

Research Article

Effect of Customer Retention Strategy on Performance of Micro and Small Enterprise of Three Wollega Zones: In Case of Selected Town (Nekemte, Gimbi and Shambu)

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Abstract

These days, a highly competitive corporate climate may increase the need to improve customer retention and fortify customer connections. The aim of this study is investigating how customer retention strategies affect small and microenterprise performance in three Wollega Zones. An explanatory and descriptive research design was employed. Additionally, a combination of qualitative and quantitative methodologies was used. The study's target population included all SMEs' owners and managers as well as their employees. To choose the study's sample size, the researchers employ both stratified and purposive selection strategies. Data was gathered from 346 participants. Both primary and secondary data were gathered for this investigation. The data was analyzed using the mean, frequency, percentages, and standard deviation. The association between SMEs' performance and customers' retention strategy was measured and predicted using regression analysis. The study's conclusions demonstrated a relationship between SMEs' performance and their customer retention strategy status, with higher performance being related with better customer retention strategy status. Additionally, it was discovered that the businesses were not employing the right sales marketing tools for the right audiences to raise awareness of their goods and services. Additionally, it comes to the conclusion that the performance of small and micro enterprises was significantly correlated with customer retention strategies.

Keywords

SMEs, Performance, Customer Retention Strategy, Sales Promotion, Service Quality, Customer Relationship Management, Training and Development

1. Introduction

A business in today's competitive environment uses customer retention to fortify itself against encroaching rivals [19]. He contends that rival businesses are constantly trying to draw customers away from other businesses by providing high-quality products. According to Fluss's research, yearly customer attrition rates vary from 7% in sectors like banking

and insurance that have strong exit barriers to nearly 40% in the mobile phone sector.

It might be more important than ever to boost customer retention and fortify customer connections in the cutthroat corporate world of today. Only in a genuinely fulfilling business organization do customers stay. Providing what

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customers want is only one aspect of customer retention. They become devoted brand advocates since it surpasses their expectations. Research by Hamilton-Ibama and Ihunwo indicates that engaged customers generate 1.7 times more revenue than normal customers, while having engaged employees and engaged customers returns a revenue gain of 3.4 times the norm [24]. Therefore, a successful customer retention strategy is critical to achieving maximum profit for any business organization.

1.1. Statement of the Problem

The goal of customer retention strategies in today's modern, cutthroat business environment is to keep customers happy and avoid being overtaken by rivals. According to Ouma et al., customer retention is a common concern across a wide range of businesses and is essential for sustainability or bottom lines in the competitive market of today because it boosts sales and results in significant cost savings. This is due to the fact that acquiring new customers is more expensive than keeping current ones. Loyal customers are more inclined to provide free reviews, while long-term customers may charge higher costs because they are less price sensitive. The effect of competition is lessened in this way. Customer loyalty is getting harder to cultivate in practically every industry, even with all the resources put into it. Gaining a deeper understanding of the fundamental factors influencing customer loyalty is getting harder to cultivate in practically every industry, even with all the resources put into it. Gaining a deeper understanding of the fundamental factors influencing customer loyalty is crucial before terminating a customer. Such appreciation also aids businesses in enhancing their ongoing initiatives to entice other customers to spend more money and stay with them [49].

Businesses all throughout the world have different strategies for improving customer retention, albeit the strategies differ based on the specific roles that each business plays. This is done in an effort to increase the organizations' customers' contentment. Since managers can use the energy of every customer to assess customer strength and optimize customer happiness and retention, customer retention strategies have become the most significant phenomenon in an organization [29, 20].

The importance of customer retention strategies has been highlighted in a number of studies [12, 20, 18]. According to their research, the primary tactics that improve customer retention include price strategies, relationship marketing, and customer relationship management. Researchers have underlined that maintaining and growing the current clientele is just as crucial as bringing in new ones. Customer satisfaction is the company's relationship capital. The purchasing company would pay for the supplied customer base, the quantity and value of customers doing business with the new company, in addition to the plant, equipment, and brand name if the business were sold. All things considered, the business must

comprehend its customers whenever it acquires new ones. Time, effort, money, and resources are all involved in these [40].

A lot of research has been done on customer retention and how it affects performance, but not many have looked at how MSE performance is affected. Due to a lack of business emphasis on the issue and unclear analytics on what attrition is, MSEs are attempting to retain consumers reactively rather than proactively. The situation's uniqueness and the variety of your clientele must be taken into account for a customer retention plan to be effective. This is due to the fact that the creation and administration of successful customer retention strategies depend heavily on a critical awareness of what works and what doesn't [31].

In a world that is extremely competitive, customer retention is becoming recognized as a crucial management strategy. Maintaining long-term, mutually beneficial connections with customers is the goal of customer retention. For the majority of businesses, this is the foundation of relationship marketing. Maintaining the relationship that has been built between the company and its customers is the focus of customer retention. According to Pareto's rule, sometimes known as the 80-20 rule, the company's 20% of consumers account for 80% of its sales and profits. Therefore, it is crucial that the business satisfy its most lucrative clients and concentrate on keeping them as customers.

In order to improve their performance in terms of market share, profitability, and other metrics, SMEs must implement customer retention strategies in a market that is expanding and becoming more competitive. This is especially crucial as the industry is maturing to the point where SMEs provide almost similar goods throughout the product lifecycle. As SMEs compete for market share, offering identical items runs the risk of creating a downward spiral of ongoing price reductions. Retaining as many customers as possible is one strategic goal that SMEs should adopt to be competitive [43].

Gaining a sustained competitive edge in the market requires careful attention to customer retention in particular. The ability of the business to implement efficient customer relationship management to attain customer satisfaction in order to keep current customers and attract new ones is one of the main concerns in Ethiopia's highly competitive MSE sector today. In the three Wollega Zones alone, that is accurate. Since it boosts revenue and results in considerable cost savings, customer retention is a prevalent worry across many businesses and a critical issue for sustainability or bottom lines in today's competitive market. This is due to the fact that acquiring new customers is more expensive than keeping current ones. Loyal customers are more inclined to provide free reviews, while long-term customers may charge higher costs because they are less price sensitive. The effect of competition is lessened in this way.

