of business



establishments at the point of purchase and contended that controllable components can influence the perceptions of the quality of a service and henceforth inspire repeat patronage.

Furthermore, Wakefield & Blodgett (1996), established that a service scape in form of a facility layout, displays, hygiene to mention but a few have a stable and strong positive influence on repeat purchase intentions.

Consistent with Wakefield and Blodgett, Bonn and Mathew (2007) established enough evidence that the setup of the facility is closely related to the sensory characteristics which have got a greater influence on satisfaction and repeat purchase intentions.

Accordingly, proficient form of the company employees is also a very relevant element of tangibilising the service offering (Kim and Jin, 2002). Brady and Cronin (2001) also emphasises that indeed the ambient conditions of a business establishment influences service quality. He consequently established that customers do not respond to products alone but also the features that go together with the offerings. They continued and explained that customers make decisions in regard to purchases and react to not only the tangibility of the service but to total product offering. According to the Authors place element includes atmospherics which refer to the strength to create an environment which can induce intentions to purchase. This is in agreement with Hirschman & Holbrook (1982) who also emphasised that the sensory contribution related to the product can trigger behavioural intentions which lead customers to remember a service offering. These atmospherics influence the customer emotions that result into re-purchase intentions (Wang & Jiang, 2006).

Other features of tangibility is the in-side setting of the physical facility. The interior environment of the facility can greatly impact on the customers behavioural intentions in extended service activities. (Berry et al., 2006). There are three environmental components (Baker and Cameron, 1996) involved, the ambience elements which are non-visual, set-up

elements. These scholars identified bright lighting, hot or cold temperature, music, wrong colours and uncomfortable seat arrangement create undesirable reactions which cause customers to under estimate service quality in terms of over waiting time. On the contrary, low lighting, cool and comfortable environment, slow good music create desirable reactions to service quality in terms of low waiting time.

### **2.3.2. Reliability and Customer Retention.**

Reliability signifies the capabilities of the provider of a service to do the promised service accurately and dependably. This can be overcome by delivering on the promise giving right services to customers, ensuring stability in performance and doing the right services rightfully the first time. Reliability also entails correct order fulfilment, correct transactions record, accurate transaction quotes, accuracy in billing transactions, accuracy in calculating commissions. This element includes the regularity and reliability of service in respect to the customer promises. A service is reliable when it is done properly and rightfully from the start just as how the service provider announced (Parasuraman et al., 1988). Jamal & Naser, (2002) opined that reliability of the service provided is interconnected with the satisfaction of the customer with the experience of the service delivery procedure. Moreover, Arasli et al., (2005) asserted that reliability is not related to customer satisfaction but has the highest bearing on customer satisfaction.

### **2.3.3: Assurance and Customer Retention.**

The assurance dimension comprises of the capability of company staff to arouse confidence and trust in their clientele. According to Sadek et al., (2010), Employees need to be polite and in position to respect their customers when delivering services to customers, talking to

customers about new business prospects, promptly offer business building advice and besides they need to be skilled and knowledgeable enough for them to be able to inspire customers. A number of empirical studies suggest that information exchange forms a sizeable portion of the selling and relationship marketing which are key to building mutual understanding (Ndubisi, 2006).

Therefore, the greater customers believe in the personal interactions with the firm's employees, the higher the overall evaluation of the quality of service. Activities comprising of being polite, kind while exhibiting high knowledge of executing on company promise develops confidence and trust among the customers (Parasuraman et al., 1991). Whenever customers feel insecure dealing with a firm's staff, they may be forced to abandon the service provider. It's also believed that customers want to develop trust and then confidence in the capability of the service provider. The customers will never be contented with the service provider if they do not feel secure about the capability of the service provider (Kumar et al., 2010). In a related development, lai (2004) asserted that confidence is one of the most critical factors of assurance. Accordingly as the level of trust and confidence in the firm's performance, trust grows amongst the customers and the cost of switching increases ( Shapiro and Varian, 1999). Note must also be taken that customers conduct an evaluation of their past experiences with the products if they are looking at sustaining their relationship with the service provider or end it (Bolton, 1998)

## **2.4. Summary of Literature review.**

The chapter scrutinised the customer service quality and its influence on customer retention. The study was guided by the Servqual Model which is a multiple scale item used to enhance appreciation of the service expectations and perceptions from the customer point of view and a holistic methodology to customer retention by Ranaweera and Prabhu's theory which aids to study the joint influences of trust, switching behaviours and satisfaction on customer retention. The Interrelated literatures on service quality and retention from text books, journals and the internet were reviewed. And there was a common agreement that service quality affects customer retention. However, though several scholars from across the academic spectrum have contributed to studies addressing issues connected to service quality and customer retention in the developed world, conceptual work on service quality can best be described as divergent. Service quality still seems to be a cognitive estimate founded on emotional perception which can't provide an appropriate clarification of the re-purchase behaviour even though it might be used to study customer behavioural intention (Boulding et al., 1993). There is much debate and many of the concepts are still in flux (Brady & Cronin 2001; Schneider & White, 2004). This study was conducted to explore how service quality affects customer retention with a case study of Century Bottling Company limited.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1. Introduction.**

This chapter presents the methodological aspects which the researcher used to collect, analyse and interpret data. It includes the introduction, research design, survey population, sample size, sampling methods and techniques, data collection methods and tools, Validity and reliability of data collection instruments, Data collection procedures, data analysis, measurement of variables' and the ethical considerations.

#### **3.2: Research Design.**

A case study research design was employed for this research study. The case study research design is a strategy of investigation which explores a phenomenon in details (Yin, 2009). A Case study design was used especially for assessing the data in which the researcher developed an in depth analysis of a case (Stake, 1995; Yin, 2009, 2012).The choice of this study method was inspired by the fact that it provides an opportunity to narrow down a very comprehensive field of research (Yin, 2003) and generalise the findings on the entire industry.

Both quantitative and qualitative methods of data collection were used to gather data. Quantitative research methods were used to test the hypothesis derived from the research

questions so as to be able to estimate the effect of service quality on customer retention. While qualitative research methods were used because they offer a complete description and analysis of a research subject without limiting the scope of the research and the nature of participants' responses (Collis & Hussey, 2003). Creswell (2009) viewed the qualitative research approach as a venue in which the researcher seeks to establish the meaning of a phenomenon from the views of participants.

### **3.3: Study population.**

The survey population was drawn from employees of Century Bottling Company limited, distributors, wholesalers and retailers selected in and around Uganda. Century Bottling Company has a total of 699 employees, 145 Distributors across the Country 5642 wholesalers and 83526 Retail Customers through whom it reaches out to its Consumers (Century bottling company Customer Data Base Management Report, 2017). However an accessible population of 95 was used. The accessible population comprised of 10 Distributor Managers, 10 Area Sales Managers, 15 Sales Representatives, 15 Distributors, 20 wholesalers and 25 retailers. The researcher's selection of the study population was based on the premise that the participants had the required information necessary for this study.

### **3.4: Sample size Selection.**

Sakaran (2003) describes a sample size as a sub set of a population. The sampling unit comprised of the employees of century bottling company from the sales and marketing department, official Coca-Cola distributors, wholesalers and retailers in Uganda. Sample size of ninety one (91) respondents was selected for the study, that's to say; 10 distributor managers selected by a Census, 10 area sales managers, 14 sales representatives selected randomly, 14 distributors, 19 wholesalers and 24 retailers selected purposively for the survey

study. The sample size of the respondents was determined using Krejcie and Morgan’s table as shown below (Krejcie & Morgan, 1970).

**Table: 3 Sampling Size:**

<b>Respondents</b>	<b>Population</b>	<b>Sample Size</b>	<b>Sampling Techniques</b>
Distributor Managers	10	10	Random Sampling
Area Sales Managers	10	10	Random Sampling
Sales Representatives’	15	14	Random Sampling
Distributors	15	14	Purposive Sampling
Wholesalers	20	19	Purposive Sampling
Retailers	25	24	Purposive Sampling
<b>Total</b>	<b>95</b>	<b>91</b>	

**Source:** Derived from (Krejcie & Morgan, 1970) and modified by researcher.

### **3.5: Sampling techniques.**

Both Probability and Non probability sampling techniques were used and more specifically Random sampling and Purposive sampling techniques. These were employed to ensure that the sample is a true representative of the survey population.

### **3.5.1: Purposive Sampling Techniques.**

This is a sampling technique where the elements for the research study are selected from a survey population because they contain certain attributes that the researcher is looking for. It's constructed on the researchers Judgement in regard to the purpose of the research study. The researcher adapted this research technique because it's a more illustrative research technique. The researcher employed a purposive sampling technique when selecting a sample for study from Distributors, wholesalers and retailers across the country.

### **3.5.2. Random Sampling Technique.**

This is a sampling technique where each member of the population has an equal opportunity of being selected. A random sampling technique was used when selecting a sample for study from Distributor managers, Area Sales Mangers and Sales representatives across the country.

## **3.6: Data collection methods.**

Data was gathered from both the primary and secondary sources of data. Thus, the interviews, Documentary review and questionnaire survey methods were used to collect data from participants.

### **3.6.1. Documentary review method.**

This refers to the examination of documents which have the information pertinent to the subject under observation (Bailey 1994). The documentary research method is one used to classify, probe, deduce and detect the disadvantages of the physical foundations in written documents (Payne & Payne, 2004). Examples of such documents comprise of newspapers, journals, and business reports to mention but a few. The researcher assessed and analysed the



documents by ensuring that the documents are authentic, credible, representative and have meaning (Scott, 2006). The researcher sought to clearly identify those alterations in as far as the Customer service quality and Customer retention are concerned.

### **3.6.2 Questionnaire survey.**

The researcher administered a questionnaire to the respondents using both open and closed ended questions. A questionnaire is a set of formal questions used to collect data necessary for resolving a research problem. The researcher used the questionnaire because it's economical, easy to control and it can be used to minimise non response and maximise the quality of data collected (Laurakas, 2000).

### **3.6.3 Interview method.**

This is a data collection method where data is obtained from individuals through cross examination. Kvale (1996) viewed interviews as an exchange of views between two or more people on a topic of mutual interest. Interviews are good methods of getting highly personalized data especially if there is need for probing (Gray (2004).

## **3.7. Data Collection instruments.**

The researcher used the questionnaire, documentary checklist and interview guide in collecting data.

### **3.7.1. Interview guide.**

According to Kvale (1996), interviews are an exchange of views between two or more people on a topic of shared curiosity. Gray (2004) asserts that interviews are good instruments for gathering data because they have a good response rate and are suitable where participants have difficulties with written language. The researcher used a standard interview guide to

collect data. An interview guide in this respect refers to a list of questions, topics, themes or areas to be covered in the study (Amin, 2005). The information collected through this instrument helped to substantiate the data obtained through questionnaires.

### **3.7.2. Questionnaire.**

Is a set of formal enquiries used in an investigation basically to gather information which is necessary for solving a given research problem. A questionnaire was used to gather data on customer expectations, perceptions and satisfaction with respect to the service quality of the fast moving consumer goods using the SERVQUAL model (Parasuraman et al., 1988).

