Customer Retention: A Literature Review

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ABSTRACT

Customer retention is vital for businesses with much research literature now available and in most cases, is regarded as an indicator of acquisition performance, but factors influencing it have rarely been studied in the serial acquirer context. Customer experience has drawn a great deal of attention from scholars and business practitioners in the past few decades. Successfully designing and providing customers with an optimal experience has become a central priority for marketing theory and practice. Customer experience plays a key role for firms in creating a sustainable competitive advantage and building good customer relationships. The objective of this research is to determine the factors associated with customer retention. I presented a literature study using systematic literature review of relevant publications and as a result of this process, 19 articles are included and then examined the bibliographical references to check the validity of the inquiry and to avoid any potential omissions. I identify several variables that affect customer retention.

Introduction

Customer retention is one of the issues that is widely discussed, therefore it is necessary to have a study that explores it, to find out developments up to now. The goal of this literature review is to find out the relationship between customer retention with other variables so that you know the development from time to time. Customer retention is vital for businesses with much research literature now available (Kumar et al., 2017) and in most cases, is regarded as an indicator of acquisition performance, but factors influencing it have rarely been studied in the serial acquirer context (Degbey, 2015). Companies in a variety of sectors have increasingly started managing customer churn proactively, generally by detecting customers at the highest risk of churning and targeting retention efforts towards them (Ascarza, 2018). Customer experience has drawn a great deal of attention from scholars and business practitioners in the past few decades (Becker & Jaakkola, 2020). Successfully designing and providing customers with an optimal experience has become a central priority for marketing theory and practice (De Keyser et al., 2020).
Customer experience plays a key role for firms in creating a sustainable competitive advantage and building good customer relationships (Andreini et al., 2018) and is thus a fundamental element of firms’ success in both online and offline channels (Barari et al., 2020; Bleier et al., 2019; Bustamante & Rubio, 2017). The rise of omnichannel business will create more and more customers that adopting online and offline channels and using omnichannel services simultaneously to complete the process of shopping (Shen et al., 2018). For omni-channel consistency at lower levels of customer experience quality, customers prefer consistency at higher levels of quality and for omni-channel inconsistency where offline customer experience quality is lower than that online, customers prefer omni-channel inconsistency, where offline customer experience quality is higher than that online (Gao & Fan, 2021). Mishra et al. (2021) confirm that a customer's perceived online–offline channel integration increases their patronage intention directly and through the mediating role of consumer empowerment and satisfaction, additionally, as a moderator, consumer service experience consciousness does not necessarily impact consumer patronage interest through the mediating role of consumer empowerment. Drawing on marketplace metacognition theory, it’s found that moderate initial discounts have positive effects on customer retention, whereas low and high discounts have negative effects (Del Rio Olivares et al., 2018).

Service Marketing Mix (SMM) can be used by business people to run their business. SMM components can provide the organizational margins that to lead in the service value (SV) and can be command methods (Dahmiri et al., 2017). SMM elements that lively indulgence by such service providers will have an effect in the future and existing customers, transforming them into customer retention (CR) and helping them remain loyal for a longer period of time, and provide more competitive positions in their business life (Wahab et al., 2016). Companies that simultaneously do good and innovate are rewarded with more positive customer attitudes and higher levels of customer retention (van Doorn et al., 2017).

**Literature Review**

Customer retention is the propensity of the customer to stay with their service provider (Ranaweera & Neely, 2003). Companies also need to be careful about the technological comfort of their customers, for example, innovations, which are smartphone app only, may end up alienating rural customers, where smartphone penetration is low, but on the other hand, prepaid card based innovations will be a major success amongst rural customers (Tripathy & Jain, 2020). Strydom et al. (2020)
identify non-linear and asymmetric effects that suggesting that customers’ evaluations of service performance are more sensitive to negative performance (dissatisfaction) than positive performance (satisfaction), accordingly, focusing on attributes for which customers are experiencing negative performance first, and then allocating resources to attributes for which customers are experiencing positive performance, can be far more consequential for improving customer satisfaction.