In the past, they have made an effort to draw in both new customers and current customers of other businesses. Additionally, it necessitated extensive advertising and price-based

incentives. Customers now have access to a wide range of services and goods, and if any of them don't satisfy their demands, they can select businesses that provide them with quick, high-quality goods and services. Therefore, instead of adding clients who need greater expenditure, businesses try to employ their own techniques to keep their current clientele. New and unique tools and concepts are needed to accomplish this goal [69]. Maintaining positive customer interactions also requires taking into account organizational, human, and technical resources [32].

There hasn't been much empirical study done on the concepts of customer retention. The majority of research has looked on the factors that lead to customer retention. Other research focuses on creating metrics for loyalty, value, and customer satisfaction without explicitly examining other potentially significant dimensions. Three Wollega Zones' MSEs are known to be providing customer service. However, these days, the primary issues facing these businesses are how to keep their customers over the long haul. There are various approaches to keeping customers. The impact of these strategies is misunderstood. Each of these strategies has an impact on an organization's sales, profit, and market share. In addition to a company's goods and services, its ability to draw in and keep new customers is closely tied to how well it treats its current clientele and builds a reputation in the industry. Although they are not successfully implemented in the three Wollega Zones of MSEs, pricing strategy, customer relationship management, sales promotion, employee training, and service quality all have an impact on an organization's performance. In light of this, the current study examined how the performance of micro and small enterprises in three Wollega Zones (Nakemte, Gimbi, and Shambu) was affected by customer retention strategies.

1.2. General Objectives

The general objective of the study was to investigate the effects of customer retention strategy on performance of MSEs of three Wollega Zones: In case of selected towns (Nakemte, Shambo and Gimbi).

1.3. Significance of the Study

It is anticipated that this study will aid in determining the primary tactic that improved MSE performance in Oromia regional state. The main purpose of the study was to give readers a little contribution of how the performance of MSEs in three Wollega Zones is affected by customer retention strategies. This sector benefited from the findings, which helped them understand where they are now and what they will be doing in the future. The research helped the organization do its job well, learn from its own shortcomings, and take advantage of its chances by modernizing and restructuring its customer retention strategy with the goal of delivering high-quality, efficient services that satisfy customers. Addi-

tionally, the study will be used as a reference by other researchers who wished to conduct research on relevant subjects.

1.4. Scope of the Study

The focus of this study is on evaluating how customer retention strategies affect performance in relation to competitive advantage in terms of market share, profit, and sales volume. Only four methods of customer retention strategy quality of service, sales promotion, employee training, and customer relationship management have been studied, along with their impact on organizational performance. This study does not include other components or metrics that support customer retention strategies. Because there are numerous MSEs available in these cities that can describe the zone, the study is limited to the administration of the three Wollega Zones, namely Nakemte, Gimbi, and Shambu are these cities. Additionally, the study's participants were purposively selected and restricted to MSE owners, managers, and staff.

2. Related Literature Review

2.1. Theoretical Review

A set of actions for enhancing the transaction process that is founded on the customer's favourable positioning and the ensuing readiness for repeat purchases is known as customer retention. When business retention is high, customer retention techniques work best. A mere 5% improvement in customer retention can boost your business's profitability to nearly 85%. Customer retention strategies are advantageous since they lower the expense of keeping consumers for a long time while simultaneously increasing revenue from devoted clients. According to Reichheld and Kenny, the two options can be distinguished from the perspective of the consumer in terms of customer satisfaction, loyalty, and constraints [55].

According to Edet et al., customer retention is the term used to describe a customer's claimed continuation of a business connection with the company. The actions your sales team takes to lower customer attrition are part of customer retention. The company's initial interaction with the customers marks the beginning of successful customer retention, which lasts the duration of the relationship [14]. Since retaining an existing customer is far less expensive than gaining a new one, most businesses place a high value on customer retention [25]. Gaining a thorough understanding of the theories that underpin this area of services marketing literature can help you better understand the efficacy of customer retention methods. These include Self-determination Theory (SDT) [13] and Expectation Confirmation Theory (ECT) [26].

2.1.1. Self-Determination Theory (SDT)

The first theoretical basis of this study is self-determination

theory. Self-determination theory is being Self-determination theory serves as the study's primary theoretical foundation. Motivation is increasingly being studied using self-determination theory. Intrinsic motivation, extrinsic motivation, and motivation are the three categories of behavioral regulation that SDT distinguishes between, each with a different level of self-determined motivation [13]. The highest degree of self-determined motivation is known as intrinsic motivation, and it describes circumstances in which people actively partake in rewarding activities. When people participate in an activity because they place a higher value on the results (prizes, recognition, etc.) than the action itself, this is known as extrinsic motivation. Finally, a lack of motivation is shown in people's unwillingness to participate in a particular behaviour. The sorts of motivation derived from the fulfillment of the basic human needs of competence, autonomy, and relatedness can be influenced by social variables. Different forms of motivation can forecast behavioral consequences; the most positive outcomes are predicted by intrinsic motivation, whereas the most negative ones are predicted by motivation [64].

2.1.2. Product Life Cycle Theory

The product life cycle serves as the study's second theoretical foundation. A key element of the manufacturing industry's customer retention strategy is the product life cycle. Vernon concentrated on the product, not the proportions of its components, rather than the nation and manufacturing technique [65]. The MSEs can compare, advice, and use dynamically thanks to their understanding of the product life cycle. Therefore, it is necessary to comprehend the main phases that a product is going through in order to ascertain its current state [35]. As a result, top practices incorporate customer advocacy into daily service, target the right consumers with the correct value proposition, build relationships to boost stickiness, and start positive partnerships through acquisitions. By enabling an analysis of how new product innovation can contribute to better business performance, the theory will inform the study.

