

**MIDLANDS STATE UNIVERSITY**

**FACULTY OF COMMERCE**



**DEPARTMENT OF MARKETING MANAGEMENT**

**EFFECTIVENESS OF CUSTOMER RETENTION STRATEGIES IN MANAGING  
CUSTOMER ATTRITION IN THE AIRLINE INDUSTRY IN ZIMBABWE**

**PREPARED BY JOSEPHINE KARISAMBUDZI**

**R13864P**

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**RESEARCH SUPERVISION ACKNOWLEDGEMENT FORM**

Name of Student: Josephine Karisambudzi

Registration Number R13864P

Name of Supervisor: Ms S Mandina

Research Topic: Effectiveness of customer retention strategies in managing customer attrition in the airline industry in Zimbabwe.

I, the undersigned do/do not acknowledge that the student named above has consulted me for supervision of her project/dissertation until completion. I therefore do/do not advise the student to submit her work for final assessment.

Signed..... Date.....

## DECLARATION

Student number R13864P

I, Josephine Karisambudzi, declare that Effectiveness of customer retention strategies in managing customer attrition in the airline industry in Zimbabwe is my own work and all the sources used or quoted have been indicated and acknowledged by a way of complete referencing.

.....

J. Karisambudzi

.....

Date

## **DEDICATION**

This dissertation is dedicated to my loving husband Dominic Sikuka, my sons Delsen Tabona/Sikuka & Darrell Tabona/Sikuka and my mum Midia Karisambudzi.

You guys are the centre of my universe.

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## ABSTRACT

- The research which was undertaken from January to April 2014 looked at the effectiveness of customer retention strategies in managing customer attrition in the airline industry in Zimbabwe. The main purpose of this study is to assess the effects of customer retention strategies; loyalty programs, customer service, service recovery and promise fulfillment. Literature review was carried out on the effects of customer retention strategies on repeat purchase; the influence of service recovery on building customer loyalty and the effects of promise fulfillment on customer satisfaction as discussed by different authors, to find similarities and differences from different authors who studied on customer retention variables and in this study major authors were Gronroos (2008), Jobber (2004) and Zeithaml (2003). Positivist or Post-positivism approach and both descriptive and exploratory research design were adopted which allows the gathering of data and description of events through organizing, tabulating, depicting and describing the data gathered. Simple random sampling, stratified, and convenience sampling were used to select the respondents of which the procedures give each unit of the population an equal chance of being picked as well as allowing flexibility on the part of the researcher to use readily available participants. A sample size of 200 customers and 40 employees was used. Micro-soft Excel was used to analyze data and presentations were done in the form of table, bar-graphs, line graphs and pie-charts. Qualitative information was discussed to reflect the views of the respondents on the effectiveness of customer retention strategies in managing customer attrition in the airline industry. The major findings are that the customer retention strategies if fully implemented results in effective retention of customers as customers want airlines to provide efficient frequent flyer programs, practice service recovery and fulfill the promises made to customers, through reliable schedules and lucrative in-flight services as well as the need to settle claims on time. There is need for airlines in the industry to provide the greatest customer service since most of its customers are educated and knowledgeable and know exactly their expectations from service providers.

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# CHAPTER I

## GENERAL INTRODUCTION

### **1.0 Introduction**

The study seeks to evaluate the effectiveness of customer retention strategies (CRS) in managing customer attrition in the airline industry, by first focusing on the background of this highly competitive industry. This study emphasize also on the statement of the problem, research objectives and research questions, justification of the research and scope of the research. The research will also focus on delimitations, limitations of the research, abbreviations, definition of terms and introduces the second chapter through a chapter.

### **1.1 Background to the study**

The airline industry has been facing numerous challenges in terms of retaining customers who keep on changing from one airline to another and this has greatly impacted on the survival and success of airlines operating in Zimbabwe. Buttle (2008) defines customer retention (CR) as “the maintenance of continuous trading relationships with customers over a long term”. Oliver (1999) as cited in McMullan & Gilmore, (2008) defines customer loyalty as a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts”. It is cheaper and profitable to retain a customer than to recruit a new one (Chokera & Dube, 2011) through referrals and reduction in operating costs.

The past decade has seen many airlines being faced by a lot of operational challenges. Some of the airlines have closed up for various reasons for example the Zimbabwe Express airline was grounded due to economic problems from loss of market share ([www.wikipedia.org](http://www.wikipedia.org)) and Fly Kumba (Zimbabwe Tourism Trends and Statistics Report 2009) has also closed. Examples of foreign owned airlines that have closed are Air Tanzania and Air Zambia to name a few ([www.airlineupdate.com](http://www.airlineupdate.com)). Some of the airlines are operating below breakeven because they are trying to survive under these harsh economic conditions and this has led to wars between airlines fighting to retain the few customers that the market has to offer. This has led to a situation where by airlines invented the use of customer retention strategies. The preliminary investigations from the management of the four airlines has it in common that the airlines are using loyalty programs

and customer service to retain customers available in a move meant to improve their competitiveness, help increase repeat purchase, financial security and improve service delivery which is meant to boost customer retention. Despite the efforts by airlines to enhance customer satisfaction and loyalty, customers are still defecting to competition (Mostert, De Meyer & Rensburg, 2009)

### **1.1.1 The Global Perspective**

In the global arena, so many studies have been carried out due to the availability of resources. In Indonesia, a study on service quality and price effects on loyalty and satisfaction in commercial flights industry done by (Mahmud, Jusoff & Hadijah, 2013) found out that customers become loyal to an airline after being satisfied by service and that price fluctuations have no influence on satisfaction and loyalty. Another research was carried out on customer acquisition and retention in the airline industry in India by (Shukla, 2013) who adds that customer retention should focus on increasing sales through satisfying and serving customers so that they keep coming back to the same provider. Shukla (2013) further reiterates that the quality of service needs to go beyond the expectations of customers and also identifying and predicting customer future needs so as to retain them.

Dolnicar, Grabler, Grun & Kulnig (2011) in Austria investigated airline loyalty drivers in different segments like business travelers and leisure travelers and findings were that airline management needs to segment their travelers to come up with programs that fit different categories. In South Africa a research was carried out by (Mostert & De Meyer, 2010) focusing on customer retention strategies and their effect on building relationships with customers on customer satisfaction, loyalty and ultimately retention in the South African domestic passenger airline industry. The findings indicate that future patronage and relationship with an airline is influenced by service recovery efforts by an airline.

Molapo & Mukwada (2011) carried out a study on the impact of customer retention strategies in the South African cellular sector and notes that competitors offer better deals in a move to attract customers and win them. In South Africa another study was carried out by (Sulrujlal & Dhurup, 2011) on customer retention strategies implementation to retain customers in commercial health and fitness clubs in the Gauteng province. Sulrujlal et al (2011) pointed out that regular

communication and improved service quality as important elements to customer retention. It is important for product or service provider to emphasise on the quality of product or service. In Malaysia a study on loyalty card program for retailers by (Abdul, Jasmani, 2010) supports that customer retention and loyalty are crucial to all businesses and contribute to better company performance. Lin & Wu, (2011) states that there is a statistically significant relationship between quality of service and future use of product, as retention is influenced by repeat purchase.

## 1.1.2 Zimbabwean Perspective

### 1.1.2.1 The industry overview

The fact that Zimbabwe is a landlocked country makes the airline industry suitable to the development of the whole nation through connecting the country to the whole world. The airline industry provides air transport services for passengers and freight, the industry traces its history back to the formation on 01 June 1946, as Central African Airways (CAA), which was a joint airline of Southern Rhodesia (now Zimbabwe), Northern Rhodesia (now Zambia), and Nyasaland (now Malawi), with 50%, 35% and 15% respectively of the shareholding which was held by the three countries. The industry comprises of only one commercial airline the national carrier Air Zimbabwe but faces a lot of competition from foreign airlines that operate in Zimbabwe. (<http://airzimbabwe.aero>). There are locally licensed private firms in the industry as shown by table 1.1 below:

**Table 1.1 Aircraft Operators with Valid Certificates in Zimbabwe**

| Name of Operator    | Ownership Status | Operations                  |
|---------------------|------------------|-----------------------------|
| Air Zimbabwe        | Government       | Scheduled passenger airline |
| Avient Aviation     | Private          | Cargo Airline               |
| Solenta Aviation    | Private          | Scheduled passenger airline |
| Debon Air           | Private          | Commercial Charter Operator |
| Hours of Freedom    | Private          | Commercial Charter Operator |
| Executive Air       | Private          | Commercial Charter Operator |
| Zambezi Air Charter | Private          | Commercial Charter Operator |
| W.G Raynor          | Private          | Commercial Charter Operator |
| Zambezi Helicopters | Private          | Commercial Charter Operator |
| Wheelson Air        | Private          | Commercial Charter Operator |
| Delta Cooperation   | Private          | Commercial Charter Operator |
| Sefofane Wilderness | Private          | Commercial Charter Operator |
| Mbembesi Air        | Private          | Commercial Charter Operator |
| Guthrie Aviation    | Private          | Commercial Charter Operator |
| Central Aviation    | Private          | Commercial Charter Operator |
| HuniHalsteds        | Private          | Commercial Charter Operator |
| Medical Air Rescue  | Private          | Commercial Charter Operator |