Managers can make suitable service improvement plans even with limited resources and once the improvements are duly implemented, the service might get higher user retention in the near future (Hung et al., 2020). Vieira et al. (2019) found that salesperson assessment focus amplified locomotion’s effect on acquisition–retention ambidexterity, and salespeople increased their performance by implementing an acquisition–retention ambidextrous orientation that balances prospecting for new customers and growing existing customers.

Calculation of optimal commission based on customer retention and salesperson attributes helps a sales manager classify salespeople according to attributes and the importance of customers from a relationship perspective and it also aids sales managers in implementing an equitable pay structure based not only on salespersons’ results, but also on their behaviors (Echchakoui & Ghilal, 2019). Service value (i.e., convenient hours, quality, friendliness), as well as length of ownership influence service retention, also, gender moderates the service value dimensions and service retention relationship such that various components of service value (convenient hours, friendliness and quality) were significant predictors of service retention whereas service value (friendliness, quality) were significant predictors of service retention for females (Darley & Luethge, 2019).

The optimal acquisition and retention expenditure strategies depend on each firm’s marginal customer equity, but not on the market share or the number of customers, and in response to the variation of the firm’s parameters, if its acquisition effectiveness is greater than its retention effectiveness, the firm would take action by making the same investment decision as its rival’s; instead, if its acquisition effectiveness is lower than its retention effectiveness, its rival would take action by making the different investment decision from the firm’s (S. Chang et al., 2020). Customers are loyal because of their attitude or behaviour, and they can be affected through quality products, reputation in the market, location of the store and price levels (Xhema et al., 2018). Retail companies, especially in Kosovo, should focus more on their reputation and product/service quality rather than lowering costs through having their store location in rural places, and the location of the store affects
customers' behaviour – the further the location of our store, more customers will replace with the competitors (Xhema et al., 2018).

Fader et al. (2018) found that even when aggregate retention rates are monotonically increasing, the individual-level churn probabilities are unlikely to be declining over time, as conventional wisdom would suggest. Osakwe & Anaza (2018) reveal the use of both traditional and digital marketing resources is associated with higher organizational performance, and customer retention efforts implemented by a firm, along with brand promotional tactics, increase not only firm profitability but also customer loyalty. Osakwe & Anaza (2018) also extend past findings by theoretically integrating firm size as a segmentation tool used to further evaluate the role of marketing resources on organizational performance and confirm that enterprise size is a significant moderator when explaining the relationship between customer retention orientation and e-brand promotion.

Li et al. (2018) reveal that uncertainty, identity attractiveness, and switching costs of omnichannel retailers partially mediate the effect of cross-channel integration (CCI) on customer retention while fully mediating the relationship between CCI and interest in alternatives, and also uncovered that customer showrooming strengthens the negative relationship between CCI and retailer uncertainty. Service quality and personalized attention is the most important factor followed by high cost of repair and time taken in servicing, according to industry experts, but from the customer's point of view, service quality and personalized attention are most important, followed by time taken in servicing and workshop timing (Kumar et al., 2017). Time taken in servicing, service quality and personalized attention, workshop timing and low customer awareness of warranty benefits are cause factors according to industry experts, but customer opinions are that careless attitude is also a cause group factor, not low customer awareness of warranty benefits (Kumar et al., 2017).

Customers’ retention intentions will be higher when they start using a service with a free monthly fee promotion rather than when they start it with a free joining fee promotion (J. Kim, 2019). Perceived value has a significant positive effect on customer retention and the outcomes also showed that social media marketing has an insignificant effect on the perceived value, whereas its effect on customer retention is positive and statistically significant (Hanaysha, 2018). Additionally, the results confirmed that corporate social responsibility and store environment have significant positive effects on the perceived value and customer retention, moreover, the findings showed that sales promotion has a significant positive effect on the perceived value, but its effect on customer retention is insignificant, and finally, the
results revealed that the perceived value mediates the relationships between all of the independent variables and customer retention (Hanaysha, 2018).