2.1.3. Customer Retention Strategies

According to Waithaka, customer retention strategies are those that concentrate on a company's current customers in order to maintain their loyalty over time [66]. Gulati, asserts that keeping your current customer is the simplest strategy for expanding your company [22]. Because of this, Gengeswari et al., contend that keeping existing customers increases profitability by lowering the expense of acquiring new ones [20]. According to Sharmeela et al., providing meaningful incentives to current consumers makes them more devoted [58]. The following are customer retention strategies used by businesses to increase engagement, draw in new clients, and enhance current customer relationships.

(i). Customer Relationship Management

According to Richards and Jones, customer relationship management is a comprehensive process and strategy for acquiring and retaining customers in order to generate higher value for both the firm and the customers. Companies must create and effectively implement a wide range of relationship programs to provide the desired performance that customers demand if they hope to keep their customers [56]. Customization, customer service, community development, and loyalty programs are some of these initiatives [69]. Establishing effective and consistent communication between businesses and their most valuable clients is essential. Zeithalm and Bitner, contend that the development of successful customer retention strategies is predicated on a solid client database [73].

(ii). Sales Promotion

While loyalty programs and clubs typically last a long time, sales promotions only provide short-term improvements to customer values. Retention-focused sales strategies encourage customers to make more purchases. These sales promotions include, for instance: Customers who purchase the product are given an in-pack or on-pack ticket that entitles them to a discount on one or more subsequent purchases [46].

(iii). Training of Employees

External and internal factors are the two categories of determinants of SMEs' success, and they differ between nations and industries. The external factors include supportive financial, social, and political environments, the accessibility of capital and legal resources, and the presence of vibrant local and international organization. Conversely, the inner aspects are particularly dependent on training. They consist of management, employee skills, and entrepreneurship [39]. But just like training, dealing with paintings and changing circumstances requires a different component that combines pertinent education and experiences [9]. However, to adapt to changes in the workplace and surroundings, additional elements like pertinent education and experiences are required in addition to training [9]. In the past, training was not thought to be a useful tool for SMEs to generate "value" and effectively navigate environmental and competitive obstacles. But this opinion has evolved.

(iv). Quality of Service

According to Kimonye, quality of service is the degree of correspondence (fitness) between expectations and the actual service provided by the service provider. The greater the fit, the higher are the levels of satisfaction to the customer [34]. The main purpose of providing quality service to our customers is to achieve a broad customer base, loyalty and retention rate. Quality of service has been given a lot prominence as a major ingredient of customer retention. According to Feigenbaum, quality is what the customer says [16].

Therefore, in pursuit of quality service, organizations need to know who their customers are and what they expect from them. Parasuraman et al., categorized services into five dimensions: these are; the gap between customer's expectation and management perception, the gap between management and customer perception on service quality, the gap between quality of service specifications and service delivery staff, the gap between service delivery and external communications and the gap between perceived and expected service [50]. In customer retention therefore, definition of quality is not restricted to the end product or service, but include issues of employee fulfillment, continuous improvement and management directions [59].

2.1.4. Measurement of Performances

According to Khan et al., organizational performance can measure by the following attributes such as 1) sales growth, 2) employee turnover rate, 3) market share, 4) customer satisfaction, 5) return on investment, 6) return on assets, 7) profitability, 8) owners' satisfaction, 9) customers' referral rates, 10) delivery time, 11) waiting time, 12) new product development, 13) return on investment (ROI), 14) customer retention, 15) competitive position, 16) innovation, 17) product reliability, 18) data storing capability, 19) workflow improvement, 20) skills development, 21) inventory turnover, 22) customer loyalty achieved, 23) levels of employee satisfaction with their jobs, 24) ability of the organization to attract and employ qualified employees, 25) levels of employee retention, 26) shareholder satisfaction and by any of the models reported by various researchers. For the purpose of this study the researcher selected some performance measurements which are compatible to country's strategy [36]. Those measurements are profitability and productivity.

2.2. Empirical Review

2.2.1. Impact of Customer Retention Strategies on Organization Performance

Customer relationship management dimension ratings include customer satisfaction [1], market effectiveness and financial performance [61], customers performance and finance performance [5], customers and customer retention and profit growth [75]. As previous studies have suggested, it is beneficial to use other performance dimensions [61]. According to a survey conducted by [42], customer loyalty was measured in four dimensions; the company's overall satisfaction, positive words mouth; repeated intention to buy; and

loyalty to the company. A subsequent study by Lin and Wu showed that there was a statistically significant relationship between quality commitment, trust and satisfaction, customer retention and future use of the product [34].

The service quality research highlights two key themes that are related to how service quality influences organizational performance. First, the literature suggests that service quality directly enhances and affects organizational performance [60, 53] and indirectly through organizational commitment [37] or customer satisfaction [6]. Second, the empirical literature suggests that the role of service quality in enhancing organizational performance is better understood when service quality mediates the relationship between several organizational and managerial practices and organizational performance. These practices include management process alignment [63] lean production, market orientation [3, 53], employee [70] and quality context and market orientation [52]. An interesting notice is that most of the literature focused on investigating the direct and indirect influence of service quality, which is abstract or intangible, on financial performance which is tangible [60, 6]. Therefore, it is hypothesized that the better service quality gives better organizational performance

Promotions focus on retaining shoppers by motivating customers to buy more and more often. Another customer retention strategy is to connect with buyers, including legal commitments, technology commitments, interpersonal commitments, and process commitments. According to Odunlami and Ogunsiji, the impact of promotion on organizational performance is: encouraging off season buying, building brand loyalty [47], encouraging purchase of large size unit, generating trials among non-users and influencing retailers to carry new items and higher level of record [57].

In common, one general conclusion is that those researchers agreed that training facilitates has impact on performance of enterprise [51, 45, 4, 33, 67, 7]. On the other hand, there are also some studies conducted to investigate the problems affecting SMEs' involvement in training markets [68, 27]. Among the findings are those lacks of time, high cost of training, low employee motivation, underestimation of training outcomes, part-time workers and high turnover rate are among the major problems that affect SMEs' involvement in training markets.