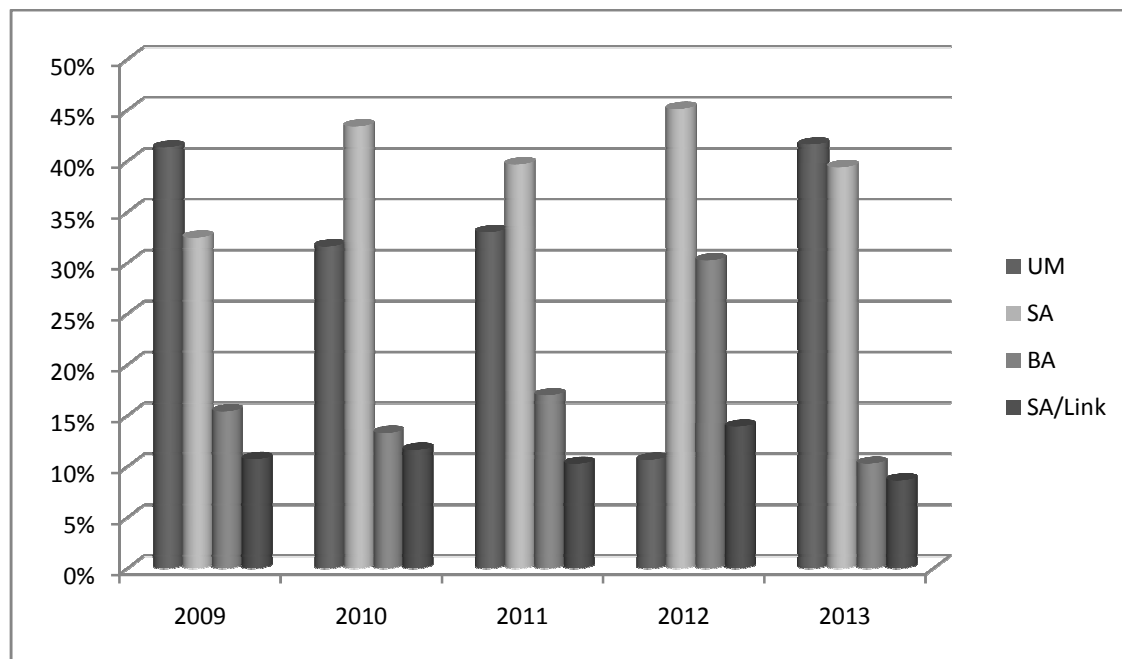
**Source: (CAAZ, Department of flight safety standards, 2013)**

### 1.1.2.2 The Liberalization of the Industry

The 5<sup>th</sup> freedom given to foreign airlines to ply the Zimbabwean airspace through the open skies policy by the government, (National Transport Policy 2012-2016) has brought fierce competition in the industry. Weil (2010) alludes that liberalization allows competitors with lower costs than established ones to add capacity in anticipation of market share growth and under-price the established competitors. In addition to this development, the Zimbabwean economy dollarization marked the entrance of a number of players in the airline industry in the past two years, for example Emirates Airline, Egypt Air, Air Namibia and KLM Royal Dutch Airline. The focus of this study is the Johannesburg route and the airlines operating currently are South African Airways (SAA), British Airways Comair (BA), Air Zimbabwe (UM), and South African Airlink.

### 1.1.2.3 Market Share Analysis

Customer retention has become an issue in the airline industry as the polygamous behaviour of customers has seen most airlines losing their market share to competition (CAAZ 2014).



**Fig 1.1 Market share for JNB route**

**Source: (CAAZ Statistics 2014)**



Because of such developments firms in the airline industry are now faced with huge challenges of how they can attract and retain their customers in order to have repeat patronage, increased profits from referrals and reduction on the operating costs. The industry airports and other complimentary services such as hotels all meet the international standards. The effect of service failure on customer's relationships with airlines will also be considered as negative service experience that could results in customers defecting to competition (Fluss, 2007). Airline customers are not satisfied with the service delivered for example flight cancellations, connection challenges, delays on scheduled flights and losing their luggage and this has prompted the polygamous behaviour of customers in search of better service (CAAZ Statistics, 2014).

**Table 1.2: Frequent flyer programs**

| <b>Airline</b>         | <b>Frequent flyer program</b> | <b>Source</b>  |
|------------------------|-------------------------------|--|
| South African Airways  | Voyager                       | <a href="http://www.flysaa.com">www.flysaa.com</a>             |
| British Airways Comair | Executive club                | <a href="http://www.comair.co.za">www.comair.co.za</a>         |
| Air Zimbabwe           | Rainbow club                  | <a href="http://www.airzimbabwe.aero">www.airzimbabwe.aero</a> |
| South African Airlink  | Voyager                       | <a href="http://www.flyairlink.com">www.flyairlink.com</a>     |

Grant (2008) notes that when American Airlines tried to control customer switching in 1981 and build relationships with its customers, it was the first to introduce frequent flyer programs and other major airlines followed suit. The Frequent Flyer Programs (FFP) offers benefits on flown miles as follows:

- Free airline tickets
- Upgrades to higher classes for free
- Allowances for excess baggage
- Check-in priority
- Departure lounge access. ([www.iata.org](http://www.iata.org))

Therefore it is against this background that the researcher seeks to investigate the effectiveness of the current strategies being used by the four airlines on the JNB route which are loyalty

programs and customer service. Service recovery and promise fulfillment are the other strategies the researcher used to assess to see their effectiveness in managing customer attrition in the industry.

## **1.2 Statement of the Problem**

There is an observable trend of customer attrition in the airline industry due to seemingly failure to deliver service on promise and competition among airlines on the Johannesburg route, therefore the researcher is to explore the effectiveness of customer retention strategies in managing customer attrition.

## **1.3 Research Objectives**

- To assess the effects of current customer retention strategies on repeat purchase in the airline industry.
- To establish the effect of service recovery on building customer loyalty in the airline industry.
- To find out if promise fulfillment has an effect on customer satisfaction in the airline industry.

## **1.4 Research Questions**

- What is the effect of current customer retention strategies on repeat purchase in the airline industry?
- What is the effect of service recovery on building customer loyalty in the airline industry?
- Does promise fulfillment have an effect on customer satisfaction in the airline industry?

## **1.5 Justification of the study**

To form long-term relationships with customers, and reap the ensuing benefits of increased profitability, trust, loyalty, the paradigm of relationship marketing calls for organizations to view their customers and other stakeholders as partners (Hunt & Morgan, 1994). Studies on customer retention have been done in other sectors in Zimbabwe but none were carried out in the airline industry and that greatly motivated this study. In Zimbabwe Basera, (2014) carried out a research

on how fast food retailers in Masvingo can increase customer retention through loyalty programs in the industry. The results concluded that there is need for players in this sector to use loyalty programs to retain customers than to keep acquiring new ones. Another research done by Moyo & Makore (2013) on customer retention was carried out in the telecommunications industry and their focus was on the customer retention strategies used by the mobile service providers. The findings were that though there are many customer relationship management activities that are employed in the Zimbabwean cellular industry, the most effective are those related to quality of service, affordability of service and provision of customer support services. The study seeks to fill a gap in the under researched area by assessing the effectiveness of customer retention strategies in managing customer attrition in the airline industry in Zimbabwe.

### **1.6 Significance of the study**

- **To the researcher** – The research will build intellectual capabilities and enhance the researcher's skills for employment and develop the capacity for independent studying in the future.
- **To the university**- The research will be used for further investigation on the concept and as a benchmark for future researchers.
- **To the airline sector**- This research is of significance to the airline industry in Zimbabwe, it is important to note that the concept of customer retention has not been mastered by all players in the sector. There are only a handful of companies that have decided to fully embrace the concept of customer retention and its benefits therefore this research will aim to provide information to the industry and foster growth.
- **To the customers**- The research will see customers benefiting through customer retention strategies and reaping rewards from loyalty programs, customer service, service recovery, promise fulfillment and improve customer service.
- **To the community**- The findings of this research will create employment opportunities through growth of the airline industry in Zimbabwe.

### **1.7 Research Assumptions**

In carrying out this research, the researcher relayed upon the following assumptions

- There exist a reasonable number of companies in the industry from which an adequate sample was chosen.
- Sample size used was a true representation of the population under study.
- All information given or derived from the data provided was for academic purposes only therefore it was treated with the greatest of confidence.
- The results of the study were accurate and relevant to the study.
- The instruments used were maintained to ensure measurement of reliability and validity.

### **1.8 Delimitations**

- The research was carried out in the capital city of Zimbabwe which is Harare.
- Only current literature for the period 2009-2014 was used
- The research was conducted from January 2014-April 2014.
- Employees, managers from the sales and marketing departments and customers were made part of this research and were interviewed.
- The researcher used questionnaires and interviews to collect data on the effectiveness of customer retention strategies in managing customer attrition.
- The research focused on the regional route only which is Harare/Johannesburg/Harare (HRE/JNB/HRE) with the following airlines SA/Link, BA, SAA, UM.
- The focus of the study was on customer attrition and customer retention strategies which are loyalty programs, customer service, service recovery and promise fulfillment.

### **1.9 Limitations**

#### **The researcher encountered a number of limitations:**

- The researcher used self completion questionnaires but there was no guarantee that the questionnaires were going to be responded to and returned on time, the researcher kept convincing the respondents to complete the questionnaires.
- The researcher used exploratory which is not conclusive in nature however because of this limitation the researcher used both exploratory and descriptive in order to establish the relationship between customer attrition and customer retention.

- Some of the information required for this research was regarded as confidential information so the researcher was not able to get it, the researcher assured the respondents that the information collected was going to be used for academic purposes only and was treated as confidential.
- Part of the targeted respondents might decide not to cooperate with honesty and results might not reflect the opinions of all members of the population included, data was tested for consistency and accuracy before being used.

### 1.10 Key terms and Abbreviations

**Customer attrition-** customer attrition means losing business to competitors.

**Airline-** a company that provides air transport services for passengers or freight, generally those companies with a recognized operating certificate issued by regulator.

**Loyalty programs-** activities carried out by organizations to retain customers.

**Frequent Flyer Program-** is a loyalty program offered by airlines, typically airline customers enrolled in the program accumulate frequent flyer miles (kilometers, points, segments) corresponding to the distance flown on that airline or its partners. Acquired miles can be redeemed for air travel, other goods or services, or for upgrades and airport lounge access.