### **3.7.3. Documentary checklist.**

A documentary checklist refers to an article which has as its principal feature, an inscribed text (Scott, 1990). Examples of such documents comprised of newspapers, Publications, Journals, books, company administrative documents, industry reports, Articles, statistics reports related to this study and business reports to mention but a few. Documents are written basing on specific expectations and therefore the researcher was fully aware of the origin and purpose of the documents (Grix 2001). The research study involved an investigation into the three dimensions of service quality and a documentary analysis was used to find relevant documentary evidence to support and validate facts obtained from primary sources as stated in a research survey. The researcher assessed and analysed the documents and ensured that the documents were authentic, credible, and representative and had meaning (Scott, 2006).

### **3.8. Validity and reliability.**

The correctness with which items are determined in this study is conveyed in terms of validity and reliability (Hopkins, 2001).

### 3.8.1. Validity

According to Sekaran (2003), Validity is the capability of the research instrument to produce what its intended to measure. In this research study, the validity of the research instruments was obtained with the use of content validity test. For the research instruments to give relevant and correct data, the questionnaire was assigned to two lecturers at UMI conversant with the research topic basically to comment on the clarity, ease of interpretation of the research questions and the relevance of the questions so as to ensure content, construct and face validity. Content validity ratio (CVR) was computed using the following formula.

$$CVR = \frac{\text{Total number of items rated relevant.}}{\text{Total number of rated items}}$$

The results were as illustrated in the table below:

**Table 4: Validity of the research instruments.**

Participant	Rated Relevant	Rated not Relevant	Total
1	16	3	19
2	15	4	19
	31	7	38

**Source: Primary Data.**

$$\begin{aligned} C.V.I &= \frac{31}{38} \\ &= 0.816 \end{aligned}$$

As recommended by Amin (2005), for an instrument to be valid, the content validity index (CVI) should at least be 0.7. According to content validity index in the table 4 above, the questionnaire was considered valid because the CVI of 0.816 was within the recommended ranges in a survey (Gay, 1996).

### **3.8.2. Reliability.**

Reliability refers to the extent to which related research conducted in future produces similar conclusions (Leedy & Ormrod, 2001). The researcher made use of research assistants given the fact that he works with the case study in a managerial position. Similarity: bias may be introduced by contact between research assistants and respondent. This was reduced by using a structured questionnaire with both open and close ended questions. By constructing the survey questionnaire derived from the SERVQUAL model, it was possible to enhance internal consistency through the use of rank order scales (Leedy & Ormrod 2001) rather than content analysis resulting from open ended questions. Errors of equivalence and stability was reduced since responses were selected from a limited range of clearly defined service attributes. The quality controls (discussed above) ensured that the research was administered consistently throughout all the areas of study. After a pilot test in the field, reliability of the instrument on a multi-item variables; service quality and customer retention was tested using the Cronbach's Alpha as provided by the statistical package for social sciences (Foster, 1998). The researcher established reliability of the questionnaire by computing the alpha coefficient of the research questions that constituted the independent variable and the dependent variable. The results of the reliability tests was as shown in the table below:

**Table 5: Reliability indices for the questionnaire.**

VARIABLE	PARTICULARS	NO OF QUESTIONS	CRONBACH ALPHA
Independent	Reliability	4	.755
	Assurance	5	.772
	Tangibility	5	.773
Dependent	Customer retention	5	.755

**Source: Primary Data.**

According to the Cronbach Alpha Coefficient test (Cronbach, 1971), the questionnaire was considered reliable because all the coefficients' in the table above were over and above .70 which is a recommended CVI in survey studies (Gay, 1996).

### **3.9. Data collection procedure.**

Data collection started with proposal defence and then the researcher proceeded to the case study. At a case study, the researcher presented a letter from Uganda Management Institute. The aim of this letter was to introduce the researcher to the authorities at the area of study so the researcher could be allowed to conduct the survey.

### **3.10: Data analysis.**

#### **3.10.1: Quantitative Data Analysis.**

Quantitative data was analysed through coding and entry into Statistical Package for Social Sciences (SPSS). SPSS was used to generate descriptive statistics such as frequencies, percentages, mean and standard deviation.

### **3.10.2. Qualitative Data Analysis.**

The qualitative data was analysed by means of content analysis. According to Holsti, (1969), content analysis is used to make inferences about the antecedents of a communication, to describe and make inferences about characteristics of a communication and to make inferences about the effects of a communication. Reliability in content analysis was ensured by analysing the amount of agreement or correspondence among the key informants.

### **3.11. Measurement of variables.**

The researcher used both the nominal and ordinal scale in measuring the data. A nominal scale was used for capturing the background characteristics of the respondents such as gender, age, academic qualifications and sources of incomes of the respondents while the ordinal scale was used in ranking data. The researcher employed a five Likert scale rate system to rate the opinions of the respondents because it measures attitudes, beliefs, emotions and other psychological constructs. The instruments were designed basing on the dimensions of the Servqual Model with the exception of Responsiveness and empathy.

### **3.12. Ethical Considerations.**

In piloting research, ethical concerns are one of the main apprehensions. Accordingly, the researcher obtained an introductory letter from Uganda management institute to conduct a research survey. The researcher then moved to the area of study and sought consent from all respondents selected for the study. The researcher explained the objectives of the study to the respondents and why the particular respondents were selected and asked the respondents to sign a letter of consent to ensure nobody was coerced into participating in the study.

All the information that was obtained from the participants was preserved with privacy and without revelation of the respondent's identity. Here the respondents were not required to indicate their names on the questionnaires.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

#### **4.1 Introduction.**

This chapter presents the findings of the research study, analysis and interpretation of data collected from respondents using SPSS as a data analysis tool. Data analysis was guided by the study objectives and assessed service quality and customer retention in Uganda with Century bottling company limited as a case study. The chapter is divided into five sections. The first section (4.1) deals with the introduction to chapter four, the second section (4.2) deals with response rate of the participants, the third section (4.3) deals with the Background characteristics of the respondents, the fourth section (4.4) deals with the descriptive statistics of the objectives covering mean and standard deviation, correlation and regression analysis of the dimensions, the fifth section (4.5) deals with the correlational statistics and the regression analysis of the survey results. Tables and graphs were used for purposes of easier understanding, clarity and interpretation of the findings of the research study.

#### **4.2 Response Rate.**

Response rate refers to the number of returned questionnaires divided by the total sample who were sent the survey initially (Mitchell, 1989). It is usually expressed in the form of a percentages.

Below is the table showing the category of respondents from whom data was collected and the methods employed to collect data from each category. The table also presents the target sample intended for the Study and the sample population that actually responded.

**Table: 6. Response rate of the survey study.**

Respondents	Target Sample	Actual Response	Response Rate	Sampling Technique
Distributor Managers	10	6	60%	Population census
Area Sales Managers	10	7	70%	Random Sampling
Sales Representatives	14	13	93%	Random Sampling
Distributors	14	14	100%	Purposive Sampling
Wholesalers	19	17	89%	Purposive Sampling
Retailers	24	23	96%	Purposive Sampling
Total	91	80	85%	

**Source: Primary data**

From the table above, out of the 91 respondents who were served with survey questionnaires' and notices of interview schedules, only 80 were able to return the survey instruments within the required time frame thus giving a response rate of 85%. According to Baruch & Holtom (2008), the average level of response rate is 52.7 percent and with a standard deviation of 20.4. The results above indicate the response rate was attained at 85% which is higher compared to 52.7% implying that the researcher was able to gather enough data necessary to produce a more accurate survey and an effective representation of the research study.

**4.3 Background Characteristics of Respondents.**

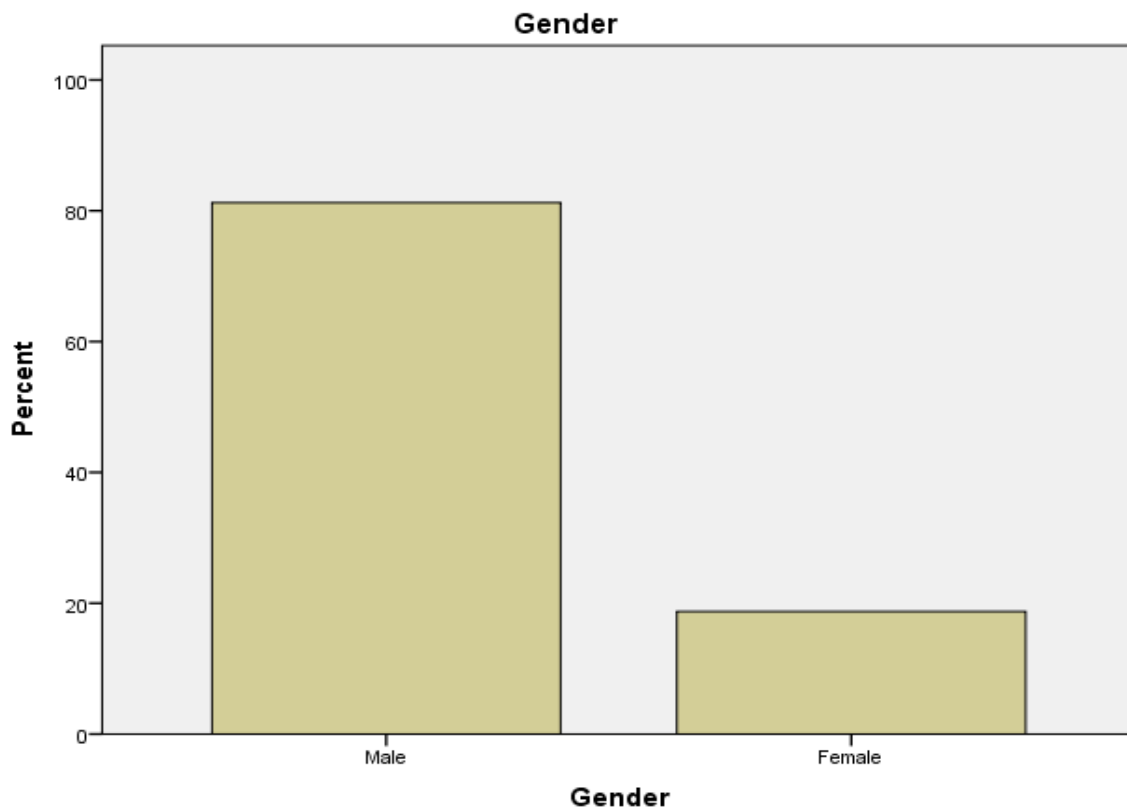
This presents the gender, sex, age, academic qualifications and the sources of income of the sample population who participated in the research study and their opinion about the research variables and how their opinions affected the research findings.



### 4.3.1. Gender of the respondents.

Gender is a social classification based on one's identity, presentation of self, behaviour, and interaction with others (Diamond, 2002). Below is a graph illustrating the gender of the respondents who participated in the survey.

**Figure 4: Gender of Respondents.**



**Source: Primary data**

Data was collected from different respondents and the over all sample represented a total of 81.3% Male and 18.7% Female which is presented graphically in the bar chart above. The variation in this number shows the willingness of Male sex to cooperate and answer the questions. While the lower number of female respondents indicates the opposite.