Finally, previous researchers have recorded the importance of customer retention in an effort to improve performance of MSEs. However, there still lacks in depth understanding of which strategy is ideal for customer retention. To fill the gaps, the study aimed at determining the effects of customer retention strategy on performance of MSEs in Ethiopia

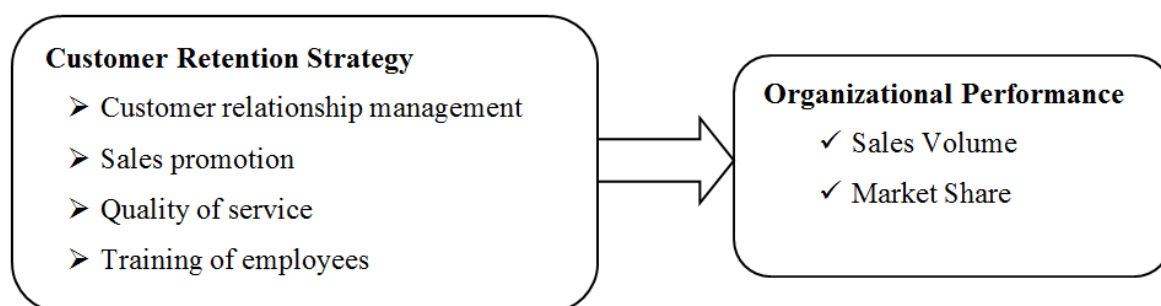
2.2.2. Summary of Empirical Review

Table 1. Summary of Empirical study

Authors & Year	Title	Significant Findings
[58]	An extensive review on the impact of customer retention practices towards the performance of SMEs	Customer retention practice is considered as one of the significant weapons for these SMEs to sustain in the said competition and, hence improve their performance.
[8]	Customer retention strategies and business performance: a survey of selected retail chain stores in South-South, Nigeria	The findings of the study reveal that pricing, service equality and customer service care are significant predictors of retail chain stores profitability. Customer satisfaction has a strong relationship with customer retention and business performance.
[20]	Impact of customer retention practices on firm performance in the retailing sector: A comparison between a foreign and home grown retailer in Malaysia	The findings of the study reveal the four dimension customer retention namely word of mouth, price insensitivity, repeat purchase, non-complying behavior as well as demographic profile are found significantly influence firms performance (customer satisfaction).
[44]	The impact of customer retention strategies in the South African cellular industry: the case of the Eastern free state.	First, findings of the study indicate that though there are many retention strategies that have been adopted by cellphone network providers in South Africa; the most effective are quality of the service provided, provision of customer support services and the capacity of the network to provide the services at an affordable price.
[2]	Factor that Affecting Business Performance of small and medium Size Manufacturing Enterprise in the Case in Kolfe, Keraneo sub-city of Addis Ababa	Research indicated that lack of capital, lack of market, unfavorable policy, and inadequate infrastructure, absence of adequate and relevant training, governmental structure and processes are among constraints faced by MSEs.
[48]	Training and development on performance of Small and Medium Enterprises in Kisumu County, Kenya	The finding of the study showed that the performance of an SME is associated with the status of training and development and that the better the status of training and development in an SME, the higher the performance of the SME.
[10]	Crafting an effective customer retention strategy: a review of halo effect on customer satisfaction in online auctions	This study makes an important managerial contribution to the small e-business start-ups and SMEs who are planning to start an online business. It helps them to understand the satisfaction attributes of online consumers, especially, the auction buyers, & hereby, provides useful guidance for them in crafting the most effective customer retention strategy.
[62]	Impact of Sales Promotional Strategies on Organizational Performance in Flour Mills of Nigeria Maiduguri, Borno State branch	The result signifies that sales promotional strategies have positive and significant effects on organizational performance.
[15]	The impact of service quality on organizational performance in the Mobile Telecommunications Sector In Egypt	The findings reveal that SQ is a true driver of OP in an intensive knowledge- based industry. This is one of few researches to study the relationship of SQ and OP and the first to investigate this relationship in Egypt within the mobile telecommunications setting.
[30]	Assessment of the employees effectiveness through training and development at Hyundai Motors India Ltd	The findings revealed that; every organization needs to study the role, importance and advantages of training and its positive impact on development for the growth of the organization.
[25]	Training and Development Practices in an Organisation: an Intervention to Enhance Organisational Effectiveness	The major finding of the study indicated that training and development of employees increases organisational effectiveness and enhances competitiveness.
[51]	Evaluating the impact of different training methods on SME business performance	The results presented offer novel insights into the relationships between training methods and business performance.

2.3. Conceptual Framework

The figure below shows the relationship between customer retention strategies on SMEs performance.



Source: Developed by researchers' knowledge based on literature review, 2024

Figure 1. Conceptual Framework.

3. Materials and Methods

Research Design

It is acknowledged that several options are available in social research but the choice of approach depends largely on the objectives of the study. The study was used both descriptive and explanatory research design. The main reason for using this design was due to the fact that this design was supposed to help to briefly assess the major strategy encountering the MSEs sector performance along with the future prospects. The target populations of the study were covering the entire staff's, owner/managers of MSEs that are available in three Wallaga Zones cities, Therefore, these groups of respondents who was selected in this study are believed to have better exposure in the area.

To get the determined sample size, stratified and purposive sampling techniques employed to select the sample. A stratified sampling method was used to select: manufacturing, services, trade, construction, & agriculture sector from each zone and purposive sampling technique was used to select the exact respondent from the sample. The researchers were used the formula which was developed by [71].

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

where n is the sample size,

N= is the population size, and e = is the level of precision or sampling error = (0.05)

$$n = 3,743=362$$

$$1+3,743 (0.05)^2$$

Table 2. Sample size of the target population.