**Repeat purchase-** is the continuous purchase of the same brand by consumers though they may not have an attachment to the brand emotionally.

|             |                                       |
|-------------|---------------------------------------|
| <b>CR</b>   | Customer Retention                    |
| <b>CRS</b>  | Customer Retention Strategies         |
| <b>FFP</b>  | Frequent Flyer Program                |
| <b>IATA</b> | International Air Transport Authority |
| <b>HRE</b>  | Harare                                |
| <b>JNB</b>  | Johannesburg                          |
| <b>SAA</b>  | South African Airways                 |
| <b>UM</b>   | Air Zimbabwe                          |

|             |                                      |
|-------------|--------------------------------------|
| <b>BA</b>   | British Airways Comair               |
| <b>CAAZ</b> | Civil Aviation Authority of Zimbabwe |
| <b>CAA</b>  | Central African Airways              |

### **Chapter Summary**

The chapter introduced the research and area of study in the background of the study. The need for carrying out the research was outlined in the statement of problem, research questions from the objectives of the research are the main purpose of the research, significance, delimitations, assumptions, limitations and lastly key terms and abbreviations were also done. Next chapter analyses literature on customer retention strategies in managing customer attrition in the airline industry.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The analysis of this part of the study focused on different authors on the subject of customer retention strategies and customer attrition as this also enabled the researcher to make a comparison and an evaluation of different authors. This chapter starts with an overview of the general practices of customer attrition, customer retention and further goes to explore, loyalty programs, customer service, promise fulfillment and service recovery as customer retention strategies. This part of the research helped to review and determine what problems or questions were relevant and what different authorities say about the research topic. Let's take a closer look at some of the information that is contained in the research below.

#### **2.1 Customer Attrition Defined**

Ahmad & Buttle (2002) propounded that customer attrition relates to losing a business to competitors, occurs when a dissatisfied customer decides to withdraw from hiring or purchasing services and products and find substitutes to satisfy needs that an organization failed to deliver. Chokera et al (2011) points out that it cost at least five times more to get a new customer than to retain an existing one. Zero defections by Reicheld and Sasser (2003) are described as retaining every profitable customer the company can serve. Heavy users constantly signal their escalating dissatisfaction by reducing their usage and purchases and moving their business to competition. Therefore, customer attrition as claimed by Reicheld et al (2003) is a threat and retaining customers is an opportunity. Roberts, Varki & Brodie (2003) supports Reicheld et al (2003) and notes that if customer needs are not met or they receive poor quality products or have breakdown in service delivery, customers attrite and take their business to competitors. Karam (2009) argues that organizations incur heavy costs in acquiring new customers and existing customers generates profits than new ones therefore customer attrition has severe effects on profitability. In view of the aforementioned definitions, it has been noted that customer attrition is when consumers leave for competitors with similar products or services and stop using the other service provider's services.

### **2.1.1 Customer Attrition Determinants**

The following determinants were reviewed as posited by (Athanasopoulou, 2009 & Jobber, 2004), widening gaps, role of management, termination factors, value creation and service quality, to assess the effectiveness of customer retention strategies in managing customer attrition.

#### **2.1.1.1 Role of Management**

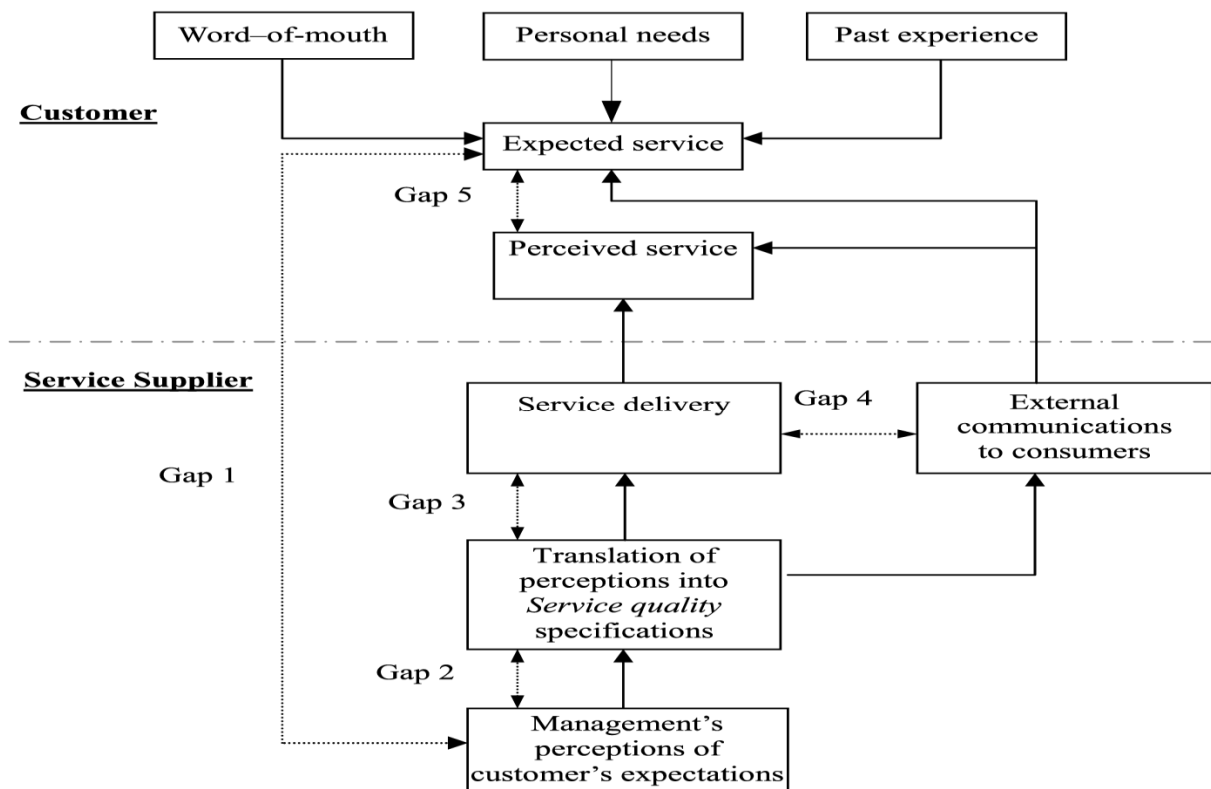
Wolnik et al (2012) propounds that the golden rule of business is not to be in the position of losing customers, but making management's concentration and awareness of all customers important. Reicheld and Sasser (1990) as cited in Karam (2009) states that ambitious organizations and managers often want to link their business strategies to success stories, but in order to have success stories, the Board of directors and the organization as a whole must sometimes examine their failures in the past. Reicheld et al (1990) as cited in Karam (2009) adds how vital defected customers can be in providing insights towards business improvements and the importance of winning back these customers. Tokman Davis & Lemon (2007) cited in Wolnik et al (2012) adds zero defect culture implementation within the organization and the importance of collectively working towards the goal of keeping customers for retention, by establishing common initiatives for a more cohesive approach to attrition problem and educating employees. It can be noted that management's role is to come up with customer focused decisions through empowering employees to achieve the organization's desired goals, thereby controlling customer attrition.

#### **2.1.1.2 Widening gaps**

Parasuraman et al (1985) cited in Wolnik et al (2012) points that widening gaps as a "gap between perceived service and expected service in different functions of production in a service organization" Day (2011) alludes that it is important to determine the gap between market demand and organization capacity to meet demand and the reasons why the gap is widening should be understood in trying to maintain and win back defectors. Day (2011) further reiterates that profitability and future market competitiveness will be at stake if the organization's gap is widening. Gronroos (2008) argues that perceived quality is an evaluation process where the customer compares the service received with expectations. The perceived service quality



depends on promises in adverts and prices charged for the service, this will influence the expected service. Gronroos (2008) adds that technical and functional quality should be reflected in the marketing activities of the organization to avoid increasing expectations that lead to customers not satisfied due to the level of service they receive. Parasuraman et al (1985) as cited in Wolnik (2012) have developed a service gap model that shows the relationship between customers and the organization in different gaps. Two aspects of possible gaps have been raised; the customer and the company's point of view.



**Fig: 2.1 Service Gap Model**

**Source: (Parasuraman Zeithaml, Bitner, 1985)**

Parasuraman et al, (1985) cited in (Zeithaml, Bitner, Dwayne, Gremler, 2010) depicts how the quality of service can be perceived, customer's assessment of service quality received is shown in different gaps in the model. Generally what causes customer attrition is the gap between what

customers expect from organizations and what they receive. Organizations should come up with ways of narrowing this gap so as to manage customer attrition.

### **2.1.1.3 Termination factors**

Customer's opinion of quality service will always be subjective when they are consuming products or services as the customers will observe the service performance of the organization at the same time (Wolnik, 2012). Even though service quality affects behavior intention and customer satisfaction, it does not always lead to behavior change. Customers are very sensitive to price (Girish 2010) purports that any increase in price can lead to the termination of a relationship and this attrition can happen only if customers are offered better options by competitors when an organization increases its prices. Keaveney (1995) as cited in Murad (2011) first developed a model to explore why service industry customers terminate relationships with suppliers. Eight principal factors are identified in the model: involuntary switching, core service failures, attraction to competitors, service encounter failures, pricing, inconvenience, employee response to service failures and ethical problems. Keaveney (1995) as cited in Murad (2011) argues that termination of relationships and switching to different organization can be done by customers who are satisfied.

### **2.1.1.4 Service Quality**

Perceived service quality influences the customer behavior intentions and signals whether or not a customer will attrite as stated by (Zeithaml et al 2010). Shepard (1999) cited in Wolnik et al (2012) purports that salespeople in an organization play a critical role when measuring service quality. Girish (2010) adds that a slightest problem in service standards will lead to customer attrition since customers have varied options to choose from. The channel used when delivering a service should not vary during the time of the relationship. Customers tend to attrite when they feel the service rendered is not meeting their expectations. Roberts et al (2003) adds four dimensions of the quality of a relationship as effective conflict, trust, satisfaction and commitment. Roberts, Varki & Brodie (2003) as cited in Wolnik (2012) argues that relationship quality is a better predictor of behavioral intentions than service quality.