#### 4.3.2: Age of respondents.

The researcher further explored to find out the age range of respondents in research survey as illustrated under:

**Table: 7. Age Bracket of Respondents.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 25-34 Yrs.	32	40.0	40.0	40.0
35-44 Yrs.	30	37.5	37.5	77.5
45 and Above	18	22.5	22.5	100.0
Total	80	100.0	100.0	

**Source: Primary data**

The results from the table above show that the model age bracket lies between 25 - 34 years old which constitutes 40% of all respondents in the survey. The second largest group belongs to 35-44 years of age and this contributes 37.5%. And lastly was the age bracket of those who are 45 years and above and this contributed 22.5%. From the research findings, it's evident that respondents being in their youth full stage, there is need to protect this Niche for future prospects of the business. Besides, the results revealed that the respondents were mature enough to offer meaningful responses to the research questions.

#### 4.3.3: Academic qualifications of respondents.

Respondents were tasked to state their academic qualifications and below are the findings.

**Table: 8. Respondents' Level of Education.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Post Graduate Degree	2	2.5	2.5	2.5
Bachelor's Degree	45	56.3	56.3	58.8
Diploma Cert.	30	37.5	37.5	96.3
Secondary Cert	3	3.8	3.8	100.0
Total	80	100.0	100.0	

**Source: Primary data**

The findings revealed that 56.3% of the participants had attained a bachelors’ degree, 37.5% diploma certificates, then those from secondary level at 3.8% and lastly the post graduate level at a lower percentage of 2.5%. From the findings of the study, all participants were knowledgeable enough to provide meaningful reliable data.

**4.3.4: Customer profiling of the respondents.**

Participants were tasked to tell the category of businesses they are doing with century bottling company. Here customers were broken down into groups sharing similar goals and characteristics and their responses are illustrated in the table below:

**Table: 9. Customer profiling.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Distributor	14	25.9	25.9	25.9
	Wholesaler	17	31.5	31.5	57.4
	Retailer	23	42.6	42.6	100.0
	Total	54	100.0	100.0	

**Source: Primary data**

From the table above, most of the respondents from the customer category were retailers and these comprised of 42.6%, followed by wholesalers at 31.5% and lastly the distributors with a share of 25.9%. The researcher considered customer profiling because this would help to guide research study especially in understanding the design of decisions in regard to service being offered by century bottling company.

#### 4.3.5: Participants sources of capital.

Participants were tasked to show the source of their working capital and the findings are as follows.

**Table: 10. Sources of capital of respondents.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Personal Savings	2	2.5	2.5	2.5
Bank Loans & Guarantees	49	61.3	61.3	63.7
Contribution from family	29	36.3	36.3	100.0
Total	80	100.0	100.0	

**Source: Primary data**

From the above table, it was revealed that most of the customers of Century bottling company use bank loans and bank guarantees and this contributes majority share of 61.3% of the respondents. This was followed by those who use capital contributed by family members at 36.3%. The research also revealed that very few customers use capital obtained from their own retained earnings and this comprises of only 2.5% of the total respondents of the research study.

The researcher considered the source of working capital because it's a key determinant of capital accumulation. It is true that in the early stages of businesses, one is unlikely to have all the capital start operations, and yet there are options for funding. The traditional way of business funding include borrowing from bank. Besides, borrowing from family is a lot easier than borrowing from a bank. One does not have to submit an application and might not have to pay interest. However, it isn't always a great experience. One may end up paying a lot more back in ways he or she never imagined.

#### 4.4 Customer retention at Century bottling company

Defining in own words, customer retention is the process of getting, keeping and growing customers within a certain time span on a continuous basis. In this study, customer retention is looked at in terms of customers making repeat purchases from the same company, willingness for customers to refer other customers to the same company, the willingness for customers to continue trading with the same company and lastly the volume and revenue growth of both the same company and its customers. To understand the level of customer retention in century bottling company, the customers were subjected to specific questions so they could give their opinions in regard to various operational situations under study. Their responses were computed and tabulated by making an aggregate of responses given by the respondents to the 5 items of interest under study and a 5point Linkert scale which aimed at measuring the level of customer retention and their respective percentage scores, mean values and standard deviation are presented as follows:

**Table: 11. Customer retention at Century Bottling Company.**

	N	SA	A	NS	D	SD	Mean	Std. Deviation
I 'am proud to say that am doing business with CBC	80	66.3%	31.3%	2.5%	0%	0%	4.6375	0.53353
I' am planning to increase my investments in CBC	80	52.5%	43.8%	3.8%	0%	0%	4.4875	0.57355
I would recommend any customer to do business with CBC	80	37.5%	37.5%	3.8%	18.8%	2.5%	3.8875	1.17994
My loyalty to CBC has increased over the years	80	56.3%	42.5%	1.3%	0%	0%	4.55	0.52531
My sales over the years have increased	80	30%	32.5%	3.8%	33.8%	0%	3.5875	1.23958
Valid N (listwise)	80						<b>4.23</b>	<b>0.810382</b>

**Source: Primary data**

From the results in the table above, it was found out that all of the 5 items that were introduced to the respondents had their mean values above 3.0. Overall, the results revealed that century bottling company has a mean data value of 4.23 and a standard deviation of 0.8. This implies that century bottling company puts in efforts to retain its customers. The findings of the study are discussed in details as under:

**4.4.1: Proud to do Business with Century bottling company limited.**

In regard to doing business with century bottling company, participants were tasked to state their opinion and the results are presented below

**Table: 12. Pride to do Business with Century bottling company.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	2	2.5	2.5	2.5
	Agree	25	31.3	31.3	33.8
	Strongly Agree	53	66.3	66.3	100.0
	Total	80	100.0	100.0	

**Source: Primary data**

From the above table, out of 80 respondents, 66.3% strongly agreed to be proud of selling the world’s number one carbonated soft drinks and 31.3% agreed. However, 2.5% of the respondents were undecided while none of respondents disagreed with the question under study. This rested at a mean data value of 4.6 and 0.5 as the standard deviation.

**4.4.2: Plan to increase level of investment.**

Respondents were subjected to a situation as to whether they had any intentions to re-invest in doing business with Century bottling company and below are the responses.

**Table: 13. Increase of investment levels.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	3	3.8	3.8	3.8
	Agree	35	43.8	43.8	47.5
	Strongly Agree	42	52.5	52.5	100.0
	Total	80	100.0	100.0	

**Source: Primary data**

In regard to increase in capital investment in Century bottling company, 52.5% strongly agreed that they were planning to increase their investments with century bottling company, 43.8% also were in agreement while 3.8% were not sure of what to do in as far as how investments decisions in century bottling company were concerned. All in all, increase in investment in century bottling company had a mean data value of 4.5 with 0.6.as the standard deviation.

#### **4.4.3: Recommendation of century bottling company business to friends**

Respondents were asked to give their option on whether they would recommend their close friends, relatives and workmates to do business with century bottling company and below is their responses.

**Table: 14. Customer referrals.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	2.5	2.5	2.5
	Disagree	15	18.8	18.8	21.3
	Not Sure	3	3.8	3.8	25.0
	Agree	30	37.5	37.5	62.5
	Strongly Agree	30	37.5	37.5	100.0
	Total	80	100.0	100.0	

**Source: Primary data**

From the above table regarding responses on whether customers can refer other customers to do business with century bottling company, 37.5% were in agreement and that they would recommend other customers to century bottling company and 37.5% also said they agree and can recommend century bottling to customers intending to do business,3.8% were not sure on what to do in this regard while 18.8% did not agree and that they would not recommend and 2.5% strongly disagreed that they would not risk telling any other business individual to do business with Century bottling company. Their responses settled at a mean data value of 3.9 and 1.2 as the standard deviation.

**4.4.4: Respondents level of loyalty to Century Bottling Company.**

In regard to the above question, participants were asked to give their opinion and the findings are presented in the table below

**Table: 15.Customer Loyalty to Century bottling Company.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	1	1.3	1.3	1.3
	Agree	34	42.5	42.5	43.8
	Strongly Agree	45	56.3	56.3	100.0
	Total	80	100.0	100.0	

**Source: Primary data**

In regard to increased customer loyalty to century bottling company as a business entity, 56.3% were strongly in agreement that indeed their loyalty had over time increased, 42.5% also agreed with the question poised to them while 1.3% were not sure whether their loyalty had over the time increased or not. None of the respondents however could either disagree nor strongly disagree. This led to a mean data value of 4.6 and a standard deviation of 0.5.



#### 4.4.5: Increase in sales volume and revenue over the years.

Respondents were asked to state their position as to whether their sales volumes and revenue has increased over the years and below is the response.

**Table: 16. Sales volume and revenue growth**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	27	33.8	33.8	33.8
Not Sure	3	3.8	3.8	37.5
Agree	26	32.5	32.5	70.0
Strongly Agree	24	30.0	30.0	100.0
Total	80	100.0	100.0	

**Source: Primary data**

According to the results from the survey, 33.8% disagreed with the fact that their sales volumes had increased over the years while 3.8% have not yet noticed a change in the sales volumes over the years and therefore disagreed, Notwithstanding, 32.5% agreed that their sales volumes have increased and 30% were strongly in agreement with the question and that indeed their sales have greatly increased. This resulted in a mean of 3.6 and a standard deviation of 1.2.

#### 4.5: Service quality and customer retention.

These findings were obtained on service tangibility, service assurance and service reliability and how these service dimensions affect the customers' willingness to repeat purchasing, refer other customers, stay longer in a business relationship and grow the sales volumes and revenues while selling Century bottling company products. The findings are arranged in the table below to show the descriptive statistics, the correlational statistics and finally the regression analysis on the findings of the research study. To understand whether service quality has any influence on customer retention in Century bottling company, respondents

were subjected to pre-conceived statements as per each variable under the research study and their views on each dimension are presented as follows:

**4.5.1: Descriptive Statistics on Tangibility and Customer retention.**

In order to measure respondent’s opinions five items were used. The findings are presented below.

**Table: 17. Respondents views on tangibility.**

	N	Mean	Std. Deviation
Clean and well packaged products from CBC	80	4.6500	.47998
Up-to-date promotions and POS communication materials	80	4.1625	.81821
Appearance and ease of accessibility of CBC employees	80	4.5625	.54758
The physical appearance of the products themselves	80	4.6250	.55972
Environment within which the transactions take place	80	4.2875	.71501
Valid N (listwise)	80		

**Source: Primary data**

From the results in the table above, it was found out that none of the items that were introduced to respondents had a mean data score of less than 3.0. This statistically means that the level of Service tangibility in century bottling company is very high. Among the items introduced to respondents included: clean and well packaged products from century bottling company with a mean score of 4.65, Up-to date promotions and point of sale materials with a mean data score of 4.16, appearance and ease of accessibility of Century bottling company employees with a mean data score of 4.56, the physical appearance of the products themselves with a mean data score of 4.625, and lastly the environment within which the transactions take place with a mean data score of 4.2875. These literally mean that the majority of century bottling company customers appreciate the service tangibility component

of the product and service offerings of century bottling company and that indeed this trigger their desire to continue trading with century bottling company limited as a business.