Zones	No. of SME	Total number of population	Total number of Sample
East Wollega Zone (Nekemte)			
Manufacturing	18	89	9
Services	138	675	65
Trade	106	312	30
Construction	60	540	52
Agriculture	5	35	4
Sub Total		1,651	160
HoroGuduruWollega Zone (Shambu)			
Manufacturing	3	16	3
Services	18	86	8
Trade	58	133	13
Construction	58	448	43
Agriculture	2	14	2
Sub Total		697	67
West Wollega Zone (Gimbi)			
Manufacturing	35	175	17
Services	105	525	51
Trade	45	135	13
Construction	75	525	51
Agriculture	5	35	3
Sub Total		1,395	135

Zones	No. of SME	Total number of population	Total number of Sample
East Wollega Zone (Nekemte)			
Grand Total		3,743	362

Source: From documented data of three Wollega Zones, 2020.

Finally, to select each respondent from the MSEs, purposive sampling was used to select the representatives of each stratum for the respondents. Therefore, the total sample size of the study was 362 respondents.

The study employed both primary and secondary sources of information from selected MSEs of three Wollega Zones. The primary sources of data was include information that is gathered from the questionnaires that was administered to the respondents, aims to obtain data from a purposely selected group of individuals. To gather primary data, the researchers were used questionnaires.

In order to analyze the data, the two sets of Statistics: Descriptive and Inferential statistics were used. Descriptive statistics summarizes and describes quantitative information in the form of frequency distribution and measures of central tendency (mean and standard deviation), whereas multiple regression analysis was used to analyze the effect of customer retention strategy (independent variable) on performance (dependent variable).

The following model is formulated for the research is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Whereas Y= organization performance

X1= Customer relationship management

X2 = sales promotion

X3 = Quality of service

X4= training of employees

ϵ = denotes the error terms. Moreover β_0 = intercept/constant, β_1 -4= slope coefficients

4. Data Analysis, Discussion, and Interpretation

4.1. Response Rates

From the 362 questionnaires distributed to the respondents of MSE, 351 were returned out of which 5 were incomplete so they were eliminated and 11 were unreturned. Finally, 346 questionnaires were completed and usable questionnaires. This indicates that the existence of good response rate which accounts 346 (95.6%).

4.2. Descriptive Analysis

Table 3. Demographic profile of the respondents.

S. No	Variables	Classification of Variables	Frequency	Percentage (%)
1	Gender	Male	224	64.7
		Female	122	35.3
		Total	346	100.0
2	Age	18-30 Year	63	18.2
		31-43 Year	173	50.0
		44-56 Year	99	28.6
		57-69 Year	11	3.2
		Above 69 Year	0	0.0
		Total	346	100.0
3	Marital Status	Single	137	39.6
		Married	203	58.7
		Divorced	6	1.7
		Widowed	0	0.00
		Total	346	100.0
4	Education Qualification	Primary	9	2.6
		Secondary school completed	128	37.0
		Certificate	92	26.6
		Diploma	105	30.3
		First Degree and Above	12	3.5
5	Work experience	Total	346	100.0
		Less than 2 Years	59	17.1
		2-5 Years	171	49.4
		5-7 Years	98	28.3
		7-9 Years	15	4.3
		>10 Years	3	.9
6	Monthly Income	Total	346	100.0
		Less than 4,000 Birr	31	9.0
		4,001-8,000 Birr	124	35.8
		8,001-12,000 Birr	116	33.5
		12,001- 16,000 Birr	61	17.6
Total		Greater than 16,001 Birr	14	4.1
		Total	346	100.0

Source: Own Survey Data, 2021

Table 3 above, shows that from the total population majority of the respondents were male. The finding of the study implies that, majority of the respondents' of MSEs age range is between 31-43. Similarly the finding indicates that the majority of the respondents work experiences were between 2-5 years range which accounts 49.4%.

The educational status of the respondents shown in Table 3, indicates 9 (2.6%) primary school and 128 (37.0%) secondary school completed, while 92 (26.6%), 105 (30.3%), and 12 (3.5%) of the respondents were certificates, diploma and first degree holders and above respectively. Generally, this finding indicates that the majority of the respondents were secondary school completed followed by diploma. With regard to monthly income the table shows that 124 (35.8%) of the re-

spondents earn between 4,001-8,000, and followed by 116 (33.5%) the earning range between 8,001-12,000 Birr; on the other hand, 61 (18%) earns between birr 12,001- 16,000 Birr, while the remaining respondents earning were less than 4,000 Birr, accounts to 31 (9%) and greater than 16,001 Birr which accounts 14 (4.1%) respectively. Although, the finding of the study revealed that, majority of the respondents earns an average income between 4,001-8,000 Birr.

The marital status of the respondents also shows that majority of the respondents 203 (58.7%) were married and 137 (39.6%) were single or unmarried. While 6 (1.7%), of the respondents were divorced. This implies that the majority of the respondent for this study were married.

4.2.1. Analysis of Customer Retention Strategy Dimensions

Table 4. Customer relationship Management Construct N= 346.

Item	Mean	Std. Deviation
Your SMEs has personal records and contacts of all its clients	3.61	1.216
The customer information used with your SMEs is to create the products satisfy their needs	3.62	1.215
Your SMEs frequently issues questionnaire via phone or mail to its clients, evaluating its quality of services	3.57	1.130
Your SMEs motivates for promoting positive relationship with customers.	3.63	1.198
Your SMEs are facilitating different IT supporting tools to increases customer relationship	3.51	1.130
The customer relationship management strategy helps to retain the potential customers	3.42	1.190
Your SMEs give attention to maintain and enhancing customer relationships management	3.57	1.175
Your SMEs organizational structure and arrangement is good for customer relationship.	3.06	1.253
There is a cross-functional team to organized to coordinate its CRM	2.95	1.216
Your SMEs communicates with its customers through telephones to meet their urgent requests and needs.	2.98	1.354
Your SMEs has assigned the right technical personnel to provide technical support for the building customer relationships.	3.82	1.083
Grand Mean	3.4	

Source: Own Survey Data, 2021

As indicated in the above table, the mean score of the response ranges from 3.82 to 2.95 which is related with assigning the right technical personnel to provide customer support and build customer relationships and related with keeping personnel records of their clients respectively. The

results of the mean score shows majority of the sub construct of CRM were well practiced the enterprises and also the standard deviation showed that the responses given for all items were relatively similar; which means CRM activities were practiced in SMEs in each study areas,.

