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# **Effect of Service Quality on Customer Retention at Branded Night Clubs in Mombasa County, Kenya: A Pivotal, Core and Peripheral Attributes Model Perspective**

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## **Abstract**

The main purpose of this research study was to determine the effect of service quality on customer retention at branded nightclubs in Mombasa County. The study was guided by a number of research questions: Can service quality enhance customer retention, how can service quality initiatives be used to drive the managements' policy of enhancing firm competitiveness through customer retention and lastly, are there challenges associated with service quality implementation by service firms and if so, what needs to be done. The study sought to investigate the relationship between service quality and customer retention. The study adopted a descriptive cross sectional survey design, which is mainly used in preliminary and exploratory research studies. Such design makes it easy for researchers to collect information, summarize, present and interpret data for purposes of clarification. This was appropriate since it sought to provide an overall picture of the extent to which service quality practices contribute to customer retention at branded nightclubs in the County. Primary data was collected from the club operators using questionnaires. The finding was that most of the branded nightclubs in the County implement service quality practices. Demographics data was analysed by descriptive statistics while the relationship between service quality and customer retention was

analysed using a regression model. It was established that there is a significant positive relationship between service quality attributes and customer retention. Therefore, this study recommends that management should fully embrace service quality practices in their service firms with a view to enhancing their customer retention capabilities. This has a positive impact on their objective of firm profitability arising from repeat purchases.

**Key Words:** *Service quality, Customer retention, Implementation, Challenges*

## **1.0 Introduction**

### **1.1 Background of the Study**

Customers are important stakeholders in all business organizations, whether service or manufacturing. Their satisfaction as well as retention is increasingly becoming a priority to management for not only business profitability but also sustainability. Over the past years, managers have paid a keen attention on improving the quality of services due to the potential impact it has on their customers' appeal for their products and the overall performance of their businesses. Service quality plays a key role in influencing customers' choice for products and services. Organizations that strive to consistently satisfy their customers have the potential to achieve higher profits through customer loyalty and retention (Wick & Roethlein1, 2009). The desire for service quality for customer satisfaction so as to enhance customer retention initiatives have lately become the main focus of both manufacturing and service firms.

Service firms are rapidly recognizing that for them to survive the stiff competition within their operating environments, it is important for them to grab their clients' attention with unique brand identity and superior service levels. The importance of service quality cannot therefore be underrated. Strategies employed by different firms tend to be highly specific to individual firms (Gummesson, 2002). This study is anchored on several theories. These include market-based theory, survival based theory and resource based view. Market based theory postulates that industry factors and external market orientation are the main factors that determine the firms' performance. Survival based theory lays emphasis on the notion that by following the principle of nature, only the best and probably the fittest of firms will win or survive. Resource-based view is an "inside-out" process, which starts at looking at the resources that the firms have followed by looking at their potential for value generation in a sustainable way (Sciarelli, 2008).

In Mombasa today, changing demographics and existence of more innovative competitors means that there are fewer customers around. Branded nightclubs, especially those offering entertainment services encounter several challenges both managerial and operational. The needs as well as demands of customers are also ever changing. These

firms are therefore forced to embrace strategies aimed at improving service quality not only to attract more customers but also to enhance their retention into the business cycle. This improves their profitability through increased sales as well as maintenance of their market share.

Customer retention (CR) is an evaluation of the product or service quality offered by a firm or a service provider that indicates how loyal its customers are (Anderson & Sullivan 1993). Gerpott Rams and Schindler (2001) postulated that it is the coherence of the trading relations between customers and their service providers. In this study, customer retention (CR) is viewed as the long-term commitment between customers and a firms or service provider with regard to a particular business transaction. Customer retention is a strategy whose objective is to retain a firm's customers and the revenue contribution by them. It aims at preventing them from defecting to alternative brands hence the primary goal is having "less or zero defections" of profitable customers and loyal (Reichheld, 1996).

Customer retention is a key perspective of value-based approach to service quality. Repeat patronage is the focus of the construct of customer retention. Even though it is different from the purchasing behaviour, it is closely linked to brand loyalty since in customer retention; the marketer is always viewed as having the big active contribution in the customer-firm relationship (Hennig-Thurau & Klee, 1997). Little research on the development as well as content of customer retention plans have been conducted (De Souza, 1992). Kotler (2001) established that business organizations are concerned that losing customers result in losing more than just a single sale. This results into losing the bulk or entire stream of service orders or purchases that the customers would have made during their business lifetime.