When a customer is completely satisfied as claimed by Jones & Sasser (1995) cited in Wolnik (2012) they remain loyal to a relationship and thus relationship quality is achieved. The

organization can easily lose a customer who is just satisfied since loyalty varies. Finally Jones et al in the same paper states that if a customer is dissatisfied, they may terminate the relationship, thus the relationship quality is considered weak. It is important for organizations to consider service and relationship quality in meeting customer expectations.

#### **2.1.1.5 Creation of value**

Hills & Jones (1998) cited in Wolnik et al (2012) states that “value creation occurs when a firm is able to advance and come up with something that is unique for its customers, something that fulfills and satisfies the customer’s needs”. Reicheld (1996) cited in Wolnik et al (2012) stresses that when looking at the loyalty aspect in a relationship between an organization and a customer, the value that a customer perceives is the most important factor. Reicheld (1996) in the same paper further reiterates that losing focus on the value is the reason why many organizations and firms fail and start losing customers, they examine different measures and analysis instead of focusing on value creation and become purely profit-driven, when customers start leaving, they adopt short term solutions.

Errget & Ulaga (2002) as cited in Wolnik et al (2012) adds that competition and value creation can be compared, if an organization offers services or products with more benefits than competitors they have a sustainable competitive advantage and offer greater value in the market. Errget et al (2002) as cited in Wolnik et al (2012) notes that an organization that focuses on creating real value will have long-term profitability and success. Sustainable competitive advantage is derived from creating value through meeting and exceeding customer expectations in which failure to do so will result in customer attrition.

#### **2.2 What is customer retention?**

The way in which organizations focus their efforts on existing customers in an effort to continue doing business with them is called customer retention according to (Mostert, Meyer & Rensburg (2009). Customer retention holds both economic and non-economic benefits for the organization. Mostert et al (2009) outlines that though organizations know the benefits associated with customer retention, they end to ignore it during strategy development, where emphasis is often placed on acquiring the customer than retaining which leads to customer attrition. Buttle (2009) posits that customer retention is long term maintenance of continuous trading relationships with

customers. Gronroos (2008) further reiterates that customer retention is the ability to withstand competition through keeping customers for repeat business over a long period of time.

Research has it that all activities that are used to capture, appeal, retain and delight customers in such a way that they would patronize a business are customer retention (Sharma 2009, Zeithaml 2003). Conventionally customer retention is defined as the number of customers doing business with a firm at the end of a financial year, expressed as a percentage of those who were active customers at the beginning of the year (Gummesson, 2008), the true image of attrition is customer retention, the higher the retention the lower the attrition. Lombard (2009) alludes that in today's business, customers are valuable assets that need to be protected and nurtured for exploitation by organizations rather than just a source of revenue. It is noted that customer retention is a deliberate move by organizations to focus all their marketing resources on retaining existing customers (Hoffman and Bateson 2011).

## **2.2.1 Customer Retention Strategies**

### **2.2.1.1 Loyalty Programs**

Loyalty programs have been equated by (Karam, Silva, Schmidt and Carneiro 2009) to commitment to re-buy or patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior. Reicheld et al (1990) cited in Wolnik states that loyal customers are willing to do repeat purchases despite the fact that there are attractive competitive substitutes that cause switching, try products or services across the firm's product line offerings, refer other customers to the company, and give the company feedback about their need and expectations. Research has it that customers are members in different loyalty programs and these programs are being used in creating customer relationships that are profitable and long-term (Uncles et al 2003) cited by (Reinekoski 2009). Mahajar & Yunus (2010) concurs with Uncles et al (2003) that loyalty programs are an incentive offered by marketers to entice a customer to remain loyal to an organization. Bishop (2013) further posits that for organizations to make profits, customer loyalty programs are used as marketing tactics to entice customers into provision of purchasing preferences and loyal purchasing behavior. Research shows that the generic goal of loyalty programs is to protect the existing customers

from attrition (Bishop, 2013, and Crofts 2011). In addition, companies may also carryout loyalty programs to make profits, maintain sales levels and margins (Buttle 2009, Kotler & Keller, 2009). The implementation of loyalty programs offer rewards for repeat purchase and encourage customers to have long term relationships with the organization (Asamoah 2012).

In contrary Dowling and Uncles (1997) cited in Crofts (2011) argues that setting up and maintaining loyalty programs is expensive and there is little or no evidence that any changes in behavior justifies the expenses incurred. Lambin (2012) further argues that loyalty programs are easily copied by competitors and it is difficult to obtain competitive advantage. Customer loyalty programs proliferation in industries reflects a changing market (Liu & Yang 2009) characterized by increased competition and consumers who are more demanding and knowledgeable. Liu et al (2009) furthers argues that this shift causes companies to develop relationship marketing and customer relationship management in a bid to retain customers.

Research shows that frequent flyer programs (FFP) are common loyalty programs offered in the airline industry (Burgos 2011, Mostert 2010) and are structured in two stages that give value to members. Members are issued with points in the first stage after purchasing and using an air ticket. In stage two members redeem points for free air travel, upgrades and lounges access among other benefits. Liu et al (2009) postulates that points have value only after redemption and before that only members place value to their points in anticipation of benefits in future after accumulation of points makes the relationship between the organization and the customer to be long term.

Research has shown that loyalty programs if fully implemented results in retaining customers, as supported by (Bishop 2013) who postulates that loyalty programs are used to protect existing customers from attrition. Reichheld (1990) also states that loyal customers are willing to do repeat business with an organization even if there are substitute services or products available. Loyalty programs entice and encourage customers to have re-buy intentions and to form long term relationships with organizations (Asamoah 2012).

### **2.2.1.1.1 Influence of Loyalty Programs on Repeat Purchase**

Loyalty programs migrate customers to become advocates and or partners who will give the organization repeat business (Payne 2006). Loyalty programs may be marketing tactics to entice customer preferences and customer retention (Bishop 2013).

### **2.2.1.2 Customer Service**

Customer service should be viewed by organizations as a tool that facilitates attainment of a competitive advantage (Kotler et al, 2009), apart from enhancing profitability and improving customer satisfaction (McGuinn, 2009). Customer service involves different activities which in the airline business includes knowledge, courtesy and respect accorded to customers by sales force (Mostert et al, 2009); high level of quality in product and service offerings (Buttle 2009, Gronroos 2008 and Lovelock & Wirtz, 2007), and service procedures that encourage customer participation (Chokera et al 2011). However customer service in its perspective includes the practices that should serve the needs of the customers in a mutually beneficial scenario to build customer loyalty, satisfaction that have an effect on customer retention (McGuinn 2009, Gummesson, 2008 and Sheth & Pavartiyar, 2002). It has been noted that customers in the hospitality industry usually want to do business with organizations that extend an olive branch through offering quality services that provides core benefits (Skaalsvik 2013, Chokera et al 2011, Zeithmal et al, 2009 and Kandampully, 2007).

The organization must employ customer orientation, customer relationship management if they are to succeed in offering quality service (Kotler & Keller 2012, McCarthy & Perreault Jr 2008 and Gulati 2007). Park and Roberson (2005) identified customer service principles that an organization in the airline industry should observe when offering services to the customers that include the following courtesy of employees, neat appearance of employees, on time performance, personal attention, knowledgeable employees and willingness to help customers. In addition to the basic principles mentioned above, several authors advocated for the organization to implement golden rules in customer service (Zeithmal et al 2009, Buttle 2009, Lovelock et al 2007 and Payne 2006). The organization should learn to listen to the concerns of customers (Kotler 2010); promise what the organization can deliver (Lovelock et al 2007); responding to customer concerns in the shortest period of time (Zeithmal et al 2009) and always try and avoid

arguing with the customer (Nilsson & Sandberg 2010, and Payne 2006) Research shows that customer service should be accompanied by employee empowerment in their area of responsibility (Ghosh 2013, Heathfield 2012).

#### **2.2.1.2.1 Effects of customer service on repeat purchase**

Research shows that observing business principles of customer service leads to the organization responding to customer needs in the shortest possible time and delivery the promises which positively influence customer retention (Ziethaml et al 2009). Lovelock et al 2007, 2004 postulates that commensurate customer services that are tuned to the customer requirements and above the expectations of the customers do not only satisfy the customers but leave some love marks that will make customers to come back for more.