Table 5. Sales Promotion Construct N= 346.

Items	Mean	Std. Deviation
Your SMEs offers gifts for its potential customers	3.39	1.324

Items	Mean	Std. Deviation
Your SMEs use different sales promotional tool to retain customers.	3.55	1.267
Your SMEs offers sale discount for potential customers	3.94	1.031
Your SMEs offers non-financial incentives to retain the customers.	3.97	.997
The enterprise gives adequate fringe benefits to its potential customers.	3.91	1.040
Your SMEs has different motivational programs to its customers	3.49	1.295
Grand mean	3.7	

Source: Own Survey Data, 2021

As shown in table 5 above, the result implies that majority of the responses to the sub constructs indicate that the construct influence the organizational performance. And the

standard deviation indicates that, the degree of variation among the responses were low.

Table 6. Service Quality Construct N= 346.

Item	Mean	Std. Deviation
You handle the customers 'complaints responsively	3.77	1.104
You teach customers how they can use your products or services	3.87	1.125
You treated customers the way they demand/best interest of customers	3.39	1.321
Your organization has giving professional based service	3.39	1.326
Your SMEs keeps their promised service	3.82	1.031
You are providing timely and proper touch point interaction with service.	3.77	1.119
The enterprise readiness/ willingness to help customers	3.83	1.091
Your service is friendliness based	3.84	.962
Your SMEs staff provide undivided attention to the customer	3.94	1.061
Your SMEs guarantees reliable service	3.85	1.049
The enterprise billing and payment systems are error free	3.87	1.084
Your SMEs service delivery process is highly standardized and simple	3.89	.988
Your SMEs services for customers are technology-based nature	4.37	.853
Grand mean	3.81	

Source: Own Survey Data, 2021

As indicated in table 6 above, the study result shows majority of the sub construct of service quality were well practiced in the SMEs and it affects organizational performance. And also the standard deviation of this construct ranges from

1.1 to 0.85 which shows the existence of service quality practices in the SMEs; because responses given by the study participants were relatively similar and the degree of variation among the response was low.

Table 7. Training & Development Construct N= 346.

Item	Mean	Std. Deviation
I feel motivated by the development plans that are offered in enterprise.	4.05	.853
I believe my career aspirations can be achieved at this organization	3.99	.931
I receive training how to retain customers.	3.94	1.031
Opportunities to receive training are distributed fairly.	3.97	.997
The training is seen as a key to success rather than a cost.	3.91	1.040
The learning and development (trainings) that offered is regarding to our services	3.49	1.295
I received an adequate training for my current job	3.40	1.257
There is an opportunity for personal and professional growth in the enterprise.	4.01	.871
The MSE's provides me a platform to develop my career.	4.06	.847
The training offered in enterprise is based on the assessment of gap in job	3.40	1.328
Grand Mean	3.8	

Source: Own Survey Data, 2021

As indicated in the [table 7](#) above, the results of the mean score majority of the items developed for the variable revealed a practice of training and development in SMEs and it affects their organizational performance. And also the standard deviation of the items ranges from 1.3 to 0.84 which

shows the existence of training and development practices in the SMEs; because responses given by the participants were relatively similar and the degree of variation among the response was low.

4.2.2. Organizational Performance

Table 8. Organizational Performance Constructs N=346.

Item	Mean	Std. Deviation
Our SMEs market share is increased through giving good customer services	4.00	1.058
Profitability of our SMEs is because of retaining and satisfying customers	3.91	1.040
Our SMEs sales volume are increasing because of customer relation management	3.95	1.073
Our SMEs success is achieved because good customer service and that make competitive enterprise	3.96	.968
Our SMEs success is built on positive image	3.88	1.069
Our SMEs success is because of overall performance	3.79	1.117
Grand Mean	3.9	

Source: Own Survey Data, 2021

As shown in [Table 8](#) above, the result implies that the majority of the respondent's responses to the sub constructs indicate the construct was influencing the organizational performance. And the standard deviation indicates that, the degree of variation among the responses given was low.

4.3. Correlation Analysis

According to [\[23\]](#) take as a guide line, correlation coefficient (r), 0.1-0.29 is low, 0.3-0.49 is medium and $r > 0.5$ show high relationship. The other author a [\[10\]](#) correlation result that is greater than 0.7 are considered strong. Additionally, Correlations less than 0.3 are considered weak. Correlations

between 0.3 and 0.7 are considered moderate.

Table 9. Inter Correlation Result of the Analysis N= 346.

		1	2.	3	4.
CRM	Pearson Correlation	1			
	Sig. (2-tailed)				
SP	Pearson Correlation	.150**	1		
	Sig. (2-tailed)	.005			
SQ	Pearson Correlation	.054	.243**	1	
	Sig. (2-tailed)	.320	.000		
T & D	Pearson Correlation	.219**	.887**	.272**	1
	Sig. (2-tailed)	.000	.000	.000	
OP	Pearson Correlation	.457**	.341**	.365**	.526**
	Sig. (2-tailed)	.000	.000	.000	.000

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

A Pearson correlation coefficient was calculated for the relationship between customer relationship management, sales promotion, service quality, training and development, with organizational performance. A strong as well as moderate positive correlation and a significant linear relationship are obtained between all factors and overall organizational performance level. The correlation coefficients (r) for independent variables with dependent variable range from 0.526 to 0.341, which show a weak and high correlation.

4.4. Multiple Regression Analysis

A multiple linear regression analysis was conducted to see the predictive power of customer relationship management, sales promotion, service quality and training and development for customer retention strategy by taking organizational performance as a dependent variable. Furthermore, the analysis explains the relative contribution of each independent variable on customer retention.