Service quality is considered as part of the major strategies employed by organizations in their pursuit for service differentiation and desire to gain competitive advantage. This is aimed at attracting new customers thereby contributing to increased market share and enhancing customer retention. Firms that pursue service quality initiatives in a bid to attract and retain customers are likely to be more competitive in the increasingly saturated markets. Customer attraction and retention has become a major field of study and a key policy issue in the competitive and dynamic service market. Gibson (2005) postulated that satisfied clients are more likely to become loyal clients and that imply that they are also likely to propagate positive word of mouth to other potential clients they interact with.

The main goal of service quality in the long run is achieving sustainable competitive advantage over competitors. Firms can achieve this through customer retention through service quality practices in addition to other strategies like pricing, marketing and sales

promotions, among others. As a performance indicator, sustaining a high level of customer satisfaction and by extension retention is necessary in any competitive operating environment (Turel & Serenko, 2006). Customer retention is not just a matter of giving the customers what they expect but also striving to exceed their expectations in order to be loyal and be promoters for the firms' products and services or become brand ambassadors. Customer loyalty emphasizes "customer value rather than profits maximization and shareholder values as the prime objective of most business strategies". Service quality is a key attribute of the set standards as per the organizations' quality policy objectives.

Mombasa County is predominantly one of the most attractive and famous holiday destinations in Kenya. Tourism and hospitality is the bedrock its economy among other sectors. The County has a diverse population composition consisting of residents and visitors coming as tourists and this result into the desire for entertainment services that creates a thriving environment for the establishment of branded nightclubs to cater for this special need. The late night scene cannot be vibrant, fun and plentiful without branded nightclubs since the popular perception of life at the Coast is always viewed as exciting as the Swahili name given to the main city of Mombasa, which accords it the fancy name "Mombasa Raha" which is a Swahili term or word meaning Mombasa fun.

### **1.2 Research Problem**

Gronroos (2007) established that if customers' expectations are achieved or exceeded, they tend to believe that they have received a high quality service and vice versa. His study focussed on customers' expectations in order to foster long-term quality hence the effect of service quality on customer retention need to be examined to assess its contribution. Customer retention by business organizations so as to remain competitive makes it almost mandatory to explore ways of ensuring that they do not lose their market share. Armstrong and Kotler (2008) asserted that it is beneficial for firms to embrace appropriate retention strategies if they are to excel. Competition is not only local but also global hence industries and markets are becoming more competitive thereby, making firms to adopt significant changes in their business models (Kotler, 2008). Service firms in various sectors are increasingly faced with a wide range of challenges varying from social, political, financial, regulatory as well as cultural (Coulson & Thomas, 1997). Lovelock and Wirtz (2007) mentioned five perspectives on quality identified by David Garvin and value based quality is one of the parameters emphasized.

Economy of Mombasa County is highly dependent on tourism and hospitality industry due to the high number of people coming as tourists as well as residents and employees from across the country. The County's services sector, especially entertainment sub sector must therefore strive to meet the expectations of their clients since entertainment

transcends boundaries. Branded nightclubs are a key component of nightlife since they offer a wide range of entertainment packages to cater for the diverse number of patrons with diverse tastes and preferences. They can embrace service quality as a key strategy in their bid to build customer loyalty with a view to retaining them in order to enhance repeat purchases.

Anyango (2014) established in her research on service quality and customer satisfaction in Cargo operations at Kenya Airways that customers are not satisfied when it comes to reliability of services at the promised times and that the airline is not dependable when it comes to handling service problems. Busili (2014) in a study on service dimensions in agency banking in Kenya noted that banks need to take service quality dimensions to be of great importance and recommended that banks need to put in place strategies for service quality at agency banking outlets due to competition. Other service firms like branded nightclubs need to emulate the same and enhance service quality in their endeavour to attract and retain customers. Majority of the existing empirical literature focuses mainly on customer satisfaction (Abdullah & Arokiasamy, 2013; Akbar & Parvez, 2009; Angelova & Zekir, 2011).