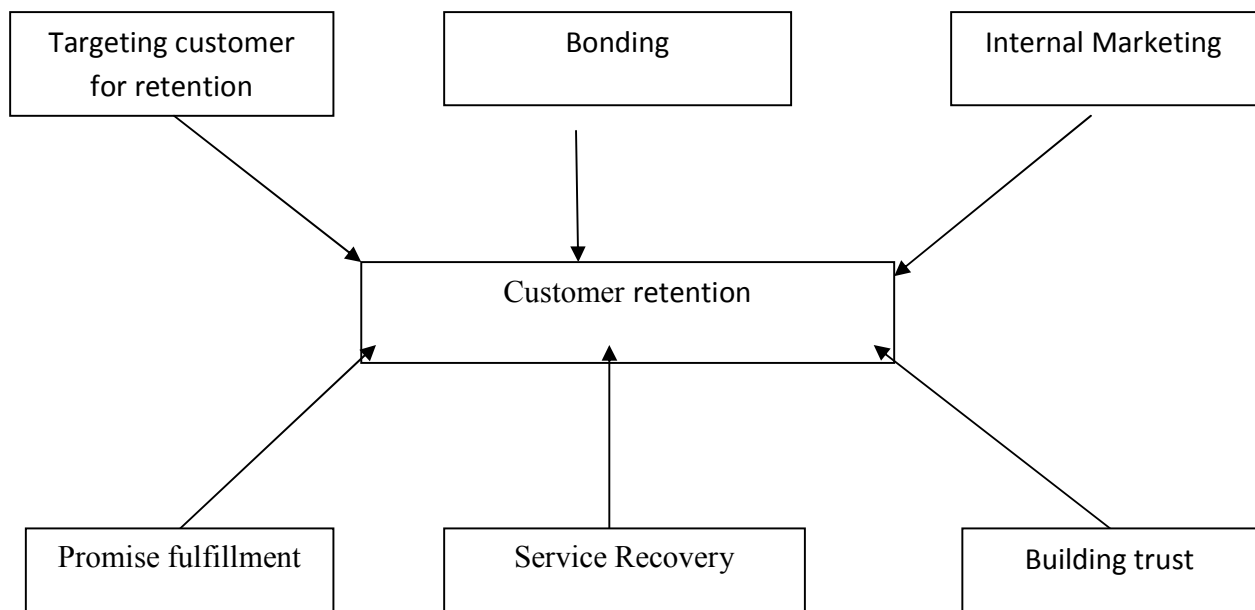
#### **2.2.2 Repeat Purchase**

Lovelock et al (2007) postulates that behavioral intentions of customers when satisfied with a service or product leads to repeat buying. In light of competition, marketers are shifting their focus from acquiring customers to retaining existing ones for repeat purchase (Chokera et al 2011). The organization should satisfy the needs of customers for repeat purchase to take place (Kotler 2010); meeting customer expectations through providing value for money (Gronroos 2008 and Gummesson 2008); making the customers happy for the customer to continue doing business with the same service provider (McCarthy et al 2009). Research shows that customers who continuously buy from the service provider use positive word of mouth to refer others to the organization and the referred customers are easy to retain than new customers (Kotler et al 2009). Repeat purchasers also include dissatisfied customers due to the absence of alternatives and price deals (Buttle 2009). Organizations business evaluations by marketing research agents, uses repeat purchase to measure loyalty to a brand by consumers (Kotler & Armstrong 2010). Customer loyalty programs by organizations are engaged to encourage customers to continue purchasing a particular service or product (Worthington and Fear, 2009)

#### **2.3 Other Customer Retention Strategies**

Services organizations need to design customer retention strategies in order to reap the rewards of developing long term relationships with customers. Some of the benefits highlighted above

include repeat purchases and overcoming competition (Gronroos 2008) as well as reduction in number of customer attrition (Zeithaml 2003) mentioned customer delight. Jobber (2010) postulates the strategies that bring the benefits above when he outlined six customer retention strategies but however for the purpose of this study the researchers will focus on service recovery and promise fulfillment.



**Fig 2.2 Customer Retention Strategies**

**Source: Jobber 2004: 799**

### **2.3.1 Service Recovery**

Zeithaml & Mary (2003:187) defines service recovery as response to a service failure through actions taken by an organization. Johnston (1995) adds that removal of dissatisfaction by an organization is service recovery. Actions taken by a company to correct a service failure is service recovery as postulated by (Buttle, 2009; Gronroos, 1988; Hart, Heskett, & Sasser, 1990) concurs with Zeithaml et al (2003) that responding to service failure is service recovery.



Similar features were identified in each of the above definitions. Therefore for service recovery to occur they must be a breakdown in the service delivery process which was attributed to as service failure by Zeithaml & Mary (2003) and Buttle (2009) or as dissatisfaction by Johnston (1995) and finally as poor service quality by (Gronroos et al 1988).

### **2.3.1.1 Reasons for Service Failures**

Service fail for many different reasons according to Buttle (2009) these may include service quality failure, functional quality and technical quality failure. At other times the fault lies with network member, the customer or the organization. Zeithaml (2006) adds other reasons which result in failure of service such as late delivery, uncaring employees delivering the service and not delivering the services as promised. These failures bring negative feelings and outcomes from customers and if they are left unfixed they can result in customer attrition, bad word of mouth with spread after these experiences. Customer can challenge or report the organization to the associations of customer rights (Zeithaml 2006). Biyan Wen and Christina Geng-qing Chi (2012) outlines the refusal to take on service recovery as the biggest reason for customer attrition.

### **2.3.1.2 Mechanisms of Service Failure Feedback**

There are two feedback mechanisms available that are exit and voice according to (Hirschman 1970). Buttle (2009) agrees with Hirschman (1970) when he pointed out that customers have a choice of doing nothing or voicing their displeasure after a service failure. Customers who select the voice mechanism can make their complaints to the organization, to a third party like the association of customer rights and to their own network personally such as family and friends. Hirschman (1970), voice is when customers make their complaints direct to the service provider and exit implies that the customer move to the competitor and stop buying from the company. Supposing that organization act on customer complaints, these customers will be introduced to a new service circle which is service recovery.



**Fig: 2.3 Service Recovery Strategies**

**Source: (Zeithaml 2003: 198)**

### **2.3.1.3 Failing Safe Your Service – Do it right the first time**

Doing it right the first time is the first rule of service quality according to (Zeithaml 2003). If this happens the service recovery is not necessary since customer “expectations are met and costs associated with compensation and redoing the service is avoided. Total Quality Management (TQM) practices aimed at “zero defects’ are commonly used. Chase (1994) an expert in service operations suggests that services adopts the TQM notion of Poka yokes to improve reliability. These Poka Yokes are automatic warnings to ensure that mistakes are avoided through quality control mechanisms, typically used an assembly lines as stated by (Shahin & Ghasemaghaei 2010). Poka Yokes helps service organizations to redesign or re-engineer the service process so

that mistakes can immediately be detected and corrected or prevented (Shahin et al 2010). Poka Yokes can be used in service settings to ‘mistakes proof’ the service, to ensure that essential procedures are followed and that service steps are carried out in their order and in timely manner. Poka Yokes can be devised to ensure that the tangibility of the service is well maintained, and that documents are accurate and up to date (Chase 1994). Successful implementation of Poka Yokes according to Chase (1994) results in elimination of service recovery and in the end customer retention is achieved.

#### **2.3.1.4 Encourage and Welcome Complaints**

Service failures occur in organization that aim for 100% service quality or zero defeats. Welcoming and encouraging complaints is a critical component of service recovery strategy according to (Zeithaml 2003). Encouraging customers to highlight service failure and problems will reduce the number of those that are least likely to buy again from the organization (Jobber 2012). Zeithaml (2003) further reiterates that the customers who complain should be viewed as friends and the complaints should be tracked and acted upon, Zeithaml (2003) points out that complaints can be tracked and encouraged through the use of satisfaction surveys, toll free numbers, emails and customers research. According to Jobber (2010), to address customer attrition problems, organizations need to encourage complaints so as to improve on service delivery and customer satisfaction which results in customer retention.

#### **2.3.1.5 Acting Quickly**

There is need to initiate service recovery on the spot through sensitized employees who can see dissatisfaction signs when customers are experiencing a problem. Thus an organization that encourages complaints should be quick to respond and act on them promptly (Zeithaml 2003) as cited by (Mascareigne 2009). This is possible only if systems and procedures for complaints handling are in place throughout the organization. Efforts of service recovery should be flexible and employees should be empowered to develop solutions that satisfy customers through the use of their communications skills and judgment (Lovelock 2007). Zeithaml (2003) adds that employees should be empowered to solve problems as they occur for example service recovery training for service industry employees since service recovery take place on spot. Jobber (2012) supported that trained and empowered employees respond to service complaints quickly. This is

important because the successful resolution of a complaint as showed by the research makes customers to see the good image of the organization than before the service failure. Zeithaml (2003) alludes that the first response from organization to a complainant is to make an apology. This will ease the tension and lead to a spirit of cooperation rather than recrimination. The next step is to attempt to quickly solve the problem. Building systems that allows customers to actually solve their own service needs and fix their own problems is another way that problems or complaints can be handled quickly through the use of technology (Pal 2011).

#### **2.3.1.6 Treat Customers Fairly**

It is important to treat every customer adequately. Pal (2011), alludes that according to the equity theory people who take part in a trade feel content and fairly treated if their contribution and yield is balanced from the trade. Consequently, customers balance what they endure and gain with what other customers endure and gain. Customers feel equally treated if their experience is the same with other customer's experiences when they pay the same price. Hence, when they complain they expect the company to solve the difference. Perceived justice is used to evaluate service recovery (Tax & Brown 1998).

When customers feel fairly treated by an organization, perceived justice will be high and therefore a situation of fairness in the customer's perception should be reestablished through service recovery. Kennedy & Sparks, (2003), Clemer & Schneider (1996) alludes that the justice concept consist of three dimensions; distributive, procedural and interactional justice. Deutsch (1985), notes that the allocation of costs and benefits is the main focus of distributive justice. Customers consider the benefit they receive from a service in the light of the costs associated with the service. Buttle (2009) expressed that distributive justice is achieved when the customer gets the material outcome after a complaint and customers might be satisfied with a credit note against a future purchases or an apology. Alternatively a customer may want the organization to repeat the service (Buttle 2009). Procedural justice focus on the process in which to obtain results (Lind & Tyler 1988). In procedural justice, the systems and processes used in handling complaints will be evaluated by the customer (Buttle 2009).

Buttle (2009) went on to disclose that generally customers do not want to write formal letters of complaints, complete form and provide difficult to find proof when they make complaints.