Ruiz Díaz (2017) found that in mobile phone market customer satisfaction influences strongly on customer loyalty, and in turn Loyalty is an important determinant of customer retention, similar asymmetrical results were found with regard to other economic, socioeconomic and geographical determinants of customer decisions, as well, an analogue effect is also observed in the relationship between customer satisfaction and loyalty, where only positive satisfaction assessments help to explain the loyalty of users. Curras-Perez et al. (2017) confirm the role of satisfaction and website reputation as builders of online trust and, through that trust, as determinant factors in repurchase intention and perceived purchase risk moderates the relationship between trust and satisfaction, so that when perceived risk is greater, that relationship is more intense.

Chen et al. (2017) reveal that the attributes of price and discount, personal selling and customer relationship have significant impact on likelihood of customer retention, satisfactory price and discounts are a necessary attribute to support the likelihood of customer retention, and satisfactory personal selling is the most important attribute for increasing the likelihood of customer retention. Bahri-Ammari & Bilgihan (2017) show that distributive justice moderates the relationship between satisfaction with the loyalty program and relational satisfaction and highlight the need to focus on distributive justice in order to nurture satisfaction and loyalty, satisfaction with the loyalty program is a key predictor of a satisfactory relationship with the operator and customer retention.

C. W. Chang & Zhang (2016) found that an offline (retail-store) channel can be used to migrate customers from an inactive state to an active state, effectively serving the purpose of “education” or “revival,” whereas an online channel is most effective in keeping the existing active customers active, thus serving the purpose of “retention”. Vogel & Paul (2015) show that channel-based price differentiation positively affects customers through perceived value but harms retention through price unfairness and limited self-determination.

There is a strong relationship between switching costs and customer retention behavior, service plan complexity, reflecting price and wireless service usage, and handset sophistication can increase switching costs, which are positively related to customer retention behavior (Seo et al., 2008). The fundamental quality characteristic of wireless service, connectivity quality, does affect customer retention behavior, although this is the case for markets that still have problems with network
connectivity (dropped calls) like the US wireless service market, it is still valid to apply other quality characteristics such as speed of Internet service and clarity in voice over IP service, once connectivity is stabilized, and finally, age and gender demographics can affect customer retention behavior indirectly (Seo et al., 2008). Tamuliene & Gabryte (2014) showed that there is a statistically significant positive correlation between factors identified in the theoretical model: customer satisfaction, relationship quality, switching costs and customer retention. Customer satisfaction has a significant effect on customer retention (Syqirah & Faizurrahman, 2014).

Serial acquirers’ acquisition experience (skills), managerial overconfidence/hubris, own customers’ behaviour and technological context are identified to impact the customer retention of the acquired firm, moreover, two dual-purpose variables—acquired firms’ customer experience and acquired firms’ customer relationships—are proposed to moderate the effects of serial acquirers’ acquisition experience (skills), managerial overconfidence/hubris, own customers’ behaviour and technological context on acquired firm customer retention and also to autonomously influence acquired firms’ customer retention (Degbey, 2015). Q. Bataineh et al. (2015) reveal that the effect of relationship quality on customer retention, showed a significant and positive effect of satisfaction and commitment on customer retention, while trust has insignificant effect on customer retention.

**Method**

This research use a systematic literature review study (Artha & Jufri, 2021; Khairi et al., 2021; Larsson & Broström, 2020; Yang et al., 2020) and included 19 articles as a result.