### **1.3 Research Objectives**

- i. To determine extent of implementation of service quality practices among branded nightclubs in Mombasa County.
- ii. To establish the relationship between service quality and customer retention of branded nightclubs in Mombasa County.
- iii. To examine the challenges of implementing service quality practices by branded nightclubs in Mombasa County.

## **2.0 Literature Review**

### **2.1 Theoretical Review**

#### **2.1.1 Market Based Theory**

Porter (1981) postulates this theory. It provides that industry factors and external market orientation are the main factors that determine the firms' performance. The firms derive their values from the competitive situations characterizing their end-product strategic positions and that the strategic position of the firms is the unique set of activities different from their rivals or competitors. Schendel (1994) defined the strategic position of firms by how they perform similar activities than related firms but in very different ways. Being market driven is nowadays an essential strategy, not only for success but also for survival in the competitive operating environment (Day, 1999).

Market based view tends to identify an orientation towards the market as the primary source of the firms' competitive advantage (Kohli & Jaworski,1990; Narver & Slater, 1990). In addition, the goal of this outside-in perspective is to create superior value for the customers through the process of market information acquisition, information dissemination as well as coordinated action. Firms' profitability levels and performance are solely explained by their structures and competitive dynamics of the industries in which they operate. The theory supports the study in that service firms are compelled to evaluate their operating environments in order to understand the demand aspects of the market with a view to producing quality products and services aimed at attaining the required competitive edge or advantage.

### **2.1.2 Survival Based Theory**

This theory was developed by Herbert Spencer in 1859 and is famously referred to as "survival of the fittest". It synthesises the theory of evolution by Darwin and Adam Smith's invisible hands in natural selection to come up with the idea of Social Darwinism. This theory was popular during late 19<sup>th</sup> and early 20<sup>th</sup> century. This theory emphasized the notion that by following the principles of nature, only the best and probably the fittest of competitors will win or survive. This will, in the end, result in the improvement of the social community as a whole (Brown, Campbell & Powell).

Social Darwinism therefore, assumed that it is normal the behaviour of competition in hedonistic ways produces the fittest business organizations. These organizations survived and prospered by successfully conforming to their environments or becoming the most efficient economic producers (Tengku, 2010). The relevance of the theory to the study is that business organizations have to monitor, on a continuous basis, the competitiveness of their operating environments. This is in order to not only survive but also exploit the opportunities that exist as well as counter the threats that limit their ability and capacity to compete. To achieve this, they have to, as a matter of necessity, understand the dynamics of their customers' preferences with regard to the products they offer as well as the quality attributes attached to those products.

### **2.1.3 Resource Based View**

This is derived from Penrose's idea (1959) of firms as coordinated "bundle" of resources that firms have at their disposal or have access to (inside out). These resources are rare, valuable and inimitable. Resource-based view is therefore, an "inside-out" process that starts at looking at the resources a firm has. This is followed by looking at the existing potential for value creation and then defines those strategies that allow the firm to capture or achieve maximum value in a sustainable way. It provides a framework for explaining and possibly predicting the basis of a firm's competitive advantage and by extension

performance (Vorjes & Morgan, 2005). Firms mainly compete on the basis of resources and capabilities (Peteraf & Barney, 2003). Many of the resources and capabilities on which competitive advantage, such as service quality reside in the operations function (Cioates & McDermott, 2002).

Competitive advantage is only possible if the firms' resources as well as their combinations are rare, valuable, imperfectly substitutable and imperfectly imitable (Barney, 1991). Firms' competitive advantage should be based upon their resources (Wernerfelt, 1984). Firms' capabilities are needed to bundle, manage or control and exploit the firms' resources in such a manner that they confer value addition to customers as well as creating competitive advantages (Barney, 1996). The provision of quality services is viewed as a resource that adds great value to the services offered so as to obtain customer satisfaction, brand loyalty and therefore retention.

### **2.3 Empirical Review**

Gronroos (2007) proposed that to achieve long-term quality, expectations of the customers should be given more focus, revealed as well as calibrated. If the customers' expectations are met or exceeded, they tend to believe that they have received a high quality service and vice versa. A study by Gloria (2011) on the effect of service quality on customer satisfaction in the utility industry (telecom) in Ghana established that nearly all service quality items were good predictors of customers' satisfaction levels. The study context was to determine how service quality can be used as a strategy for building brand loyalty among the firms' customers. However, her study does not address the extent to which service quality enhances customer retention.