The key respondents from Century bottling company also seemed to have the same understanding in as how customers perceive their product and service offerings. 84% of the respondents indicated that due to Century bottling company Customer service policy, it's mandatory that products and service offerings are appealing enough to attract the attention of customers at a point of sale. To emphasize this point, one of the interviewees went on to explain the standardisation of product layout all the way from the plant, all through the distributor stores to the retail outlets. And this cuts across from their own refrigerators all through the customer owned refrigerators. Below are a details of the responses as guided by the Servel instrument

**4.5.1.1: Clean and well packaged products and customer retention**

In this regard, respondents were subjected to questions in regard to how clean and well packaged products can influence their purchase intentions and below were the responses.

**Table: 18. Clean and well packaged products.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	28	35.0	35.0	35.0
Strongly Agree	52	65.0	65.0	100.0
Total	80	100.0	100.0	

**Source: Primary data**

From the above table, only two responses in regard to scale of measure came out. Results indicate that out of the 80 respondents, 65% indicated strongly agree and the rest comprising of 35% indicated agree. None of the respondents were seen to disagree or strongly disagree with the research question poised to them in this regard. This shows that clean and well

packaged products are extremely important in influencing customers purchase intentions in Century bottling company.

**4.5.1.2: Promotions and POS communication materials and customer retention**

In regard to how the appearance of promotions and point of sale communication materials affect customer retention, below are the responses.

**Table: 19. Appearance of Promotions and point of sale communication materials**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	3	3.8	3.8	3.8
Not Sure	12	15.0	15.0	18.8
Agree	34	42.5	42.5	61.3
Strongly Agree	31	38.8	38.8	100.0
Total	80	100.0	100.0	

**Source: Primary data**

From the above table, out of the 80 respondents, 38.8% indicated strongly agree, 42.5% indicated agree, 15% were not sure and 3.8% indicated disagree. This implies that point of sale communication materials are used in century bottling company

**4.5.1.3: Appearance and ease of accessibility of CBC employees and customer retention**

Respondents were asked to state their views in as to whether appearance and ease of accessibility of company employees has any effect on customer retention in Century bottling company and their responses can be shown in the table below.

**Table: 20. Appearance and ease of accessibility of Employees.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Not Sure	2	2.5	2.5	2.5
Agree	31	38.8	38.8	41.3
Strongly Agree	47	58.8	58.8	100.0
Total	80	100.0	100.0	

**Source: Primary data**

From the above table, the study shows that the majority response rate of 58.8% stated that they strongly agree, 38.8% stated that they agree with the fact that appearance and ease of accessibility of company employees plays a great role in retaining customers. The rest of the respondents were not sure and could not identify themselves with any other options. This means that Century bottling company emphasizes first impressions of employees because this can have a significant impact on the success of its business.

#### **4.5.1.4: The physical appearance of the products and customer retention.**

Respondents were asked to state whether the physical appearance of the products that one is selling has any effect on attracting, getting, keeping and growing customers and below is their responses:

**Table: 21. Physical appearance of products.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	1	1.3	1.3	1.3
Agree	27	33.8	33.8	35.0
Strongly Agree	52	65.0	65.0	100.0
Total	80	100.0	100.0	

**Source: Primary data**

From the above table, out of the 80 respondents, 65% strongly agreed with the question posed to them, 33.8% also were in agreement. However, 1.3% did not agree with the statement that the physical appearance of the products can help in retaining customers in a

business. This implies that century bottling company looks at physical appearance of the products critically because the product and service offering combined are a great competitive advantage to any company.

**4.5.1.5: Environment within which the transactions take place and customer retention.**

Respondents were asked to give their say on how the environment within which transactions take place affect customer retention and below is their response

**Table: 22. Environment within which transactions occur.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	2	2.5	2.5	2.5
Not Sure	6	7.5	7.5	10.0
Agree	39	48.8	48.8	58.8
Strongly Agree	33	41.3	41.3	100.0
Total	80	100.0	100.0	

**Source: Primary data**

From the above table, the research results revealed that 41.3% strongly agreed that the environment within which a transactions take place is critical in retaining customers and 48.8% of the respondents were also in agreement while 2.5% did not agree with the assumption. Worse still, 7.5% could not tell how the environment in which a business operates can hinder customer retention. The findings here reveal that the environment within which transactions occur are treated with extra consideration at century bottling company.

#### 4.5.1.6 Correlation findings of the effect of tangibility on customer retention.

**Table: 23. Correlation results for tangibility and customer retention.**

		Tangibility	Customer Retention
Tangibility	Pearson Correlation	1	.569**
	Sig. (2-tailed)		.000
	N	80	80
Customer Retention	Pearson Correlation	.569**	1
	Sig. (2-tailed)	.000	
	N	80	80

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: Primary data**

Pearson correlation coefficient in the table above reveals that there is a moderate positive relationship between tangibility and customer retention. This is represented by Pearson correlation coefficient of  $r = 0.569^{**}$  tested at 0.01 level of significance. This implies that any increase in tangibility will lead to 56.9% increase in customer retention and 43.1% by other factors. Also the corresponding level of significance equivalence  $P = 0.000$ , means that there is 100% probability of statistical significance i.e.  $(1.00 - 0.000 = 1.00$  or 100%) further serves to explain that there is a significant relationship between tangibility and customer retention at Century bottling company. The implications of these findings is that Tangibility positively affects customer retention in Century bottling company. This means that the higher the service component of tangibility, the higher the customer retention. Therefore tangibility component of a product offering at century bottling company should be much emphasized.

#### 4.5.1.7: Regression analysis of tangibility on customer retention.

**Table 24: Model Summary of regression analysis of tangibility on customer retention.**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.569 <sup>a</sup>	.323	.315	.46392

a. Predictors: (Constant), Tangibility

**Source: Primary data**

The model summary table of regression results above provides information about the regression line ability to account for total variation in service quality. The value of Squared,  $R^2=0.323$  meaning that 32.3% of the total variance in customer retention has been explained. The results therefore mean that tangibility is a strong predictor of customer retention.

**Table 25: Model summary of Anova findings of tangibility on customer retention.**

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.021	1	8.021	37.269	.000 <sup>b</sup>
	Residual	16.787	78	.215		
	Total	24.808	79			

a. Dependent Variable: Customer Retention

b. Predictors: (Constant), Tangibility

**Source: Primary data**

From analysis of variance results in the table above, it can be noted that fisher's ratio (F) is 37.269 while the significance is 0.000. This indicates that the model is statistically significant. This also implies that tangibility can significantly predict the variations in customer retention.



**Table 26: Coefficient of regression analysis.**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.838	.558		1.503	.137
	Tangibility	.761	.125	.569	6.105	.000

a. Dependent Variable: Customer Retention

**Source: Primary data**

From the table above, coefficient of the regression analysis confirms the results on the correlation in that tangibility has a positive correlation coefficient of 0.761 is statistically significant at 5% level of confidence since it has a probability value of P= 0.000 which is less than 0.05 meaning that tangibility is one of the service quality dimensions that account for customer retention in century bottling company.

#### **4.5.1.8: Qualitative responses on service tangibility and customer retention.**

*One of the key respondents at Century bottling company placed a high level of importance on tangibility of their product and service offering. He pointed out that this is critical and it's a component that is monitored all the way from headquarters in Atlanta. He went on to explain that century bottling company uses world class production machines, high class delivery trucks which include Benzes and Actraces, world class cooling equipment's, including point of sale communication materials which offer exactly what the consumer wants. And that none of this kind of high technology equipment's can be equalled by any competitor company in Uganda.*

*He went on and pointed out that the company does not simply lay down standards but it goes as far as printing out planograms for product demonstration and trains every participant in the supply chain on total product management. In instances where there is no compliance, company employees are urged to with draw such non-confirming products and return them to the plant so a replacement can be made. And in as far as people appearance is concerned, the company avails branded uniforms that are appealing, new and matching the fashion trends.*

#### 4.5.2: Descriptive Statistics on Assurance and Customer Retention.

Quality Service processes are intended to keep customers satisfied while defending the business establishments. In this section, findings on service assurance and customer retention are presented. The findings are arranged in the table below to show the descriptive statistics, the correlational statistics and finally the regression analysis on the findings of the research study. In order to measure respondent's opinions, a total of five items were used. The questions were based on a five Linkert scale and the results are shown in the table below.

**Table: 27. Service assurance and customer retention descriptive.**

	N	Minimum	Maximum	Mean	Std. Deviation
The way my problems and complaints are handled at CBC	80	1.00	5.00	3.4500	1.22112
Business building advice I get from CBC staff to improve sales	80	1.00	5.00	4.1125	1.11371
The time it takes to place and receive the products from CBC is ok	80	1.00	5.00	3.2250	1.36850
The level of integrity, professionalism and willingness of staff to help	80	1.00	5.00	4.3000	.90568
Timely response to changing market demand and trends	80	1.00	5.00	4.3125	1.08609
Valid N (listwise)	80				

**Source: Primary data**

From the results in the table above, none of the five items that were introduced to respondents had a mean data score of less than 3.0. This statistically means that the level of service assurance is high. Among the items introduced to respondents included: the way my problems and complaints are handled at CBC triggers me to do business with century bottling company with a mean data value of 3.45, Business building advice I get from CBC staff to improve sales is helpful with a mean data value of 4.1, the time it takes to place and receive the products from CBC is ok with a mean data value of 3.2, the level of integrity,

professionalism and willingness of staff to help customers with a mean data value of 4.3, the timely response to changing market demand and trends with a mean data value of 4.3. This literally means that the majority of century bottling company customers appreciate the service assurance component of the product and service offerings of century bottling company and that indeed this service offering triggers their desire to continue trading with century bottling company. There was however, an indication that there is a weakness in the way customer complaints are handled at century bottling company and also about the time it takes to place and receive an order. Below are details of the responses as guided by the Servqual instrument

**4.5.2.1: Problems and complaints handing and Customer retention.**

Here respondents were tasked to give their say in regard to how problem and complaint handling can affect customer retention and below is their responses.

**Table: 28. Problems and complaints handing and Customer retention**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	7	8.8	8.8	8.8
Disagree	14	17.5	17.5	26.3
Not Sure	9	11.3	11.3	37.5
Agree	36	45.0	45.0	82.5
Strongly Agree	14	17.5	17.5	100.0
Total	80	100.0	100.0	

**Source: Primary data**

The table above indicates 45% agree with the question poised, 17.5% strongly agree, 17.5% do not agree, 8.8% strongly disagree when it comes to problem and complaints handling and customer retention. It must also be noted that 11.3% of the respondent were not sure whether simply handling well a customer problem or complaint can lead to customer retention. The majority positive response in this regard implies that if customers have a positive customer

experience at century bottling company, and this has contributed more in ensuring a sustainable customer base.

**4.5.2.2: Business building advice and customer retention**

In this regard, respondents were tasked to give their say in regard to how business building advice can lead to customer retention and below are their responses.

**Table: 29. Business building advice and customer retention**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	6	7.5	7.5	7.5
	Disagree	3	3.8	3.8	11.3
	Agree	38	47.5	47.5	58.8
	Strongly Agree	33	41.3	41.3	100.0
	Total	80	100.0	100.0	

**Source: Primary data**

The table above clearly indicates that the majority of respondents at 47.5% agree with the question posed to them, 41.3% strongly agree, 3.8% do not agree and 7.5% strongly disagree when it comes to the relevancy of business building advice and customer retention. The majority positive response rate in this regard implies that getting customers in century bottling company isn't enough because businesses need to retain customers and use their relationship with them to promote themselves to other potential customers. Scarcity rules the world of business, and no scarcity is more pressing to customers than time.