**Result and Discussion**

The results are presented in table 1 below:

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Variable(s)</th>
<th>Result(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Othman et al. (2021)</td>
<td>service marketing mix</td>
<td>service marketing mix has a positive significant effect on customer retention</td>
</tr>
<tr>
<td>Authors</td>
<td>Customer Experience Aspects</td>
<td>Findings</td>
</tr>
<tr>
<td>-------------------------</td>
<td>--------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
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<tr>
<td>Gao et al. (2021)</td>
<td>customer experience incongruence</td>
<td>customer experience incongruence has a negative effect on customer retention</td>
</tr>
<tr>
<td>Capponi et al. (2021)</td>
<td>anti-churn campaigns</td>
<td>anti-churn campaigns have a positive effect on customer retention</td>
</tr>
<tr>
<td>Cambra-Fierro et al. (2021)</td>
<td>a positive experience</td>
<td>a positive experience influences customer retention</td>
</tr>
<tr>
<td>Mostafa &amp; Ibrahim (2020)</td>
<td>customer equity, switching costs, value equity</td>
<td>customer equity, switching costs, value equity have positive significant effects on customer retention</td>
</tr>
<tr>
<td>Lee et al. (2020)</td>
<td>brand attitude</td>
<td>brand attitude influences customer retention</td>
</tr>
<tr>
<td>Jang et al. (2021)</td>
<td>servitization experience</td>
<td>servitization experience has a positive influence on customer retention</td>
</tr>
<tr>
<td>Islam et al. (2020)</td>
<td>customer engagement</td>
<td>customer engagement has a positive effect on customer retention</td>
</tr>
<tr>
<td>Huarng &amp; Yu (2020)</td>
<td>surge pricing, customer satisfaction</td>
<td>surge pricing has a positive effect on customer retention; customer satisfaction does not always positively affect customer retention</td>
</tr>
<tr>
<td>Authors</td>
<td>Factors</td>
<td>Customer Retention</td>
</tr>
<tr>
<td>-------------------------------</td>
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</tr>
<tr>
<td>Han et al. (2020)</td>
<td>Customer satisfaction, affective commitment</td>
<td>Positive significant effects on customer retention</td>
</tr>
<tr>
<td>Habib et al. (2019)</td>
<td>Age of the traveller, ease of access to GO stations, transit-oriented land use policies</td>
<td>Positive significant effects on customer retention</td>
</tr>
<tr>
<td>Brunner &amp; Wolfartsberger (2020)</td>
<td>Virtual reality</td>
<td>Potential to strengthen customer retention</td>
</tr>
<tr>
<td>Staudt &amp; Wagner (2018)</td>
<td>The number of products hold</td>
<td>Positive influence by number of products hold</td>
</tr>
<tr>
<td>Anggraece &amp; Parawansa (2016)</td>
<td>Service quality</td>
<td>Positive effect on customer retention</td>
</tr>
<tr>
<td>Kim et al. (2019)</td>
<td>Service satisfaction, price-discount satisfaction, monetary switching cost, non-monetary switching cost</td>
<td>Positive significant effects on customer retention</td>
</tr>
<tr>
<td>Jaiswal et al. (2018)</td>
<td>Trust, relationship length, service communication</td>
<td>Positively affects customer retention;</td>
</tr>
</tbody>
</table>
product return experience, type of products purchased | relationship length, service communication, product return experience, and the type of products purchased affect customer retention

Eberle et al. (2018) | the reputation of the service provider, customer orientation, professional competences | the reputation of the service provider, customer orientation, and professional competences positively influence customer retention

Dal Bó et al. (2018) | value in use | value in use has a positive significant effect on customer retention

Darzi & Bhat (2018) | personnel capability, customer satisfaction | personnel capability and customer satisfaction have positive significant impacts on customer retention

The results of the study follow from the method used in the table above show the variables that associated with customer retention. The results show there are no variables that affected by customer retention. This research in line with Alkitbi et al. (2021) who revealed factors that affect customer retention.

Conclusion

The results of the research show the variables that associates with customer retention. This research contributes the variables that affect by customer retention. The limitation of this study is there are no variables that affected by customer retention. Future research should investigate about variables that affected by customer retention.
References


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