Another study by Anyango (2014) on service quality and customer satisfaction in Kenya Airways Cargo operations revealed that customers are not satisfied when it comes to the reliability of services at the promised times. The study revealed that the airline is not dependable when it comes to handling service problems. The study was aimed at finding the effect of service quality on customer satisfaction with the airline's cargo operations in order to remain competitive. The study recommended that the airline needs to enhance its operational strategies and ensure schedule integrity as well as reliability enhancement of service recovery initiatives when problems arise. This increases service quality. The proposed study seeks to establish the effect of service quality not only on customer satisfaction but also on customer retention as this promotes repeat purchases and as a result brand loyalty by patrons.

Another study by Nanyama (2013) on Service quality and operational performance of tour operators in Kenya established that there exists a positive relationship between service quality perception and operational performance. The study examined how

operations and service quality are inter linked within the tour operators sector. However, the study was limited in scope since it did not address the effect of service quality on operations with regard to the customers in view of the long-term profitability of the sector. The current study seeks to extend this to evaluate how service quality enhances customer retention, which is a key component of performance of all firms, whether service or manufacturing. Service quality is rapidly emerging from the notion of a concept whereby it is viewed as a mere “service encounter” to one which is defined as “moments of truth” or “critical incidents” (Albrecht & Zemkel 1985; Czepiel, 1985).

Busili (2014) conducted a research on Service quality dimensions adopted by commercial banks in Kenya with regard to agency banking. Key objectives of the study was to determine how service quality dimensions are applied by commercial banks at the agency banking outlets as well as the challenges that commercial banks face in their pursuit of service quality incentives. That study established that banks take service quality dimensions in agency banking to be of great importance. The study recommended the need for banks to put in place strategies for service quality at agency banking outlets as a result of great competition emerging for the same kind of services. However, the study focussed much on the challenges as well as service quality initiatives and activities such as focussing on research and development without evaluating the impact those initiatives have on the overall operation of the banks from the viewpoint of their clients. This study seeks to establish the benefits of service quality initiatives particularly on customer retention.

## 2.4 Conceptual Framework



**Figure1: Conceptual Framework**

## 3.0 Research Methodology

This research study adopted a descriptive cross-sectional survey design. Descriptive cross-sectional survey approach is considered the most appropriate for the study since

descriptive studies report the way things are for understanding the status-quo. The target population of this research was all branded nightclubs offering entertainment services in Mombasa County. These entities operate under different operational structures such as bars, hotels and restaurants as well as private members' clubs and lodges. Census of all the 43 branded nightclubs complied with the registration, and licensing requirements of the Betting Control and Licencing Board of Kenya as at the end of the year 2017 was conducted.

The regression analysis model was by the following equation:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu \text{ where;}$$

$Y$  = Customer retention (CR)

$a$  = Constant

$\beta_1 - \beta_3$ , Coefficient of  $X_n$  which represent the estimate of effect of  $X_n$  on Customer retention

$X_1$  = Pivotal Attributes

$X_2$  = Core Attributes

$X_3$  = Peripheral Attributes

$\mu$  = Error term

## 4.0 Data Analysis, Results and Discussions

### 4.1 Descriptive Statistics

#### Pivotal Attributes

**Table 1: Pivotal Attributes**

<b>Pivotal Attributes</b>	<b>Mean</b>	<b>Std. dev</b>	<b>Rank</b>
Our club has a well-designed futuristic service space with a distinct layout	4.024	0.908	2
Our club has a state of the art entertainment equipment for clear and regulated sound projection	4.073	0.877	1
Our club has invested in modern equipment such as digital speakers, wireless microphones for quality sound output	3.902	0.970	3
Our firm has a dance floor with adequate space with good ventilation & ambient lighting	3.902	1.020	3
Our club has a back-up equipment and machinery e.g. power generator to ensure services are not disrupted during breakdowns and other interruptions	3.634	1.561	5
<b>Overall mean</b>	<b>3.907</b>		

#### Source: Research data

The results in Table 1 show that state of the art entertainment equipment for clear and regulated sound projection with a mean of 4.073 is the highest ranked pivotal attribute to service quality followed by a well-designed futuristic service space with a distinct layout with a mean of 4.024. This is because a majority of the operators (53.7%) offers both live band & concerts and disco mix modes of entertainment to their customers as shown in table 4.10. In addition, availability of a back-up equipment and machinery such as power generators is the lowest ranked pivotal attribute to service quality with a mean of 3.634. Modern equipment and a dance floor with adequate space are both ranked third with a mean of 3.902. Overall, pivotal attributes had a mean of 3.907. This is above the two lowest ranked pivotal practices. This implies that they have an essential contribution in enhancing service quality in the service delivery platform or environment.