Table 10. Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.716 ^a	0.512	0.506	0.46574	0.512	89.502	4	341	.000

The model was analyzed by using all the four customer retention strategy predictors on organizational performance. As per Field (2009), the table shows a value of R^2 , which we already know is a measure of how much of the variability in the outcome is accounted for by the predictors.

The results of the regression analysis showed that, the value of the multiple correlation coefficient of the independent and the dependent variable is the value of $r = 0.716$, indicating a strong correlation. The R-squared of the coefficient determi-

nation, that is, the square of the correlation coefficient (R^2) was 0.512, which indicates that 51.2% of the changes in organizational performance of the SMEs are caused by those variables according to the investigation, and the remaining 48.8% is due to other variables not included in this investigation. The adjusted R-squared is the change explained by the combined effect of the regression of organizational performance on the segregated account (50.6%).

Table 11. ANOVA^a.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	77.657	4	19.414	89.502	.000 ^b
	Residual	73.968	341	.217		
	Total	151.625	345			

As indicated in the Table 11 above, as p is less than 0.05, the model is significant; from the estimated total observation 151.625 wanted to be explained by the regression model; 77.657 with the mean square 19.414 was explained and the remaining 73.968 with mean square of .217 of the total estimated observation was error or not explained by the regression model. According to table above, the independent variable significantly predicts the dependent variable. Thus, the combination of the variables significantly predicts the dependent variable ($F=19.414/.217=89.502$; $p < 0.05$). Which is

statistically significant at $P < 0.05$ because the value in the column labeled (signal less than <0.05) or the significance value is 0.000, which is less than 0.05. This means that the probability of these results occurring by chance is less than 0.05, indicating that the model is suitable for study. This means that the combination of independent variables (customer relationship management, sales promotion, service quality, training and development) significantly predicts organizational performance and, at the same time, has an impact on organizational performance of the SMEs.

Table 12. Coefficients^a.

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	.089	.240			.371	.711
Customer Relationship Management	.286	.033	.336		8.628	.000
Sales Promotion	-.487	.077	-.523		-6.355	.000
Service Quality	.332	.054	.243		6.194	.000
Training and Development	.932	.092	.850		10.121	.000

The last output in the analysis of the multiple linear regression models represents the output for the beta coefficients of each service quality dimensions.

The regression equation for this research is presented below.

$$Y = \beta_0 - \beta_1 X_1 - \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where, Y= Organization performance,

X1= Customer relationship management

X2= Sales promotion

X3= Service Quality

X4= Training and Development

β_0 = Constant, β_1 to β_4 = beta coefficients, and

ε =the error term

Substituting the results in the model gives us:-

$$Y = -0.089 + 0.286X_1 - 0.487X_2 + 0.332X_3 + 0.932X_4 + \varepsilon$$

According to the results in the above table (Table 11) customer relationship management variables of the study is positive and statistically significant at 1% significance level, since the sign value of respective variable is 0.000. The coefficient of the customer relationship management implies that as relationship to a customer increase by 1 the organizational performance that measured by sales volume will increase by 0.286% per unit. Therefore, customer relationship management has positive and statistically significant on impact on organizational performance that measured by sales volume.

According to the results in the above table (Table 11) sales promotion variable of this study is negative and statistically significant at 1% significance level, since the sign value of

respective variable is 0.000. The coefficient of the Sales promotion implies that as sales promotion increase by 1 unit the organizational performance that measured by sales volume will decrease by 0.487% per unit. Therefore, Sales promotion has negative and statistically significant on impact on organizational performance that measured by sales volume.

According to the results in the above table (Table 11) service quality variables of the study is positive and statistically significant at 1% significance level, since the sign value of respective variable is 0.000. The coefficient of the service quality implies that as service quality increase by 1 level the organizational performance that measured by sales volume will increase by 0.332% per unit. Therefore, service quality has positive and statistically significant on impact on organizational performance that measured by sales volume.

According to the results in the above table (Table 11) training and development variables of the study is positive and statistically significant at 1% significance level, since the sign value of respective variable is 0.000. The coefficient of the training and development implies that as training and development of employees increase by 1 round the organizational performance that measured by sales volume will increase by 0.932% per unit. Therefore, training and development has positive and statistically significant on impact on organizational performance that measured by sales volume.

5. Summary, Conclusion and Recommendations

5.1. Summary of the Findings

The researchers were collected 346 questionnaires from the total 362 sample size and the collected data inserted into SPSS version 24. To achieve the objective of the study multiple linear regressions was employed. Besides, before going into data analysis testing, internal consistency measure such as Cronbach alpha reliability, multi-collinearity diagnostic, normality, linearity homoscedastic were employed. As result, 52 measurement items were reduced to 46 items in order to use regression model. Finally, the study findings are presented as follows:

With regard to the demographic profiles the finding revealed majority (64.7%) of the respondents were male, while the remaining 35.3 were female. In terms of the age category majority of the respondents were between 31-43 years which accounted 50.0% and followed by 44-56 years which constituted 28.6%, and from the data collected there was no filled question for the age range above 69 years. In terms of marital statuses majority of the respondents were married which constituted to 58.7% and followed by single 39.6%. And the remaining respondents were divorced and widowed which constituted (6.0% & 0.00%) respectively.

Concerning to the work experiences majority of the re-

spondents' have 2-5 years' experience which accounted to 171 (49.4%) and followed by 5-7 years' experience which accounted to 98 (28.3%). Generally, according to the survey result a few respondents had greater than ten years work experience. With regard to educational qualification, the majority of the respondents were secondary school completed which accounts to 128 (37.0%) and followed by diploma holders which accounted to 105 (30.3%) of the analysis results. In terms of average monthly income, majority of the respondents' income range was between 4,001-8,000 Birr which accounted to 35.8% and followed by income range between birr 8,001-12,000 and accounted to 33.5% of the analysis result.