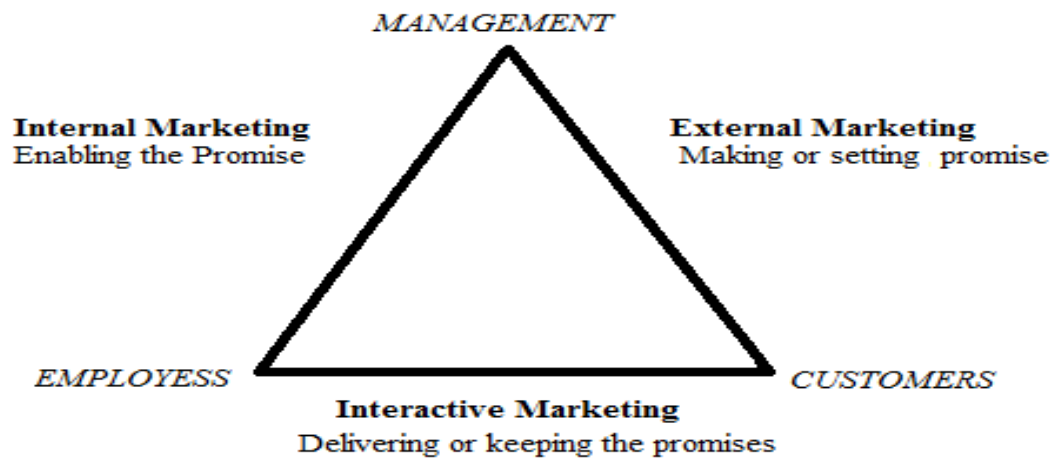
Finally interactional justice considers interpersonal fairness through service providers staff, customers want to be served by responsive and empathetic employees since customers judge specific complaints with related interactions with the service provider's people (Buttle 2009). Therefore according to (Pal 2011, Buttle 2009, Clemer & Schneider (1996) for the recovery strategy to be effective it has to result in fair treatment of customers, if organizations fail to address fairness it will be ineffective.

#### **2.3.1.7 Influence of Service Recovery on Customer Loyalty**

Research has it that service recovery if successfully implemented will increase customer loyalty to the customers who would have experienced service failures or problems than new customers (Ziethaml et al 2009, Nilsson et al 2010). Service recovery does not only solve problems faced by customers but to prevent the occurrence of such problems (Ziethaml et al 2009). Service recovery gives a guarantee of choice to customers before they could enjoy the services (Worsfold K, Worsfold J and Bradley G 2010). Customers who perceive treatment as fair after service failure usually engage in positive behavior including spread of positive word of mouth, repeat purchase and then loyal to the service or products.

#### **2.4. Promise fulfillment**

Promise fulfillment is defined by (Kotler 1993) as meeting and exceeding customer service quality expectations. Jobber, (2004) defines it as fulfilling promises to customers. The following diagram shows service delivery before, during and after delivery of promises enabling customer satisfaction.



**Fig 2.4: Service Marketing Triangle**

**Source: Zeithaml, Bitner and Gremler (2006)**

The common characteristics of both definitions are meeting customer expectations. However Kotler (1993) one of the most recognized marketing guru in his definition of promise fulfillment went on to include the process of exceeding customer expectations. Jobber (2004) adds three activities in fulfilling promises and maintaining relationships, setting realistic promises, keeping the promises during service delivery and enabling staff and systems to deliver as promised. Berry (1995) cited in Gronroos (2009) claims that the foundation of customer retention is fulfilling promises through maintaining relationships with customers. Gronroos (2009) adds that “employees in the organization regardless of their position are involved in fulfillment of promises” Bitner (1995) calls it enabling promises. Therefore one can safely say that for organizations to control customer attrition there is need to avoid disappointments through meeting promises. It is important to take note of the use of technology and communication to facilitate service marketing.

## **2.4.1 Sources of Promises**

### **2.4.1.1 Past Experience**

Kotler (1993) alludes that the quality of service is promised to customers through past experience. Kotler (1993) shares the same sentiments with Kurtz (2002) who points out that customer past experience is the most important factor affecting customer expectations of a

service. Past experience includes experience with a particular service provider, experience with other providers within the same industry and experience with related services. From the analysis above it can be noted that what customers want or always get from the service provider is what they always expect for their repeat purchases hence failure to meet and exceed their past experiences results in dissatisfaction.

#### **2.4.1.2 Word of mouth**

The source of information used by customers to shape expectations is the word of mouth according to Kurtz (2002). Seeking the opinion of others before a purchase is generally what customers often do. Three sources of word of mouth communication are personal, expert and derived sources and these can establish the level of service predicted. To establish ideal and desired level of service when customers have no experience and knowledge of the service, word of mouth is used as a source of promise (Nilsson 2010). Information from friends, work colleagues and relatives constitute personal sources. Customers believe that experts will provide better information than personal sources especially in high involving purchases. Derived sources are third party information sources used to form expectations by customers for example advertisement testimonials (Kurtz 2002).

#### **2.4.1.3 Marketing Communications**

Customers form predicted level of service for a particular organization through promises made in adverts and sales promotions (Kurtz 2002). Kurtz (2002) agrees with Jobber (2004) who proposes that through marketing communications channels such as public relations, advertising, sales promotion and personal selling, promises are made. Consumer's desired level of service, adequate level of service and zone of tolerance can be modified by advertising (Zeithaml & Parasuraman 2003). In an effort to get contracts, sales personnel make promises to potential customers and these promises are translated into expectations of customers from these promises will affect the zone of tolerance and the predicted service expectations which will result in customer dissatisfaction.

#### **2.4.1.4. Managing Customer Expectations and Service Promises**

Coordinating the vows made by all external and interactive marketing sources to ensure that they are consistent and feasible is managing service promise (Zeithaml and Bitner 2003). Zeithaml et al (1990) concluded that perceived service quality is the extent to which an organization serves customer's evaluation of the expected service and experience. Several authors concurs that actual service performance and customer's expectations measure the service quality when the two are compared (Markovic, Raspor & Segaric 2010, Gronroos 2008, Parasuraman et al 1988 and Barrington & Olsen 1987). Markovic et al (2010) posits that customer decisions are complex because customer expectations are ever changing. Understanding and meeting customer expectations is important as well as telling customers that the organization may not always deliver the level of service they desire.

#### **2.4.1.5. Educating Customers**

Customer education is the extent to which employees equip customers with abilities and skills to critically utilize the information about organization services or products (Kotler and Keller 2010). Eisingerich and Bell (2006) posits that organizations that provide understandably clear information are trusted by customers. Research shows that if customers learn how to effectively execute service related function the organization production will be increased (Zeithaml et al 2009). Kotler and Keller (2010) noted that customer education creates value for both the organization and the customers.

#### **2.4.1.6 Internal Communication**

Research has it that internal communication is an important management function since every employee should receive information concerning their jobs, fostering an atmosphere in which all people in the organization respect each other in a working relationship (Bauer 2013). Steingrimsdottir (2011) argues that internal communication is the social glue in an organization that ties people together. Customer expectations should be aligned to the form of communication within the organization across all functions be it horizontal, lateral, grapevine and vertical (Bauer 2013). Quirke (2008) argues that communication is an ever ending process and its goal should be to share the thinking and not announcing conclusions. Communication tools proved to be



important in implementing internal communication like use of displays, bulletin-boards, internal subjective meetings and inserts and enclosures. (Quirke 2008)

#### **2.4.1.7 Pricing**

The price of the service affects customer expectations. Generally higher prices makes customer expectations of the service to be higher and the zone of tolerance will be narrowed as posited by Zeithaml et al (1993) cited in Campos and Nobrega (2009). Fair pricing build trust and have a long term positive effect on customers as postulated by Berry (2001 pp 60) cited in Asamoah (2012). Abrams (2008) adds that quality goes with price, low quality with low price and high quality with high price. Most customers seek value for their money; if customers' expectations are not met there will be dissatisfaction and attrition (Adams 2008).

#### **2.4.1.8 Physical Evidence**

Physical evidence which relates to tangible components (Zeithaml and Bitner 2003) facilitates performance of service, a place where the organization and customers interact as well as the environment in which the service delivery takes place. The interior and exterior appearance of the company is a package in delivering a service (Hoffman and Bateson 2006) cited in (Gbettor, Avorga, Danku and Atatsi 2013) and customers use this to assess the level and quality of service from an organization through physical evidence. Wilson (2006) argues that the gap between service delivery and customer expectations in service delivery can be closed by physical evidence.

Physical environment consists of the appearance of physical structure landscaping, ambience, appearance of the interior and exterior of the facility vehicles, cleanliness, interior furnishing, service systems design, point of purchase displays, equipment, uniforms, personnel competence, signs, printed materials and other visible cues that provide evidence of service quality (Zeithaml and Bitner 2003). It seemed in most services, appearance of the service personnel is very important.

#### **2.4.1.8 Image of the Firm**

Nasser (2012) points out that the fundamental image of the organization applies to the type of association customers get from the service organization and the brand name. Nasser (2012)

further indicated that image is an important component of customer satisfaction. Image is a result of adding good reputation to its customers, being reliable, having contributions to society and being professional and inventive (Skinner, Von Essen and Mersham 2008). The three factors of corporate image include corporate behavior, corporate design and corporate communications which all have an impact on creating reliance and trust on the outer and inner mass on an ongoing basis (Karadeniz 2009 and Zeithaml et al 2009). Nasser (2012) also reiterates that customers' evaluation of a service is influenced by corporate image. Corporate image in this study can be defined as the influence on customer perception by the image of the organization or service provider. The image consumers have of a firm will have high expectations and if the image is low, expectations will be low. Any mismatch on the desired expectations dissatisfaction or satisfaction will be the end result. Gronroos (2008) purports image as an alternative to product differentiation in an organization. Corporate image in view of customer retention improves customer satisfaction and ensures desired service quality.