**Core Attributes**

**Table 2: Core Attributes**

<b>Core attributes</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Rank</b>
The club only engages the services of attendants who are smartly dressed and professional in work approach for customer satisfaction	4.390	.8330	3
The firm/club only engages the services of attendants who are courteous, disciplined and well behaved	4.488	.6373	1
The club only engages the services of entertainers who are respectful and focused on the needs of the patrons e.g. disco jokers and musicians	4.415	.8055	2
Our club ensures that all employees are not only skilled but also periodically trained and sensitized on fulfilling customer expectations	3.244	1.480	5
Our club has a policy of prompt service recovery in case of flaws such as ordering for repeat performance and concerts on demand	3.317	1.422	4
<b>Overall Mean</b>	<b>3.971</b>		

**Source: Research data**

From Table 2, core attributes on average have a mean of 3.971, which is above the three lowest ranked core practices. This implies that core attributes are also essential in the service delivery process just like the other attributes and must be taken into consideration when addressing service quality issues in any organization. As a result, the success of the other attributes in enhancing service quality in will depend on the extent of how well the core attributes are addressed and ultimately improved.

**Peripheral Attributes**

**Table 3: Peripheral Attributes**

<b>Peripheral Attributes</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Rank</b>
Our firm/club has adequate and ample parking space/slots for our patrons and visitors	3.756	1.220	3
Our firm/club has employed adequate security personnel to guard against crowd trouble and violence by unruly patrons and theft by intruders	4.317	0.820	2
Our firm/club offers loyalty rewards to esteemed and regular patrons in order to foster satisfaction and retention	2.780	1.333	5
Our firm/club undertakes promotional activities such as happy hours to attract more patrons	2.854	1.315	4
Our firm/club takes serious customer complaints by ensuring that they are not only addressed but corrective measures are administratively initiated	4.585	0.670	1
<b>overall Mean</b>	<b>3.659</b>		

**Source: Research data**

Results from the responses in Table 3 show that administrative corrective measures aimed at addressing customer complaints is the highest ranked peripheral attribute to service quality with a mean of 4.585. This is followed by adequate security personnel to guard against theft by intruders, crowd trouble and violence by unruly customers with a mean of 4.317. Loyalty rewards to esteemed and regular customers is the least ranked peripheral attribute to service quality with a mean of 2.780. This is because it is expensive to run such schemes. Overall, peripheral attributes had a mean of 3.659 which is slightly above the last two ranked practices. This implies that for service quality to be enhanced, they need to be greatly emphasized and improved since they are the attributes that increases the incidental frills and or the extras meant to increase the roundness to service delivery process.

### Customer Retention

**Table 4: Customer Retention**

<b>Customer Retention</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Rank</b>
Most of our customers come back for services on a regular basis.	4.366	0.799	1
Most of our customers come back accompanied by their colleagues and friends	4.244	0.799	2
Most of our patrons/customers refer their friends and colleagues to our club for services	4.146	0.853	3
Most of our customers register their compliments regarding our services based on feedbacks and word of mouth	3.707	1.123	4
We receive few complaints from customers during and after service delivery	3.244	1.280	5
Most of our customers do not complain about price adjustments for services	3.098	1.068	7
Most of our customers do not complain about lack of parking slots and security arrangements	3.220	1.194	6
Most of our customers enquire about award of redeemable loyalty points	2.659	1.277	8
<b>Overall Mean</b>	<b>3.581</b>	<b>0.654</b>	

**Source: Research data**

The results in Table 4 show that respondents rated repeat purchases by customers (4.366) highest. This was followed by customers being accompanied by their friends and colleagues in pursuit of services (4.244) and referrals by customers to friends and colleagues for services (4.146) as the highest indicators of customer retention. Adequate parking space and security (3.220) insensitivity to price adjustments (3.098) and enquiries about award of redeemable loyalty points by customers (2.659) are rated as the least indicators of customer retention. Overall, customer retention had a mean of 3.581 which is above the mean of the last four ranked retention indicators. This indicates that the extent to which the clubs retain their customers is above average.