The descriptive analysis finding results of customer retention strategy dimensions and organizational performance were presented as follows:

The descriptive analysis found out that the grand mean score value for the four components of customer retention strategy were: customer relationship management = 3.4, sales promotion = 3.7, service quality = 3.8 training and development, = 3.8 and the mean for the dependent variable (organizational performance) was 3.9. All grand mean values, fall between ranges from 3.4 to 3.9. This indicates that all the mean scores were above average and it suggested that respondents were agreed on those constructs.

Subsequently, the Pearson's correlation the findings were confirmed that the independent variables had moderate and strong positive correlation ranging from (0.341 to 0.526) with the overall the variable. Specifically, with regard to the Pearson correlation analysis, it can be clearly seen as that the four customer retention strategies were positively related to performance SMEs.

CRM and organizational performance have positive relationship, $r=0.457$.

Sales promotion and organizational performance have positive relationship, $r=0.341$.

Service quality and organizational performance have positive relationship, $r=0.365$.

Training and development have positive relationship, $r=0.526$.

Regression analysis result of the study indicated 51.2% of the SMEs organizational performance was explained by the dimensions of customer retention strategy used in this study. As indicated in the ANOVA table, as p was less than 0.05, the model is significant; from the estimated total observation 151.625 wanted to be explained by the regression model; 77.657 with the mean square 19.414 was explained and the remaining 73.968 with mean square of .217 of the total estimated observation was error or not explained by the regression model. The ANOVA result revealed combination of the variables significantly predicts the dependent variable ($F=19.414/.217=89.502$; $p < 0.05$). This means that the probability of these results occurring by chance is less than 0.05, indicating that the model is suitable for study.

With regard to regression analysis results of coefficient ta-

ble were indicated as follow:

- 1) 0.336% of organizational performance is significantly explained by CRM.
- 2) -0.523% of organizational performance is significantly explained by sales promotion.
- 3) 0.243% of organizational performance is significantly explained by service quality.
- 4) 0.85% of organizational performance is significantly explained by training and development.

Customer relationship management has positive and statistically significant on impact on organizational performance that measured by sales volume.

Sales Promotion has negative and statistically significant on impact on organizational performance that measured by sales volume.

Service quality has positive and statistically significant on impact on organizational performance that measured by sales volume.

Training and development has positive and statistically significant on impact on organizational performance that measured by sales volume.

Generally, by considering the above coefficient result, from customer retention strategy customer training and development have the highest influence on organizational performance followed by relationship management strategy respectively. And service quality has the lowest influences. Finally study result revealed sales promotion negatively affects the performance of SMEs.

5.2. Conclusion

The purpose of this study was to investigate the effect of customer retention strategies on the performance of MSEs in three Wollega zones from the viewpoint of the owners/managers and employees.

From the foregone discussion on the observed findings, the researchers were concluded that a significant relationship exists between customer retention strategy and the performance of MSEs. Customer retention strategy contributes for MSEs market share, growth and profitability. Consequently, the implication of the study were Ethiopian MSEs sectors should generally increase their customer retention strategies so as to enhance their level of business viability and specifically review their customer attraction and retention policies in order not to lose customers by competitors.

Based on the summary of the finding, the researchers' conclusions were indicated as follows:

First, the findings of the study indicated that though there were many retention strategies that have been adopted by MSEs in the world as well as in Ethiopia. Based on the findings of the study result the researchers suggested that the most effective customer retention strategies were training and development, customer relationship management and service quality. And the remaining dimension of customer retention strategy sales promotion was negatively influences the per-

formance; MSEs as per the findings of the researchers and in the real world the result might be reverse; but by its nature sales promotion used to increase short term sales volume, so if the incentives provided was not appropriate (do not matches with the MSEs objectives) and made for un appropriate customers the result might be negative and it requires further investigation by future researchers.

Second, as a result of high levels of poverty and unemployment within the study area as well as the country, MSEs enterprises should consider the society's problems and as well as affordability of their products and it is not as an option of adopting customer retention strategy in MSEs. Though the provision of quality service has various benefits but according to the researchers investigation it is not sufficient for customer retention in MSEs and it needs more attention and consideration in order to retain the customer.

Third, the researchers also concluded that in the study area effective customer retention can be better achieved not just by enhancing the quality of service provided but through effective marketing. That was the key problems of customers' retention strategies influenced by a series of distinct gaps often neglected by the MSEs.

Finally, the study findings indicated some variables exhibit weak associations, further researchers were needed to examine the nature of the association between customers' retention strategies.

5.3. Recommendation

Suggestions for corrective and complementary measures to enhance the potential performance of MSEs are essential. Such recommendations demand an in-depth analysis of the influence of different factors regarding the sectors. Based on the findings and conclusions of the study, the following recommendations were forwarded.

The findings of this research can be important evidence for managers who take charge of customer retention. It is helpful for managers and for marketers to understand the effectiveness and importance of customer retention strategy.

As it is known, customers are the reason for the survival of the MSEs. So, MSEs are expected to invest more on retaining the existing ones as well as attracting new customers.

Effective customer relationship management should be put in place in order to promote and retain the existing customers and enhancing the performance of the organization.

Management should always try to emphasis on the provision of quality service to enhance the customers' retention strategies in MSEs and train workers of the enterprises for the increment of MSEs performance.

For the MSEs to boost their performance level recruiting appropriate employee, for appropriate training and development should be worked on to enhance their performance.

Management should try to select appropriate sales promotion method that was preferred for MSEs in order to survive in the market as well as to increase sales performance. Unless,

simply sales promotion increases cost. The respected body should give more attention when, why, how and what types of sales promotions were appropriate for the enterprise's product in order to increase performance of enterprises.

Furthermore, MSEs' top management should also treat their suppliers/producers as long-term partners as they are integral part of the organizations business and as materials and manufactured products used as inputs pose quality challenges. This will promote and facilitate understanding of the right material/product specifications with attributes as retaining and satisfying customers' needs.

Abbreviations

MSEs	Micro and Small Enterprises
SME	Small and Micro Enterprise
SDT	Self-Determination Theory

Conflicts of Interest

The authors declare no conflicts of interest.

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