#### **2.4.2 Customer Satisfaction**

Research has it that customer satisfaction is meeting and exceeding the expectations of the customers by the organization so that satisfied customers will be retained for future purchases (Kotler and Keller 2009, Gronroos 2008 and Lovelock & Wirtz 2007). Dimensions that customer satisfaction incorporates reliability, assurance, responsiveness, empathy and tangibles (Hoffman & Bateson 2011 and Zeithaml et al 2003) commonly referred to as the RATER model. The responsibility of the organization is to satisfy customers through meeting their needs because customers are the cornerstone of the success of the organization (Ghimire 2014, Sharman, Raghav & Raghu 2009). Satisfied customers help organization in marketing, selling and advertising products or services to friends and family through positive word-of-mouth (Ghimire 2014). Communication with the customers enhances customer satisfaction through listening to the problems and making improvements. Zeithaml et al (2009) and Ramachandran (2006) professed that solving customers quickly help in achieving customer satisfaction. For satisfaction to take place organizations should view complaints as complimentary effort without payment, to enable the organization to add value to its offerings or correct service failures (Barlow and Moller 2008). Sharman et al (2009) argues that a satisfied employee extends satisfaction to customer and in the end retention is achieved.

## **Effects of Promise Fulfillment on Customer Satisfaction**

Meeting expectations of the customers enhances customer satisfaction (Sharma et al 2009) and at the end customer retention is achieved. It has been noted that customers generally want to continue dealing with organizations that have integrity and always do what they promise.

### **Chapter Summary**

This chapter reviewed literature on customer retention strategies having discussed by other writers. The literature review covered searches on loyalty programs, customer service, service recovery and promise fulfillment. The next chapter covers research methodology.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presents a clear description of how the research was carried out and the way in which data and information to answer the research questions was collected, presented and analyzed. The methodology is a way used to collect information and data for decision making. It may include publication research, interviews, surveys and other research techniques, and could include both present and historical information. An overview of the research methodology emphasis is on the research design, techniques, instruments, target population, sampling methods and data collection procedures to be used in the study of the effectiveness of customer retention strategies in managing customer attrition in the airline industry.

#### **3.1 Research Approach**

The researcher used positivist or post-positivism philosophy which has a sensory phenomena described as the only form of knowledge. The philosophy provides the creation of thinking space in the social science debate. The approach allows critical analysis of the data and discussion of findings to arrive at an informed decision.

#### **3.2 Research Design**

The survey methods were used by the researcher in this study to get information about the effectiveness of customer retention strategies in managing customer attrition in the airline industry. The research design facilitated the gathering and analysis of data to obtain answers to the research questions after using the appropriate research design in line with the nature of the required data. The researcher adopted both exploratory and descriptive research designs.

##### **3.2.1 Exploratory research**

Exploratory research was used by the researcher to generate insights about what was causing customer attrition in the airline industry. The researcher used it to increase familiarity with the problem of customer attrition to be studied and spell out research priorities to be established. The insights to the research problems were generated through literature searches using online,

libraries and academic literature to get clarity on existing concepts and define new terms. The researcher conducted a pilot study by interviewing a few employees in the industry to understand the problem why customers are moving from one airline to another. The flexibility of the design was another reason the researcher used it. Exploratory design is qualitative and was used to interview management in the industry, the researcher employed in-depth interviews to gather relevant and accurate information about the problem. In this research, structured questionnaires and interviews were employed on data collection.

### **3.2.2 Descriptive research**

The researcher used descriptive research to better understand the characteristics of the problem at hand which is customer attrition in the airline industry. The data gathered describes events and used description as a tool to organize, data during analysis into patterns that emerge and depicted as graphs and charts to help the reader. The researcher used descriptive statistical methods such as frequency tables, average percentages and cross tabulations to describe and summarize responses to research questions. In this research, the design was used to get recommendations through rich data yielded and this approach enabled the researcher to get detailed analysis through collection of large amount of data from a sizable population in a cheaper way. The researcher used this method because it easy to explain and understand data due to its authoritative nature and concepts and factors that were not directly observable such as attitude was easily tapped into during the study. Any type of research question was answered for example (what, who, how, where), when using this research design also helped in understanding and describing characteristics of the population.

### **3.3 Target Population**

The population was made up of customers, airline employees and management of the four airlines under study which are British Airways Comair, Air Zimbabwe, South African Airways and South African Airlink that operate the JNB route. The researcher targeted a population which consists of an estimated number of 1260 employees for the entire airlines understudy, according to their Human Resources Departments. Customers were estimated at 340000 per year on the route under study according to the seat capacity. Total population under study is therefore 341260.

### **3.4 Sampling methods and techniques**

Two sampling methods were be considered namely probability and non probability which allows the respondents to stand an equal chance of being selected and reduce time and monetary costs on the researcher's part.

#### **3.4.1 Sample Frame**

The sample frame for this study was drawn from all airline employees and all customers of the following airlines under study in Harare only, (British Airways Comair, Air Zimbabwe, South African Airways and South African Airlink). All parties involved in managing customer attrition were made part of the sample frame and were represented fully.

#### **3.4.2 Sampling procedure**

##### **3.4.2.1 Probability Sampling**

With probability sampling the chance of each element from the population being selected is known and is usually equal for each element. The researcher used simple random to select customers, employees that represented the population in this study. Customers were picked randomly as they depart or arrive at the Harare International airport. The researcher used this method since all employees and customers had an equal chance of being chosen and the findings were generalized to the whole population. In addition to simple random sampling the researcher used stratified sampling to classify the customers into strata that is executive and economy class.

##### **3.4.2.2 Non Probability Sampling**

This involves the subjective selection of respondents, making the probability of sample selection unknown. The very fact that the sample is not chosen objectively means that it is not possible to state results with any degree of statistical certainty. It relies on the researcher judgment and is only representative as far as the researchers skills permit. The researcher used convenience sampling method in targeting customers, due to the limited time and resources for this research Information or data collected using this method was obtained from whoever was at the nearest point from the researcher. The researcher used those respondents that were willing and easy to find.

### **3.4.3 Sample Size**

After careful analysis from different scholar's views of sample size determination of customers, the researcher used (Saunders, Lewis, & Thornhill, 2009) who set a minimum of 30 for sample size to be a true representation of population under study randomly chosen from a finite customer population estimated at 340000 based on the JNB seat capacity per year by carrier for the selected airlines between 06 March to 06 April 10, 2014 (CAAZ). The researcher used a sample size of 200 customers. The population comprised of regional passengers that have travelled at least once in the last 12 months and had knowledge about the services being offered by the airlines. A sample size of 40 employees was chosen using (Saunders, Lewis, & Thornhill, 2009) to give a true representation of the population under study from an estimated 1260 employees according to company records kept in the Human resources departments of the different airlines being studied. The researcher used census method to pick all 4 managers one representing each airline.

### **3.5 Data Sources**

There are two types namely primary and secondary data, the researcher used both because primary gives the researcher current and specific data to the problem whilst secondary sources provide more insights into the root cause of the problem.

#### **3.5.1 Secondary data**

To save on cost and time, the researcher used this source because it was conveniently available and situated. Customer records books kept by companies will play an important role for the researcher in providing information about current customers and defectors. The data collected from secondary sources was reviewed to find out its relevance to the research problem. The researcher used this source to review literature making use of journal articles, text books and other publications which were relevant to the study.

#### **3.5.2 Primary Data**

The researcher used questionnaires and interviews to collect up to date and reliable data though it was time consuming and expensive. The interviews were used to collect data from management and some of the employees and customers. The questionnaires were used to collect data from the

remaining sample. The researcher made sure that at least all questionnaires distributed were returned to gather important information to the study of effectiveness of customer retention strategies in managing customer attrition.

### **3.6 Research Instruments**

#### **3.6.1 Questionnaires**

The researcher used a set of questions designed to generate data necessary for accomplishing the research objectives using a questionnaire. To achieve maximum coverage at a minimum cost, the researcher used this method to collect data. Open ended questions gave the respondents a chance to use their words and assisted the researcher to acquire suggestions, reasons and recommendations in line with managing customer attrition in the airline industry. Using closed ended questionnaire with a Likert scaling, rank order questions, semantic differential, and dichotomous questions, the airline industry evaluation and rating was done.

#### **3.6.2 Interviews**

The researcher used semi structured interviews and an interview guide to collect primary data which is reliable and relevant to the study in purposeful discussions. Interviews allowed dialogue which enhances clarity on some misunderstood questions. The researcher was able to probe for more information from the respondents during interviews and there was room for clarification of unclear questions or answers. Face to face interviews were used by the researcher to obtain in-depth results on the effectiveness of customer retention strategies in managing customer attrition in the airline industry. An interview guide was be used by the researcher as a guideline to research questions that were asked during interviews.

### **3.7 Data Collection Procedures**

#### **Interviews**

##### **3.7.1 Face to Face interviews**

This method was widely used in this study to gather data through conversations in which roles of interviewer and respondent continuously change. The method attempted to provide valid measures and reliable data from respondents through face to face interactions. The researcher



probed for more information and also took advantage of better observation of behaviour and social cues such as body language, voice intonation of the interviewee. The value of social cues was added to the verbal answers. Clarification of issues by the researcher was made possible using this method though some respondents felt uneasy. The researcher got a higher response rate through the use of this method. The appointments for interviews were done with management and employees. Interviews were carried out with the help of an interview guide. The responses were all written down and the interviews lasted for less than 15 minutes each.

## **Questionnaires**

### **3.7.2 Drop and pick method**

The researcher dropped the questionnaires to employees and then collected them after completion on the specified period, an allowance of 2 days was given to the respondents because of the nature of their jobs they were not able to complete them whilst the researcher was waiting. This method gave respondents more time to consider their responses, and it sounded a convenient method to the researcher. The rest of the questionnaires were distributed to customers with the assistance of airport check-in agents, upon obtaining airport authority permission from CAAZ. The targeted customers completed the questionnaires in the departure lounge and the questionnaires were collected before respondents board their flights. Personally administered questionnaires were used on executive class passengers in the respective business class lounges before boarding. The questionnaires were made simple and easy to understand which helped the respondents to answer and return on time.