**Service Quality and Customer Retention**

**Table 5: Mean Responses for Service Quality and Customer Retention**

<b>Respondent</b>	<b>X<sub>1</sub></b>	<b>X<sub>2</sub></b>	<b>X<sub>3</sub></b>	<b>Y</b>
1	3.400	3.800	3.600	3.750
2	4.800	5.000	4.400	4.250
3	3.800	5.000	4.600	3.875
4	3.800	3.200	3.600	4.125
5	3.400	3.400	2.800	3.375
6	4.000	2.800	2.400	2.875
7	3.800	4.400	4.200	3.250
8	4.200	3.000	2.600	3.500
9	3.200	4.800	3.600	3.750
10	3.200	3.400	3.400	3.250
11	5.000	5.000	5.000	5.000
12	4.600	4.200	4.600	4.875
13	4.600	4.200	4.600	4.875
14	3.600	3.800	3.400	2.750
15	4.400	4.200	3.400	4.125
16	4.600	5.000	4.800	4.375
17	4.600	4.000	4.400	3.750
18	4.800	4.600	3.800	4.750
19	3.400	3.200	3.600	3.000
20	1.000	2.600	2.400	3.000
21	2.000	2.800	2.200	2.625
22	2.400	2.800	2.800	2.875
23	4.400	4.800	3.800	3.875
24	2.400	2.800	2.600	3.250
25	3.600	3.000	3.000	4.125
26	4.200	4.600	4.200	3.875

27	4.000	3.800	4.000	3.750
28	5.000	4.600	4.400	3.875
29	4.800	4.800	3.400	2.750
30	4.400	4.600	4.600	3.625
31	4.000	4.600	3.600	3.125
32	5.000	4.400	5.000	3.250
33	5.000	5.000	4.800	3.375
34	4.000	4.200	4.000	3.500
35	4.200	4.600	4.200	3.714
36	3.400	3.400	2.600	2.625
37	5.000	4.200	3.600	3.875
38	3.400	3.600	2.600	2.750
39	3.400	2.800	2.800	3.375
40	3.400	4.200	3.000	2.375
41	4.000	3.600	3.600	3.750

**Source: Research Data**

Where Y represent customer retention while  $X_1$  is pivotal attributes;  $X_2$  is core attributes;  $X_3$  is peripheral attributes. A regression model was applied in order to determine the relationship between service quality and customer retention at branded nightclubs in Mombasa County.

**4.2 Regression Analysis**

**Table 6: Summary Model**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.658 <sup>a</sup>	.434	.388	.51167	1.778

a. Predictors: (Constant), Peripheral attributes, Pivotal attributes, Core attributes

b. Dependent Variable: Customer Retention

Since the computed **t (5.462)** does not fall between -0.026 and 2.026, the null hypothesis

From table 6, the coefficient of correlation **R = 0.658**. This shows that there is a positive relationship between the three-service quality attributes in the model and customer retention. However, **R<sup>2</sup> = 0.434** and this suggests that 43.4% of the variation in customer retention is explained by the variation in service quality. In addition, coefficient of correlation was tested for significance as follows:

***Step 1: Stating the hypothesis***

**H<sub>0</sub>: R = 0** (The coefficient of correlation is not significant i.e. the relationship between service quality and customer retention is not significant)

**H<sub>1</sub>: R ≠ 0** (The coefficient of correlation is significant i.e. the relationship between service quality and customer retention is significant)

***Step 2: Level of significance***

Significance  $\alpha = 0.05$  and it is a two tailed test.