**4.5.2.3: Duration it takes to place and receive the products and customer retention**

The respondents were tasked to give their say in regard to the duration it takes to place and receive an order and how this can lead to customer retention and below is their responses.

**Table: 30. Duration it takes to place and receive an order.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	12	15.0	15.0	15.0
Disagree	19	23.8	23.8	38.8
Agree	37	46.3	46.3	85.0
Strongly Agree	12	15.0	15.0	100.0
Total	80	100.0	100.0	

**Source: Primary data**

The table above clearly indicates that the majority of respondents at 46.3% agree with the question posed to them, 15% strongly agree, 23.8% do not agree while 15% strongly disagree when it comes to duration it takes to place and receive the products and customer retention. All in all, there was a moderate response in this area and Century bottling company needs to streamline its Route to Market to ensure its customers receive the products on time and in full.

**4.5.2.4: Integrity, professionalism and willingness of staff to help and customer retention.**

In regard to integrity, professionalism and willingness of staff to help and customer retention and below is their responses.

**Table: 31. Integrity, professionalism and willingness of staff to help and customer retention.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	1	1.3	1.3	1.3
Disagree	6	7.5	7.5	8.8
Agree	34	42.5	42.5	51.2
Strongly Agree	39	48.8	48.8	100.0
Total	80	100.0	100.0	

**Source: Primary data**

From the above table, participants indicated their say on whether century bottling company employees exhibit some level of integrity, professionalism and willingness of staff to help them. Out of the 80 respondents, 48.8% % indicated strongly agree, 42.5% agree, 7.5% disagree and lastly 1.3% strongly disagreeing. This means that customers take into consideration the Integrity, professionalism and willingness of company staff to help them and this triggers their desire to stay longer doing business with Century bottling company.

**4.5.2.5: Response rate to changing market demand and trends and customer retention.**

In regard to how they rate the response rate of century bottling company to changing market demand and how this impacts on customer retention, below is their responses:

**Table: 32. Response rate to changing market demand.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	6	7.5	7.5	7.5
	Not Sure	2	2.5	2.5	10.0
	Agree	27	33.8	33.8	43.8
	Strongly Agree	45	56.3	56.3	100.0
	Total	80	100.0	100.0	

**Source: Primary data**

The results in table indicates that 56.3% strongly agree with the question poised to them in response to response rate to changing market trends and customer retention, 33.8% agree and 7.5% strongly disagree. This means that customers value the speed at which a company responds to changing business environments.

#### 4.5.2.6: Correlation findings of the effect of Assurance on customer retention

**Table: 33. Correlation results of Assurance and Customer retention.**

		Assurance	Customer Retention
Assurance	Pearson Correlation	1	.370**
	Sig. (2-tailed)		.001
	N	80	80
Customer Retention	Pearson Correlation	.370**	1
	Sig. (2-tailed)	.001	
	N	80	80

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: Primary data**

Pearson correlation coefficient in the table above reveals that there is a weak but positive relationship between assurance and customer retention. This is represented by Pearson correlation coefficient of  $r = 0.370^{**}$  tested at 0.01 level of significance. This implies that any increase in assurance will lead to 37% increase in customer retention and 63% by other factors. Also the corresponding level of significance equivalence  $P = 0.001$ , means that there is 99.9% probability of statistical significance .i.e.  $(1.00 - 0.001 = 0.999$  or 99.9%) further serves to explain that there is a significant relationship between assurance and customer retention at Century bottling company. The implications of these findings are that assurance positively affects customer retention in Century bottling company. This means that the higher the service component of assurance, the higher the customer retention. Therefore assurance component of a product offering at century bottling company should be undermined due to its weak effect on customer retention. These research findings are in agreement with the research hypothesis that there is a positive relationship between assurance and customer retention.

#### 4.5.2.7: Regression analysis of Assurance on customer retention.

Further analysis was conducted using a regression analysis to determine the effect of Assurance on customer retention. The findings of the study are presented in table below.

**Table 34: Model Summary of regression analysis of Assurance on customer retention.**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.370 <sup>a</sup>	.137	.126	.52394

a. Predictors: (Constant), Assurance

**Source: Primary data**

The model summary table of regression results above provides information about the regression line ability to account for total variation in service quality. The value of Squared,  $R^2=0.137$  meaning that 13.7% of the total variance in customer retention has been explained. The results therefore mean that assurance is a strong predictor of customer retention.

**Table 35: Model summary of Anova results of assurance on customer retention.**

Model	Sum of Squares	df	Mean Square	F	Sig.
Residual	21.412	78	.275		
Total	24.808	79			

a. Dependent Variable: Customer Retention.

**Source: Primary data**

From analysis of variance results in the table above, it can be noted that fisher’s ratio (F) is 12.370 while the significance is 0.001. This shows that the model is statistically significant. And that assurance can significantly predict the variation.

**Table 36: coefficients of regression analysis**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.151	.312		10.085	.000
	Assurance	.278	.079	.370	3.517	.001

a. Dependent Variable: Customer Retention

**Source: Primary data**



From the table above, coefficient of the regression analysis confirms the results on the correlation in that assurance has a positive correlation coefficient of 0.278 is statistically significant at 5% level of confidence since it has a probability value of  $P= 0.000$  which is less than 0.05 meaning that assurance is one of the service quality dimensions that account for customer retention in century bottling company.

#### **4.5.2.8: Qualitative responses on assurance and customer retention.**

*From some respondents interviewed at century bottling company, I noted from their responses that they have not had records of dishonesty for quite a long time, and went on to explain that as a company, they have a learning and development manager under the human resources department whose major role is keep identifying the gaps between employee knowledge and skill of doing their daily routines and the expected level of performance and accordingly arranges training sessions to close on the gaps identified. Besides, every employee upon recruitment is given a booklet of company values where honesty is inclusive and that they have disciplinary team in Human resources department that ensures that any discrepancies to performance standards is punished. Besides, they noted that approximately all their employees are polite. They went to affirm that century bottling company employees are given all the necessary tools to do their jobs including books for records and monthly financial support in form of field allowances. They however noted that they are very active in marketing but are limited in above the line campaigns due to the limited budget but according to them, this is supplemented with the good customer service policies where support is accorded to customers by training through the company frontline sales force.*

#### **4.5.3: Descriptive Statistics on Reliability and Customer retention.**

In this section, findings on reliability and customer retention are presented. The findings are arranged in the table below to show the descriptive statistics, the correlational statistics and finally the regression analysis on the findings of the research study. In order to measure respondent's opinions, a total of five items were used. The questions were based on a five Linkert scale (1=strongly disagree (SD), 2=Disagree (D), 3=Not sure (NS), 4=Agree (A) and lastly 5=Strongly Agree (SA) as illustrated in the table below:

**Table: 37. Reliability and customer retention**

	N	Minimum	Maximum	Mean	Std. Deviation
The assorted products (mix) are always in stock.	80	3.00	5.00	4.6375	.53353
The units ordered are (100%) supplied.	80	3.00	5.00	4.4875	.57355
The stock units delivered in a specified period is consistent	80	1.00	5.00	3.8875	1.17994
The accuracy and safety of my transaction records	80	3.00	5.00	4.5500	.52531
Valid N (list wise)	80				

**Source: Primary data**

From the results in the table above, it was found out that all of the four items that were introduced to respondents had a mean data score of greater than 3.0. Based on the scale of 1=strongly disagree, 2=disagree, 3=not sure, 4=agree and 5 = strongly agree, any mean of 3.0 indicates good performance of the variable under study. This statistically means that the level of reliability in century bottling company is very high. Among the items introduced to respondents included: the assorted products (mix) are always in stock with a mean data value of 4.6375, the units ordered are (100%) supplied with a mean data value of 4.4875, the stock units delivered in a specified period is consistent with a mean data value of 3.8875 and lastly the accuracy and safety of my transaction records with a mean data value of 4.5500. This literally means that the majority of customers appreciate the reliability component of the product and service offerings of century bottling company and that indeed this service offering trigger their desire to continue trading with century bottling company limited. Below are details of the responses as guided by the Servqual instrument.

#### **4.5.3.1: Assorted products (mix) and customer retention**

The respondents were tasked to give their views in regard to the assorted products (mix) and their impact on customer retention and below is their responses.

**Table: 38. Assorted product mix and customer retention.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Not Sure	2	2.5	2.5	2.5
Agree	25	31.3	31.3	33.8
Strongly Agree	53	66.3	66.3	100.0
Total	80	100.0	100.0	

**Source: Primary data**

From the table above, majority of respondents at 66.3% strongly agree with the question poised that indeed the assorted product (mix) offered play a great role in retaining customers, 31.3% agrees. However, there were some respondents comprising of 2.5% who were not sure about what was happening in regard to this question.

#### **4.5.3.2: Delivering on promise and customer retention**

Here participants were tasked to state their opinion in regard to the fact that delivering on what you promise to customers can lead to customer retention and below is their responses.

**Table: 39. Delivering on customer promises and customer retention.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Not Sure	3	3.8	3.8	3.8
Agree	35	43.8	43.8	47.5
Strongly Agree	42	52.5	52.5	100.0
Total	80	100.0	100.0	

**Source: Primary data**

From the above table, majority of respondents at 52.5% strongly agree with the question poised to them in regard to the fact that delivering on what you promise to customers can lead to customer retention, 43.8% agree, and 3.8% of the respondents in regard to delivering on promises at 100% were not sure. This implies that century bottling company usually delivers on whatever it promises its customer.

#### 4.5.3.3. Effect of Services delivery consistency on customer retention

Here respondents were asked to give their say in regard to the fact that consistently delivering a good service to customers can lead to customer retention and below is their responses

**Table: 40. Consistence in service delivery and customer retention.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	2.5	2.5	2.5
	Disagree	15	18.8	18.8	21.3
	Not Sure	3	3.8	3.8	25.0
	Agree	30	37.5	37.5	62.5
	Strongly Agree	30	37.5	37.5	100.0
	Total	80	100.0	100.0	

**Source: Primary data**

From the above table, 37.5% strongly agree, 37.5 also agree, 18.8% disagree and 2.5% strongly disagree with the question poised to them in regard to the fact that consistence in service delivery can lead to customer retention. However, 3.8% were not sure about what was happening in regard to this question.

#### 4.5.3.4: Effect of accuracy and safety of transaction records on customer retention

In regard to accuracy and safety of business transaction records and how this can impact on customer retention, below is their responses.

**Table: 41. Accuracy and safety of transaction records.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	1	1.3	1.3	1.3
	Agree	34	42.5	42.5	43.8
	Strongly Agree	45	56.3	56.3	100.0
	Total	80	100.0	100.0	

**Source: Primary data**

The results in the table above show that 56.3% of the respondents who actually participated strongly agree while 42.5% agree and 1.3% are not sure of facts behind the question that was raised in this aspect.

#### 4.5.3.5: Correlation findings of the effect of reliability on customer retention

**Table: 42. Correlational results for service reliability and customer retention**

		Reliability	Customer Retention
Reliability	Pearson Correlation	1	.910**
	Sig. (2-tailed)		.000
	N	80	80
Customer Retention	Pearson Correlation	.910**	1
	Sig. (2-tailed)	.000	
	N	80	80

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### **Source: Primary data**

Pearson correlation coefficient in the table above reveals that there is a very strong positive relationship between reliability and customer retention. This is represented by Pearson correlation coefficient of  $r = 0.910^{**}$  tested at 0.01 level of significance. This implies that any increase in reliability will lead to 91% increase in customer retention and 9% by other factors. Also the corresponding level of significance equivalence  $P = 0.000$ , means that there is 100% probability of statistical significance .i.e.  $(1.00 - 0.000 = 1.00$  or 100%) further serves to explain that there is a significant relationship between reliability and customer retention at Century bottling company. The implications of these findings are that reliability positively affects customer retention in Century bottling company. This means that the higher the service component of reliability, the higher the customer retention. Therefore reliability component of a product offering at century bottling company should be a service quality dimension treated with high level of importance. These research findings are in agreement

with the research hypothesis that there is a positive relationship between reliability and customer retention.

**4.5.3.6: Regression analysis on Reliability and customer retention.**

Further analysis was conducted using a regression analysis to determine the effect of reliability on customer retention. The findings of the study are presented in table as below.

**Table 43: Model summary of regression analysis on reliability and customer retention.**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.910 <sup>a</sup>	.828	.826	.23370

a. Predictors: (Constant), Reliability

**Source: Primary data**

The model summary table of regression results above provides information about the regression line ability to account for total variation in service quality. The value of Squared,  $R^2=0.828$  meaning that 82.8% of the total variance in customer retention has been explained. The results therefore mean that reliability is a strong predictor of customer retention.

**Table 44: Model summary of Anova results of reliability on customer retention.**

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.548	1	20.548	376.228	.000 <sup>b</sup>
	Residual	4.260	78	.055		
	Total	24.808	79			

a. Dependent Variable: Customer Retention

b. Predictors: (Constant), Reliability

**Source: Primary data**

From analysis of variance results in the table above, it can be noted that fisher's ratio (F) is 376.228 while the significance is 0.000. This shows that the model is statistically significant. And that reliability can significantly predict the variations in customer retention.

**Table 45: Coefficient of regression analysis**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.003	.220		-.014	.989
	Reliability	.964	.050	.910	19.397	.000

a. Dependent Variable: Customer Retention

**Source: Primary data**

From the table above, coefficient of the regression analysis confirms the results on the correlation in that reliability has a positive correlation coefficient of 0.964 and is statistically significant at 5% level of confidence since it has a probability value of P= 0.000 which is less than 0.05 meaning that reliability is one of the service quality dimensions that account for customer retention in century bottling company. The regression findings were in agreement with the earlier correlational findings and therefore serve further to explain that there is a positive relationship between reliability and customer retention.

**4.5.3.7: Qualitative responses on service reliability and customer retention.**

*According to century bottling company employees, in general, pointed out that their delivery services to their customers is a 24/7 hour cycle and that all their customers are aligned in this regard. Where complications would arise, credit facilitates on revolving basis is extended. That they also ensure that their customer data base is clean and up to date at all times. To ensure alignment in this aspect, monthly customer statement showing the all the transactions that occurred on their respective accounts are printed and sent. In case of minor discrepancies which may grow big in a long run,*

customers are advised to engage the settlement and accounts department on a monthly calendar period. Besides, they noted that they conduct customer service index surveys at distributor and wholesale level, right execution daily surveys at retail levels basically for purposes of lending a listening ear to their customers and on the side of internal customers, there is a suggestion box where employees are encouraged to lodge their dissatisfaction and a team from human resources department responds. Besides, sessions are usually arranged where open forum follow-up is made to ensure the employees understood the feedback and they have a strong belief that such responses have played a big role

#### 4.6: Summary of chapter four.

**Table: 46. Correlation between tangibility, assurance and reliability on customer retention**

		Customer Retention	Tangibility	Assurance	Reliability
Customer Retention	Pearson Correlation	1	.569**	.370**	.910**
	Sig. (2-tailed)		.000	.001	.000
	N	80	80	80	80
Tangibility	Pearson Correlation	.569**	1	.138	.532**
	Sig. (2-tailed)	.000		.224	.000
	N	80	80	80	80
Assurance	Pearson Correlation	.370**	.138	1	.507**
	Sig. (2-tailed)	.001	.224		.000
	N	80	80	80	80
Reliability	Pearson Correlation	.910**	.532**	.507**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	80	80	80	80

\*\* Correlation is significant at the 0.01 level (2-tailed).

**Source: Primary data**

The table above shows a positive correlation between tangibility, assurance and reliability and customer retention in Century bottling company.



Pearson correlation coefficient in the table above reveals that there is a moderate positive relationship between tangibility and customer retention. This is represented by Pearson correlation coefficient of  $r = 0.569^{**}$  tested at 0.01 level of significance. Also the corresponding level of significance equivalence  $P = 0.000$ , means that there is 100% probability of statistical significance .i.e.  $(1.00 - 0.000 = 1.00$  or 100%) further serves to explain that there is a significant relationship between tangibility and customer retention at Century bottling company.

Besides that, Pearson correlation coefficient in the table above also reveals that there is a weak but positive relationship between assurance and customer retention. This is represented by Pearson correlation coefficient of  $r = 0.370^{**}$  tested at 0.01 level of significance. The corresponding level of significance equivalence  $P = 0.001$ , means that there is 99.9% probability of statistical significance .i.e.  $(1.00 - 0.001 = 0.999$  or 99.9%) further serves to explain that there is a significant relationship between assurance and customer retention at Century bottling company.

And in regard to service reliability, Pearson correlation coefficient in the table above reveals that there is a very strong positive relationship between reliability and customer retention. This is represented by Pearson correlation coefficient of  $r = 0.910^{**}$  tested at 0.01 level of significance. The corresponding level of significance equivalence  $P = 0.000$ , means that there is 100% probability of statistical significance .i.e.  $(1.00 - 0.000 = 1.00$  or 100%) further serves to explain that there is a significant relationship between reliability and customer retention at Century bottling company.

In conclusion, all the responses from the company employees, distributors, wholesalers and retailers, indicated that all respondents were in agreement with the fact that the service

product components of tangibility, assurance and reliability were positively related to customer retention.

## **CHAPTER FIVE**

### **SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS OF THE RESEARCH FINDINGS**

#### **5.1. Introduction**

This chapter summarises the study, the researcher's discussions, conclusions and recommendations of the findings as discussed in the previous chapters. The first section of this chapter deals with summary of findings done following the research questions, the second section deals with the discussion of the findings followed by the conclusions and recommendations then the limitations of the study.

This research is guided by the research objectives as listed under:

1. To establish the effect of tangibility on customer retention in Century Bottling company.
2. To establish the effect of reliability on customer retention in Century Bottling Company.
3. To find out the effect of assurance on customer retention in Century Bottling company.

#### **5.2 Summary of findings.**

The findings of the study aimed at testing the hypotheses of the research study. A case study research design was employed for this study with Century bottling company; the bottlers of the products of the Coca-Cola Company in Uganda. The choice of the case study approach was motivated by the fact that it provides an opportunity to narrow down a very broad field of research.

### **5.2.1. Service tangibility and customer retention.**

Here the researcher aimed at finding out the relationship between service tangibility on customer retention. The results revealed that service tangibility influences customer retention. Implied that a unit change in the service tangibility leads to a proportionately equal change in customer retention. Pearson correlation results of 0.569\*\* in table 20 above revealed that there is a moderate relationship between service tangibility and customer retention. The corresponding significance value of 0.01 further serves to explain that there is a significant positive but moderate relationship between tangibility and customer retention. The key respondents in the interview also revealed that the service tangibility leads to customer retention.

### **5.2.2: Service assurance and customer retention.**

Pearson correlation results of 0.370\*\* in chapter four above revealed that there is a moderate relationship between Assurance and customer retention. Implied that assurance contributes 37% variations in customer retention. The corresponding significance value of 0.01 also serves to explain that there is a significant relationship between assurance and customer retention. The implications of these findings are that assurance positively affects customer retention in Century bottling company though at a level below average.

### **5.2.3: service reliability and customer retention.**

The study revealed a correlation score of 0.910\*\* between reliability and customer retention implying that reliability contributes 91% to variations in customer retention. The corresponding significance value of 0.000, a level at which the correlation between two variables' is tested, is evident that the correlation between reliability and customer retention is statistically significant.

### **5.3: Discussion of the findings.**

The findings of the study are discussed basing on the objectives of the study relating to the influence of service tangibility, service assurance and service reliability on customer retention.

#### **5.3.1: Effect of service tangibility on customer retention.**

The findings on the effect of tangibility on customer retention revealed that all of the items introduced to respondents had a mean data score of not less than 3.0. Based on the scale of 1=strongly disagree, 2=disagree, 3=not sure, 4=agree and 5 = strongly agree, any mean of 3.0 indicates good performance of the variable under study. This means that the level of Service tangibility in Century bottling company is very high and any improvement towards this dimension will lead to a proportionate variation in customer retention. Among the items introduced to respondents included: clean and well packaged products from century bottling company with a mean score of 4.65. Here the results showed that all the respondents were in agreement with the question poised. Actually from the study, 65% strongly agree and 35% agree. Implying that there was no respondent who did not agree with the question which sought for their independent opinion in this regard and indeed the cleanliness and packaging plays a big role in retaining customers. Many customers, upon seeing dirty or dishevelled facilities, will immediately head to the nearest competitor. Even if the state of your facilities has nothing to do with how well you serve your customers but this creates negative impressions and can lead customers to dismiss you out of hand. According to Connolly and Davison, (1996), most of the purchase decisions occur at the point of purchase. This is why packaging becomes an important criteria for product choice (Speece, 2001). Indeed the design of the package will greatly have a bearing in as to whether the product will be noticed or not and gradually how it's perceived (Nancarrow et al, 1998). The findings in this study were in line with the fact that failing to make your products at least presentable is paramount for customers to expect a bad experience which could permanently damage how customers

will perceive the service and product offering of a firm. Customers are likely to be attracted more than anything else by products that look good. This is also consistent with Ariffin et al., (2012), who points out such characteristics as colour, design and illumination as major influences on customers and that the layout and illuminations have an effect on product recommendations and repeat purchase.

And in regard to Up-to date promotions and point of sale materials, a mean data score of 4.16 was realised. Most respondents here at 38.8% and 42.5% strongly agree and agree respectively that up-to-date promotions and point of sales communication materials play a significant role in customer retention. For example point of sale brochures, catalogues and posters build assumptions on perceived use value and motivational relevance of the buying decision of a product (Clement 2007). In addition to pleasant store ambience where attractive displays, music, hands on experience facilities and recreation are integrated, this helps in maximising the customer arousal towards buying. This is also consistent with Backstrom, (2006), who asserted that the information on the current point of sale materials and the precious experience of the customer with the promotion offers of the retail store stimulates consumer feelings and prompts their decision towards a purchase.