***Step 3: Decision rule***

Degrees of freedom =  $n-k-1 = 37$ , Therefore,  $t_{0.05, 37} = 2.026$

The decision rule will therefore be, reject the stated null hypothesis if the computed **t** does not fall between -2.026 and 2.026

***Step 4: Test Statistic***

$$\begin{aligned}t &= r \sqrt{\frac{n-2}{1-r^2}} \\ &= 0.658 \sqrt{\frac{41-2}{1-0.434}} \\ &= 0.658 * 8.301 \\ &= 5.462\end{aligned}$$

***Step 5: Conclusion***

stating that the relationship between service quality and customer retention is insignificant was rejected. This implied that the correlation between service quality and customer retention is significant

**Table 7: ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.415	3	2.472	9.441	.000 <sup>b</sup>
Residual	9.687	37	.262		
Total	17.102	40			

a. Dependent Study Variable: Customer Retention

b. Predictors: (Constant), Peripheral attributes, Pivotal attributes, Core attributes

From table 7, it can be observed that the p-value (.000) is less than the level of significance (0.05). This implies that the overall model is significant. The P values in the table represent ANOVA statistics used to present the regression model significance.

**Table 8: Model Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	1.786	.435		4.102	.000		
Pivotal attributes	.203	.141	.274	1.441	.158	.424	2.356
Core attributes	-.237	.187	-.278	-1.262	.215	.316	3.161
Peripheral attributes	.530	.182	.650	2.912	.006	.307	3.255

a. Dependent Variable: Customer Retention

b. Predictors: (Constant), Pivotal attributes, Core attributes, Peripheral attributes

From table 8, the model will appear as follows:

$$Y = 1.786 + 0.203 X_1 - 0.237 X_2 + 0.530 X_3$$

It can be deduced that only peripheral attributes of service quality in the model are significant as indicated by their p-value of 0.006, which is less than 0.05 level of significance while the other attributes with p-values of 0.158 and 0.215 are greater than the significance level. However, their inclusion in the model is justified. The model shows that pivotal ( $X_1$ ) and peripheral ( $X_3$ ) attributes of service quality are all positively related to customer retention as shown by their coefficient values. Core attributes are inversely related to customer retention.

### 4.3 Diagnostic Tests

#### Testing for Normality

**Table 9: Tests of Normality**

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	.060	41	.200*	.989	41	.955

a. Lilliefors Significance Correction

Step 1: Hypotheses

$H_0$ : The residuals follow a normal distribution with a mean of zero

$H_1$ : The residuals do not follow a normal distribution

Step 2: Level of significance

The level of significance,  $\alpha = 0.05$

Step 3: Decision rule

Reject the null hypothesis if the p-value is less than 0.05

Step 4: Test –Statistics

Shapiro – Wilk’s statistic = 0.989 and p-value = 0.955

Step 5: Decision

Since the computed p-value 0.955 is more than the level of significance (0.05), the stated null hypothesis was not rejected. This implied that the residuals follow a normal distribution with a mean of zero.

### **Testing for Multicollinearity**

In order to verify the existence of multicollinearity in the model, variance inflation factors (VIFs) from table 8 were evaluated. These values are 2.356, 3.161 and 3.255 and all are less than 5. This indicates that multicollinearity is not a problem in the model adopted for the study.

### **Testing for Autocorrelation**

Step 1: Stating the hypotheses

$H_0: \rho = 0$  (autocorrelation is absent)

$H_1: \rho > 0$  (autocorrelation is present)

Step 2: Level of significance

Level of significance,  $\alpha = 0.05$

Step 3: Decision rule

Number of independent variables,  $k = 3$ ; Number of observation,  $n = 41$ . From the Durbin-Watson tables,  $d_l = 1.149$  and  $d_u = 1.456$

Step 4: Test statistic

From table 9, the Durbin- Watson test statistic,  $d = 1.778$

Step 5: Conclusion

Since the computed  $d$  (1.778) is greater than  $d_u$  (1.456), the stated null hypothesis was not rejected. This implied that there is no autocorrelation in the model.

### **Testing for Heteroscedasticity**

This involved running the macro syntax by Gwilym Pryce on Breusch-Pagan and Koenker in SPSS. The following output was produced:

```
Run MATRIX procedure:
```

```
BP&K TESTS
```

```
=====
```

```
Regression SS
```

```
9.0117
```

```
Residual SS
```

```
55.1237
```

```
Total SS
    64.1354
R-squared
    .1405
Sample size (N)
    41
Number of predictors (P)
    3
Breusch-Pagan test for Heteroscedasticity (CHI-SQUARE df=P)
    4.506
Significance level of Chi-square df=P (H0:homoscedasticity)
    .2118

Koenker test for Heteroscedasticity (CHI-SQUARE df=P)
    5.761
Significance level of Chi-square df=P (H0:homoscedasticity)
    .1238
----- END MATRIX -----
```