As for the appearance and ease of accessibility of Century bottling company employees, the result revealed a mean data score of 4.56. Here 58.8% of the respondents strongly agree, and 38.8% agree. However, 2.5% of the respondents indicated that there were not sure. Overall, the results indicate that there is a significant influence on customer retention if the appearance of company employees is appealing and if they are easy to reach just in case of any need. This is agreement with Wirtz et al., (2007) who observed that consumers perceive positive effects during interactions with the sales promoters who are employees of the company whose products are on promotion especially if arousal is high. It's also true that there is both a psychological and physical closeness between service providers and consumer. This can be

explained by the fact the indifferent attitudes towards customers by company employees directly translate into poor perception of service quality by customers. This is why it is important to be mind full of what employees experience at work. Dissatisfied, unmotivated or frustrated employees bring their feelings with them when interacting with customers and these feelings are transmitted during the interactions which will in turn impact on the quality of service (Looy et al., (2003)

The physical appearance of the products themselves with a mean data score of 4.625 also reveals a significant relationship between physical appearance of the product and its associations with keeping customers. Here 65% of the respondents strongly agree, 33.8% agree while only 1.3% disagree with the fact that physical appearance of the products themselves have a bearing on attracting and retaining customers. Overall, the findings indicate that there exists a significant association between the two variables. This is in agreement with the fact that making a good impression is vital in business. This is true because the overall appearance and quality of a given product can be just as important as other factors when trying to influence your target market to purchase products.

And lastly is the environment within which the transactions take place whose results revealed a mean data score of 4.2875. Here 41.3% strongly agree, 48.8% agree and 2.55 disagree while 7.5% were not sure. These results indicate that there is a valid connect between the environment within which the transactions occur and customer retention.

From this back ground it must be noted that lack of upkeep tells customers a few things. First, it tells them you don't care what they think. If you did, you would at least have made your facilities presentable. Secondly, it tells customers you don't pay attention to the details. For example, a restaurant that lets customers sit on filthy furniture probably pays even less attention to its kitchen, which customers don't see. Thirdly, a lack of upkeep usually means

cost-cutting, which might mean your business doesn't have enough customers to be successful. That tells a customer your product or service doesn't offer much value. When your facilities are in order, your customers know you're in control of your business and that you pay attention to the details. A well-functioning business also indicates a steady stream of customers, increasing the likelihood that your company is good at what it does. And the pleasant atmosphere puts customers in an optimistic mood, improving their perception of your customer service

All in all, tangibility has a Pearson correlation coefficient of 0.569\*\* with a probability of  $P=0.000$ , implying that 56.9% of variations in customer retention are due to tangibility component of the service.

All these findings and illustrations literally mean that the majority of century bottling company customers appreciate the service tangibility component of the product and service offerings of century bottling company and that indeed this triggers their desire to continue trading with century bottling company limited as a business.

### **5.3.2: Effect of service assurance on customer retention.**

The researcher wanted to establish the effect of assurance on customer retention at century bottling company. The Pearson correlation of 0.370\*\* revealed that there is weak positive correlation between service assurance and customer retention. From the results in the table 20 above, none of the five items that were introduced to respondents had a mean data score of less than 3.0. Based on the scale of 1=strongly disagree, 2=disagree, 3=not sure, 4=agree and 5 = strongly agree, any mean of 3.0 indicates good performance of the variable under study. Among the items introduced to respondents included: the way customer problems and complaints are handled at CBC which triggers them to do business with century bottling company and the results showed a mean data value of 3.45. Here 17.3% of the respondents



strongly agree, 45% agree and 8.8% strongly disagree and 17.5% disagree while 11.3% were not sure. The majority positive response in this study, implies that if customers have a positive customer experience at century bottling company, they will share this experience with friends, family and connections, which in turn will lead to new businesses and retention (MacDonald, 2017). This is in line with Looy et al., (2003), that the way the organisation deals with customer complaints will determine whether the business will retain or lose customers. This is because complaining customers who are dissatisfied with the service will switch to another service provider. According to MacDonald, (2017) customers whose complaints are handled quickly can often turn into loyal customers and even brand advocates.

Besides that, was the respondents' opinion on how business building advice can improve sales. The study revealed a mean data value of 4.1. Here 41.3% strongly agreed, 47.5% agreed while 7.5 strongly disagreed and 3.8 disagreed. This gives a total of 88.5% who were in agreement that business building advice given by the company employees is helpful and can lead to improvement in business performance. This is in line with Beard (2004) who asserted that becoming your customers trusted advisor will build customer loyalty and reduce customer churn. Accordingly, becoming a trusted source, you build a relationship that leads to dependency, implying that your customer will trust you, rely on you to give best advice and recognise you as an integral part of their business success.

And in as far as the time it takes to place and receive the products from Century bottling company was alright or not, results indicated a mean data value of 3.2. Here respondents were engaged and the results showed that 15% strongly agreed, 46.3% agreed, 23.8% disagreed while 15% strongly disagreed. All in all, 61.3% respondents were in agreement that the time it takes to place and receive an order was right. This variation in respondent's feedback is evident that no matter what type of business you operate, delivering on time is essential. It is easy to promise excellence, but failing to deliver on that promise can harm

your relationship with customers, regardless of whether they have been customers for some time or are brand new. According to Salesforce, telling a customer "no" or responding in a way that seeks to please instead of revealing the truth can cause friction in the job. A consumer has certain expectations, and you should be honest about the reality of meeting those expectations. If it can't be done, say so, then work together to find a new solution. Consequently, a proper approach for provision of service towards the customer enhances the customer satisfaction and loyalty towards the product (Rajesh & Uday, 2004). Delivery of the product characterized by two dimensions i.e. speed and reliability and ensuring that right product at right time in right quantity from right source delivered to right person at right price on right destination, within time to the customer increases customer satisfaction (Michael, 2001). This is also consistent with Christopher (2011) who points out that time has become a more critical element in the competitive process. Customers in every market want ever shorter lead times; product availability will overcome brand or supplier loyalty meaning that if the customer's preferred brand is not available and a substitute is, then the likelihood is a lost sale.

In as far as the level of integrity, professionalism and willingness of staff to help customers was concerned, the results indicated a mean data value of 4.3. Here 48.8% of the respondents strongly agreed, 42.5% agreed, 1.3% strongly disagreed and 7.5% disagreed. This implies that 91.3% of the respondents were in agreement that integrity, professionalism at work and willingness to help customers by the company staff play a big role in retaining customers. According to Looy et al., (2003), customers also want service so they can get the best out of their purchase. This comes down to satisfying a need which often implies more than the availability of a product. This is consistent with Ameyo team, (2015) who explained the fact that as an Agent, if you fail to attend to your customers or provide service, you will be left with frustrated customers who will walk away from you. They go on in their article to

emphasize the fact that most customers get driven away to competitors because of the negative attitude of the agents. That willingness to help, lots of patience and friendly and positive attitude are very necessary in managing customer relationships. According to them, if a company employee displays a good attitude while dealing with customers, customers will feel like coming back again and again. This in turn helps in building customer loyalty to the company. Looy et al., (2003), further emphasises that offering a mixture of goods and service components allows the company to differentiate and hence create more satisfied and loyal customers. That satisfied customers are less eager to switch to competition.

And lastly in regard to timely response to changing market demand and trends, the results showed a mean data value of 4.3. In response to this question, 56.3% strongly agreed, 38.8% agreed, 7.5% strongly disagreed while 2.5% were not sure implying that 95.1% were in agreement that a quick response to changing market trends is very important in ensuring customer retention. This is in line with Nicholls. (2016), who asserted that with a huge number of brands available at their fingertips via their devices of choice, consumers are becoming accustomed to immediate accessibility and will expect their brand experiences to be personalised and easy to navigate. He goes on to emphasize that with so many options just as a click away, customers won't wait around if brand experiences are not a position one. According to him, consumers will continue to give information to brands but with a growing expectation of a fair exchange value. This translates into personal offers and experiences' that define consumers-to- brand relationships. This therefore means that we need to stop shouting at customers and start listening to what they need. This is consistent with Ginches, (2014) who also pointed out that we need not to focus more on immediate sales conversions but more about brand loyalty and long term value. She cautioned that brands should stop making their customers fit in their specific molds and that instead learn their preferences to

communicate offerings and deals specific to each individual needs. She goes on to emphasize that this will drive meaningful interactions and conversions.

This literally means that the majority of century bottling company customers appreciate the service assurance component of the product and service offerings of century bottling company and that indeed this service offering triggers their desire to continue trading with century bottling company. There was however, an indication that there is a weakness in the way customer complaints are handled at century bottling company and also about the time it takes to place and receive an order. This could be the best explanation for the gap of 63% existing in the service assurance component of service quality.

### **5.3.3: Effect of service reliability on customer retention.**

The research findings established that all of the four items that were introduced to respondents had a mean data score of greater than 3.0. Based on the scale of 1=strongly disagree, 2=disagree, 3=not sure, 4=agree and 5 = strongly agree, any mean of 3.0 indicates good performance of the variable under study. This means that the level of service reliability greatly affects customer retention in century bottling company. Among the items introduced to respondents included: the assorted products (mix) are always in stock and customers do not face stock-outs. The results indicated a mean data value of 4.6375. Here respondents were subjected to a task to state their views and 66.3% of the respondents strongly agreed, 31.3% agreed while 2.5% were not sure. All in all, 97.6% were in agreement that century bottling company was managing their product folio well and that there were very few cases of stock-outs as explained by the gap of 2.4% that the company can work towards improvement. This according to the findings of the study, triggers the customer to stay longer with the company because they are sure that their businesses will not be affected by sock-out situations and therefore improved performance and the reverse is true. This is in line with Corsten & Graven

(2004) who asserted that when customers cannot find the precise product they are looking for, they either find substitutes for the same brand, substitute a different brand, delay their purchase until the item is back in stocks at a particular store, they do not buy the item at all or worse still for retailers, they buy the item from another store. They further point out that reducing stock-outs can be different and expensive but the cost of assuming that little can be done or that it does not really matter may be higher still in both dollars and the customer loyalty. In fact, Murray, (2017), emphasizes that the worse things that can happen to a business is to have a stock-out. This means that there will be inventory of a certain item, production has to be stopped or a customer order will not be fulfilled. This is consistent with Vasconcellos & Sampaio, (2009), who asserts that stock-outs are recognized as a significant problem for retail stores and supporting the supply chain.

And further the researcher sought for the respondents view on how customer retention can be affected by delivering a different order from that which was ordered for or promising and failing to deliver on the promise and the results indicated a mean data value of 4.4875. Here 52.5% strongly agreed, 43.8% agreed while 3.8% were not sure. In total, 96.4% were in agreement that distorting the orders or failing to deliver on a promise has a massive effects on customer retention. According to Weinberger (2014), keeping a customer means keeping your promise. He goes on to explain that no matter what kind of business you are in, you depend on customers coming back. So breaking your promise in important ways can ensure they never come back and that if you are recurring revenue and custom retention business, broken promises will certainly spell the end of your company. He goes on to emphasize that as a consumer, breaking promise leaves them with a sour teste and a desire to seek out competitors. Sometimes, they switch and even if they stay put, they are not happy customers. And lastly the were tasked to explain how accuracy and safety of transaction records can motivate customers to continue doing business with century bottling company and the results

indicated a mean data value of 4.5500. The captured data showed that 56.3% strongly agreed, 42.5% agreed while 1.3% were not sure. This implies that on average, 98.7% were in agreement that keeping accurate customer records safely is paramount in ensuring customer retention. This is in agreement with Hendrix, (2013), who asserted that collecting and storing information about customers is essential to tailoring customer service program and growing business. He goes on to explain that nowhere is it more evident than in business because data is very important piece of the business's success equation. And that by failing to keep your customer information up-to-date, you could be throwing money down the drain by attempting to reach people whose data base has changed.

The findings of the research study literally means that the majority of customers appreciate the reliability component of the product and service offerings of century bottling company and that indeed this service offering trigger their desire to continue trading with century bottling company limited and in the event of failure on this dimension, the effect on customer retention can be devastating. The correlation score of 0.910\*\* between reliability and customer retention as elaborated in chapter four, indicates that indeed there is a strong significant relationship between reliability and customer retention. The corresponding significance value of 0.000, a level at which the correlation between two variables' is tested, it's evident that the correlation between reliability and customer retention is statistically significant. This implies that service and product constructs of reliability such as availability of assorted products (mix), delivering the orders to customers in full and on time, being consistent with the schedule upon which customers are called on and ensuring accuracy in customer data management is critical in attracting and retaining customers. This is in agreement with Parasuraman et al (1988) who pointed out that a service is reliable if it is done properly and right from the start. While Yang et al (2003), on other hand asserts that reliability is the most important factor in customer service quality.

This implies that keeping other factors constant, one unit increase in service reliability would lead to an increase in customer retention by 0.910 units. This implies that reliability will lead to improvement in customer retention by 91%. The regression findings were in agreement with the earlier correlational findings according to Jones and Farquhar,(2003) who explains how reliability has been found to have considerable impact in determining repeat purchase and therefore serves further to explain that there is a positive relationship between reliability and customer retention.

#### **5.4: Conclusions**

The study set out to establish the effect of service quality on customer retention. The following conclusions were arrived at:

##### **5.4.1: Service reliability and customer retention.**

Concerning the reliability dimension of service quality, the results indicate that there is a strong positive correlation between reliability and customer retention with correlation results of 0.910\*\*. Implying that reliability of a product or service component contributes 91% in variations on customer retention. The corresponding significance value of 0.000 further serves to explain that there is a significant relationship between the reliability and customer retention in century bottling company. This therefore validates the hypothesis that there's a strong positive relationship between reliability and customer retention which the research study was meant to address.

##### **5.4.2: Service assurance and customer retention.**

Pearson correlation results of 0.370\*\* in chapter four above revealed that there is a moderately weak relationship between Assurance and customer retention. The coefficient of determination further shows that the assurance accounted for 37% change in customer

retention. The corresponding significance value of 0.01 also serves to explain that there is a significant weak relationship between the independent and dependent variable. The implications of these findings are that assurance positively affects customer retention in Century bottling company though at a level below average. This means that service component of assurance at century bottling company should be emphasised so as to retain customers but they must not forget exploring on other factors which immensely affect customer retention.

#### **5.4.3: Service tangibility and customer retention.**

Tangibility indicates a moderate positive correlation results of 0.569\*\* with customer retention in century bottling company. This implies that the tangibility accounted for 56.9% change in customer retention. And on the other hand, the corresponding significance value of 0.01 further serves to explain that there is a relatively significant positive relationship between tangibility and customer retention. This, from the perspective of company employees implies that tangibility positively affects customer retention in century bottling company. There is however a task that century bottling company should improvise on some other means other than tangibility so as to cover up the gap of 43.1% which is being contributed by other factors.

#### **5.5: Recommendations.**

The study is not only intended to serve the academic requirements of the researcher because of the analytical nature and the in-depth study of the issues raised herein but also to help companies in formulating and implementing right go-to-market strategies that are profitable while maintaining the cost to serve. In this section therefore, a list of recommendations have been presented basing on the findings of the research study on the effect of tangibility, assurance and reliability on customer retention in Uganda with a case study of century



bottling company. Considering the findings of the research study, the researcher recommends that century bottling company should ensure the following:

#### **5.5.1. Effect of tangibility on customer retention.**

1. Monitor customer tastes, lifestyles, motivations and expectations and form market segments with differentiated marketing mix offerings especially on the product offerings category. This will help to grow volume per outlet and therefore reduced costs of distribution hence customer retention. One size cannot fit all.
2. The management of Century Bottling Company should run market intelligence survey regularly in order to keep a regular track record of customer satisfaction and loyalty levels, identify customer expectations on various service and product aspects.

#### **5.5.2. Effect of Assurance on customer retention**

1. Since Century bottling company is both a service and product sales and distribution company, it should provide training to its new and young staff in regard to issues like courtesy,etiquette,communication skills and complaint and problem resolution. The majority of staff out of excitement so often forget and undermine the fact that they are a servant of the customers.
2. Review Distributor Margins for distributors in low sales volume potential.

#### **5.5.3. Effect of reliability and customer retention.**

1. Consider an alternative go-to-market model basically to keep in touch with customers where third party distributor model fails. It must be noted that Distributors are merely vehicles and are simply temporary partners incapable of sustaining growth in the long term. Most new companies know that on their own, they cannot master local business practices, meet regulatory requirements, hire and manage local personnel, or gain

introductions to potential customers. So they end up in a partnership with local distributors to benefit from their unique expertise and knowledge of their own markets. At first, sales take off, revenues grow pleasingly, and the entry is praised as a smart move. But after a while, stagnation sets in and then the result is a sales plateau. Many companies have wanted to control their own operations through directly owned subsidiaries, but a transition from indirect to direct sales is usually costly and disruptive. However, in the end, companies who risk, always do a better job with their own subsidiaries: sales improve, and they gain greater control over the business operations.

#### **5.6: Limitations to the study.**

- The time limitation in data gathering all through the final presentation of the report was such a challenge. This was resolved by guaranteeing that the time element was treated with urgency and also honouring each and every appointment as decided upon with the participants in the search study.

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## Appendix 1: Questionnaire

### UGANDA MANAGEMENT INSTITUTE

#### EFFECT OF SERVICE QUALITY ON CUSTOMER RETENTION

Am Gerald Wubo, a student of the above mentioned Institute with a registration number 14/MBA/11/050 carrying out a research study on the effect of service quality on customer retention in partial fulfilment of the requirements for the award of Degree of master's in business administration of Uganda Management Institute.

Please spare some time off your busy schedule and assist me by completing the questionnaire below. This questionnaire is designed to know your opinion in relation to the above topic basically for academic purposes. I assure you that all information given will be used for academic purpose only and will be treated with utmost confidentiality.

Thank you for your assistance

#### **Instructions. (To be administered to Company Customers.)**

##### **Section 1: Background Information.**

(Please tick (✓) where necessary on the option which you consider most appropriate)

Qn 1: You are: Male  Female

Qn 2: Please indicate your age group.

16 -24 years  25 - 34 years  35 – 44 years  45 and above

Qn 3: What is your highest academic level or qualifications?

Post Graduate degree  Bachelor's degree  Diploma Cert.  Secondary Cert

Qn 4: What is the source of your working capital?

Personal Savings  Bank loans & guarantees  Contribution from family

Qn 5: Please make me understand the category of your business. Are you a

Distributor  Wholesaler  or retailer

## Section Two: Customer Retention.

QN.6: To what extent do you agree with the following statements pertaining century bottling company.

Statement	S.D	D	N.S	A	S.A
I 'am proud to say that am doing business with CBC					
I' am planning to increase my investments in CBC					
I would recommend any customer to do business with CBC					
My loyalty to CBC has increased over the years					
My sales over the years have increased					

## Section three: Customer service and Retention

(Please tick (√) where necessary on the option which you consider most appropriate; S.D=Strongly (Disagree, D=Disagree, N.S= Not sure, A= Agree, and S.A= strongly agree).

Qn7: The following service elements are very critical in my purchase decision and they trigger my desire to continue trading with CBC.

Service quality Dimension	S.D	D	N.S	A	S.A
<b>Tangibility</b>					
Clean and well packaged products from CBC					
Up-to-date promotions and POS communication materials					
Appearance and ease of accessibility of CBC employees					
The physical appearance of the products themselves					
Environment within which the transactions take place					
<b>Assurance</b>					
The way my problems and complaints are handled at CBC					

Business building advice I get from CBC staff to improve sales					
The time it takes to place and receive the products from CBC is ok					
The level of integrity, professionalism and willingness of staff to help					
Timely response to changing market demand and trends					
<b>Reliability</b>					
The assorted products (mix) are always in stock.					
The units ordered are (100%) supplied.					
The stock units delivered in a specified period is consistent					
The accuracy and safety of my transaction records					

**Thank You Very Much!!!!**



## **Appendix 2: Interview guide for Employees**

The research seeks to establish the effect of service quality on customer retention in Uganda with a case study of Century Bottling Company Limited.

Qn.1: Why do you believe customers choose your company over other competing companies?

Qn.2: Does your company have any specific strategy aimed at preventing the customers from switching to other competing companies?

Qn.3: How does the company go about to find out the needs of its customers? Please explain

Qn 4: How does Century bottling company handle customer complaints?

Qn 5: what is the procedure of lodging complaints in century bottling company?

Qn.6: What strategy does Century Bottling Company use to ensure that all its customers' complaints are resolved in a satisfactory manner?

Qn.7: What strategies does Century Bottling Company use to attract and retain customers?

Qn.8: How does Century bottling Company ensure efficient communication with Customers at all times.

Qn 9:What makes you think that your customers are satisfied with the level of service your company is offering?

Qn 10: Does your customer services lead to customer retention? Please explain to me how this works.

Qn.11: Can you make me understand the things your company is doing that constitute your company's customer service?

Qn.12: How does Century Bottling Company ensure that its sales teams portray courtesy and professionalism at all times when dealing with customers.

Qn.13: Please help me understand how and what Century Bottling Company does to get what Customers pay for in the most convenient manner.

Qn.14: Explain to me what century bottling company does to support its staff to do their jobs well.

Qn.15: Does your company divide the customers in different groups depending on the type of relationship it has with them. In such cases, how does the company work towards the different groups?

Qn.16. Please explain to me what your company does to monitor its customer's sales performance.

**Thank you!!!!!!**

**Appendix 3: Table for determining Sample size.**

Table 3.1									
<i>Table for Determining Sample Size of a Known Population</i>									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

*Note: N is Population Size; S is Sample Size* *Source: Krejcie & Morgan, 1970*

#### Appendix 4: Sources of Documents

No	Type of Documents Required	Type of Information needed	Purpose of information
1	Customer Data base management reports	Customer Management practices	Screen the rate of customer retention.
2	-Distributor sales & Feedback reports -Customer Complaints & Feedback records -CCS Annual Reports & In – house Magazines.	Service delivery SOPs	-Contrast the actual performance against SOPs -Determining effects of customer retention on sales.
3	-Text Books - Journals	Literature on the variables under study	Review literature on the variables under study
5	Newspapers & Internet	Current Business Trends	Act as a buffer to the information in other sources of information