Due to a small sample size of 41, the Koenker Test for heteroscedasticity was found to be suitable as follows:

***Step 1: Stating the hypotheses***

H<sub>0</sub>: There is no heteroscedasticity in the data (data is homoscedastic)

H<sub>1</sub>: There is heteroscedasticity in the data

***Step 2: Level of significance***

The level of significance,  $\alpha = 0.05$

***Step 3: Decision rule***

Reject the stated null hypothesis if the computed p-value is less than 0.05

***Step 4: Test statistic***

From the output of SPSS, Koenker test statistic = 5.761 and p-value = 0.1238

**Step 4: Conclusion**

Since the computed p-value (0.1238) is greater than the level of significance (0.05), the stated null hypothesis was not rejected. This implied that the data is homoscedastic.

**Challenges of Service Quality Implementation**

**Table 10: Challenges of Service Quality Implementation**

<b>Challenges of Service quality</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Rank</b>
Our firm/club employs managers and attendants with professional qualifications	4.073	1.034	3
Our club has inadequate equipment and facilities which affect our ability to offer quality services	2.220	1.314	10
High maintenance costs of equipment and facilities extremely reduce our margins	3.756	1.019	7
There are so many clubs offering services like ours in the neighborhood	3.415	1.204	8
It is highly expensive to run an incentive scheme for our customers	3.878	1.122	5
Lack of an elaborate quality management policy for service delivery affects our quality initiatives greatly	3.098	1.411	9
It is not easy to measure satisfaction levels of customers in order to gauge service quality levels and requirements	3.878	1.288	5
It is costly to hire or contract quality experts to review our service quality procedures	4.342	0.990	1
It is costly to implement service quality programmes due to lack qualified and dedicated employees	4.024	1.151	4
It is costly to train employees on service quality management initiatives and practices	4.220	1.037	2
<b>Overall Mean</b>	<b>3.690</b>		

**Source: Research Data**

High costs of hiring quality experts to review service quality procedures among branded nightclubs in the County is the highest ranked challenge to service quality implementation with a mean of 4.341. This is followed by high costs of training employees in service quality management initiatives and practices with a mean of 4.220. This tends to contribute to the third challenge of lack of managers and attendants with professional qualifications with a mean of 4.073. Stiff competition from clubs offering

similar or related services with a mean of 3.415, followed by lack of elaborate quality management policy for service delivery with a mean of 3.098 and inadequate equipment and facilities with a mean of 2.220 are the least ranked challenges.

### **5.0 Conclusions**

From the answers to the research questions and the subsequent research findings, various conclusions can be made about the study and these include the following; One, pivotal and peripheral attributes of service quality are directly related to customer retention while the core attributes are inversely related. Overall, enhanced service quality positively impacts on customer retention and this supports a study by Aspinall, (2011) which postulated that customer retention is more important since the firm is able to generate more revenue and by extension profitability.

Lastly, service quality implementation at branded nightclubs are impeded by various challenges which when addressed by both management and service quality practitioners will help improve the pursuit and successful implementation of service quality practices by service firms, branded nightclubs included. This is because quality has transformed from being an order qualifier to being an order winner (Hill, Roche & Allen, 2007). It will also reinforce an argument by Little and Merandi (2003) that quality and cost are the key factors in enhancing long-term relationships between firms and their customers and as such, customer retention is one of the goals that can be achieved out of that.

### **6.0 Recommendations**

Various recommendations have been suggested based on the findings of the research study. Key among them includes one, that branded nightclubs need to embrace and implement cost-effective service quality practices in their operations in order to not only retain their customers but to enhance their market share in the already competitive operating environment. This is premised on the fact that firms are continually recognizing that in order to survive stiff competition, it is important to grab their customers' attention with unique brand identity and superior service levels.

Secondly, management of branded nightclubs and policy makers in service quality should design and formulate appropriate quality objectives that are not only aimed at enhancing customer retention but also ensuring that other firm objectives such as increased profitability are achieved. Lastly, in order to enhance service quality and customer retention at branded nightclubs, management should endeavor to ensure that service quality implementation challenges are addressed promptly and adequately so as to improve the perception of their customers in terms of their expectations and actual service delivery

## 7.0 References

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