### **3.8 Validity and Reliability**

Validity places emphasis on the quality of data gathered and the accuracy of the same. During the use of questionnaires and interviews, reliability of information that was collected using the above mentioned techniques increased when various questions were used to measure the variable of interest. Pre testing process is important and was done to help the researcher to make adjustments on the questionnaires to remove flaws and mistakes. The questionnaire was discussed with colleagues and the researcher also consulted the supervisor. A pilot study was done before sending the questionnaires to the respondents of this study, the researcher gave 5 questionnaires to Air Zimbabwe employees to complete and the interview guide was also studied

by these employees. The pilot study allowed the researcher to establish a sequence of the questionnaire, the instructions and time taken to complete the questionnaire. After suggestions, the questionnaire was corrected and revised before being given to the actual respondents. This enabled the identification and correction of areas of weakness of the instruments before the restructured ones were dispersed to the respondents.

### **3.9 Ethical statement**

This dissertation success depended on the full participation from all the airline companies under study that ply the JNB route. Complete anonymity was given to all employees, customers and management who participated in this study. To instill confidence, company and individual names of respondents were not required during completion of questionnaires and interviews. After submission of this dissertation, interview questions and completed questionnaires kept confidential for the duration of the study were destroyed.

### **3.10 Data Analysis and Presentation**

The process included gathering, modeling and transformation of data highlighting useful information, supporting decision making and suggesting conclusions. Data which was collected through the use of questionnaires and interviews from employees and customers was analysed by the researcher using Microsoft Excel before being presented.

#### **3.10.1 Data Presentation Methods**

The processing of data using Microsoft Excel, measures were done and frequency tables were used to organize the data. Different instruments were used to present the data, a chart divided into section illustrating the magnitude of percentages and frequencies known as pie-chart were used. Graphs which are known as diagrams of values with bars showing the values they represent. In this study the quantitative data is presented through pie-charts, bar graphs, line graphs and tables. To describe data qualitatively, narrative texts are going to be used. The comments of previous studies were made reference in discussions of relevance and meanings of findings.

## **Chapter Summary**

The methodology used in this study was outlined in this chapter. Areas covered were the research design, sampling procedures, research instruments, research participants and data collection and data analysis. The tools used to gather data for example, the questionnaire and interviews are the research instruments, the structure under which the research was carried out is the design. The sampling choice and target population were also explained in the study. The next chapter focused on data analysis, presentation and interpretation of findings.

## CHAPTER IV

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

#### 4.0. Introduction

The previous chapter focused on research methodology and the way data was collected to answer research problems. This chapter presents the findings and discussions of the study which form the basis on which conclusions and recommendations are drawn from. Microsoft Excel was used to analyze data in this study and display and presentation of data was done using pie charts, graphs and tables. The chapter linked the data collected with the research objectives and questions. The results of the study assist the researcher in getting an in-depth understanding of the problem that prompted the researcher to carry out the study and attempts to answer the research questions. The summary of findings and discussion were also presented in this chapter.

#### 4.1 Response rate

The researcher distributed questionnaires to the respondents and also conducted interviews. The breakdown showing questionnaires issued against the questionnaires returned (response rate) is shown on the table and chart below and it is expressed in percentages.

**Table 4.1 Questionnaires and interviews response rate**

| <b>Respondents</b> | <b>Questionnaire Issued</b> | <b>Questionnaires Returned</b> | <b>Percentage of Return</b> |
|--------------------|-----------------------------|--------------------------------|-----------------------------|
| <b>Employees</b>   | <b>40</b>                   | <b>33</b>                      | <b>82.5%</b>                |
| <b>Customers</b>   | <b>200</b>                  | <b>162</b>                     | <b>81%</b>                  |
| <b>Total</b>       | <b>240</b>                  | <b>197</b>                     | <b>82%</b>                  |

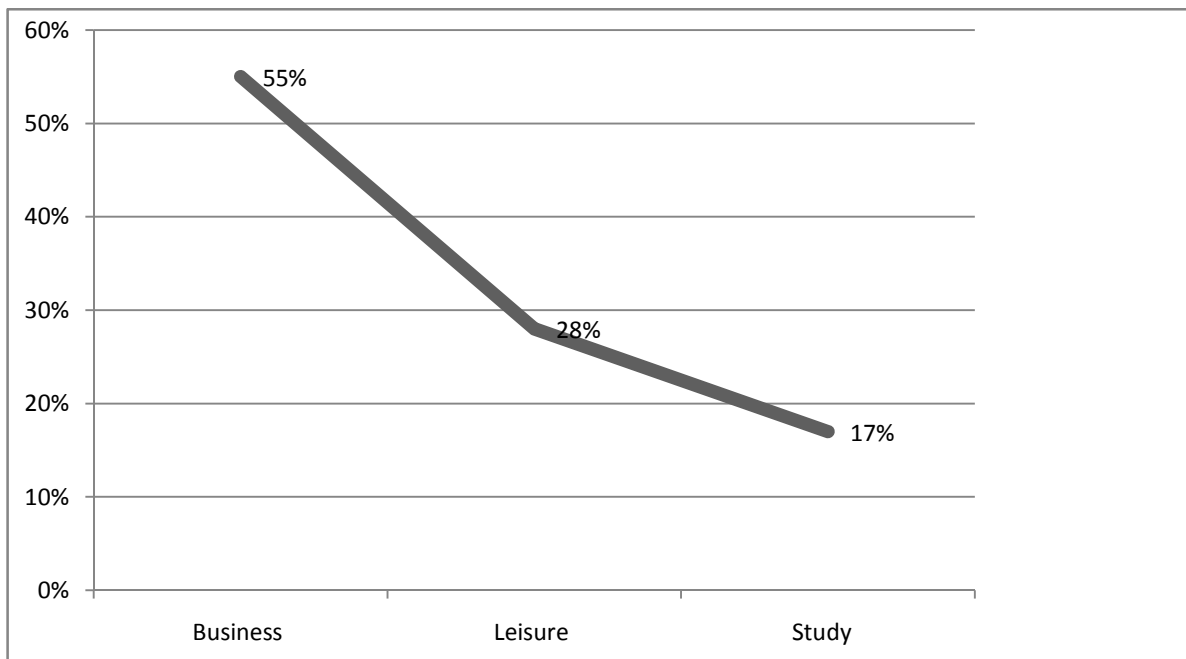
### Summary of Response rate findings

Employees of the four airlines under study and various customers constituted the target population of this study. From the total sample of 240 respondents, the total response rate attained was 82 percent. The response rate for employees and customers constituted 82.5 percent and 82 percent respectively. More importantly the response rate was good 82 percent due to the frequencies per day the researcher managed to administer the questionnaires to the respondents without much hassles and from this, the researcher can make conclusions on data gathered and analyzed.

### Demographic

#### 4.2. Type of customers

Customers were asked to state the purpose of their travel in trying to find out why most customers travel and their responses are shown on figure 4.1 below.



**Fig: 4.1 Type of customers**

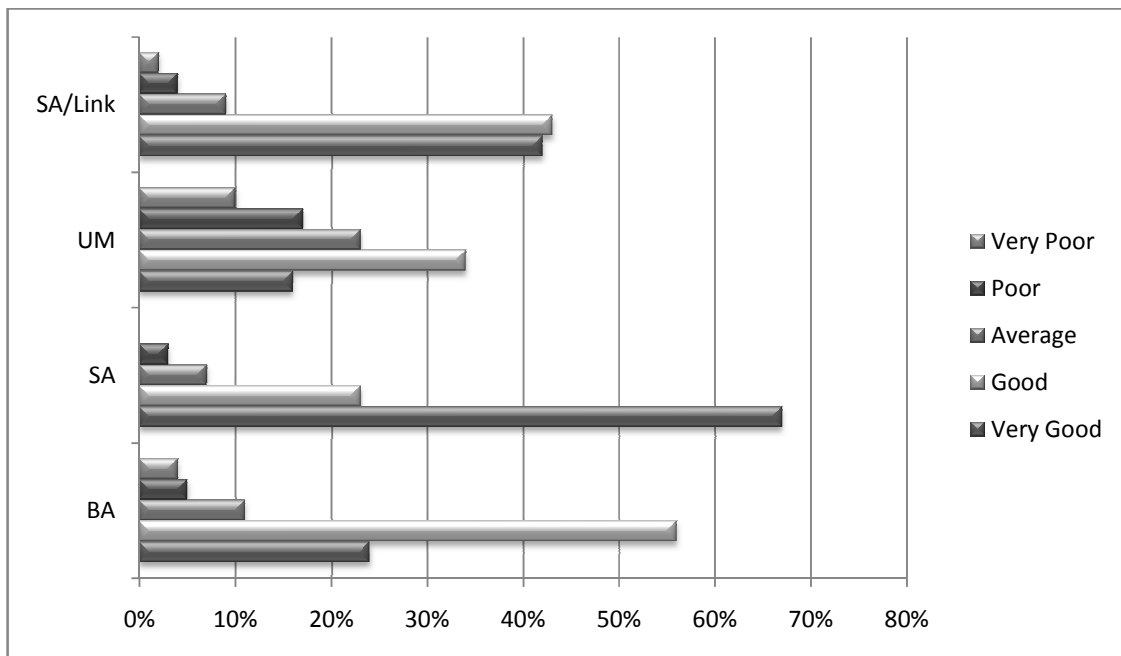
The figure above shows that most of the respondents 55 percent travel for business purposes, 28 percent travel on leisure and 17 percent travel for studying in South Africa and also connecting

from all over the world. The marketing manager of one of the airlines confirmed that most customers travel on business and usually spend a few days before they return.

### 4.3 Analysis of Responses on Frequent Flyer Program and Customer Service

#### 4.3.1 Rating Effectiveness of Frequent Flyer Programs (FFP)

The customers were asked to rate the frequent flyer programs of the airlines on the Johannesburg route and indicate the ones they think are most effective and least effective, as shown on figure 4.2 below.

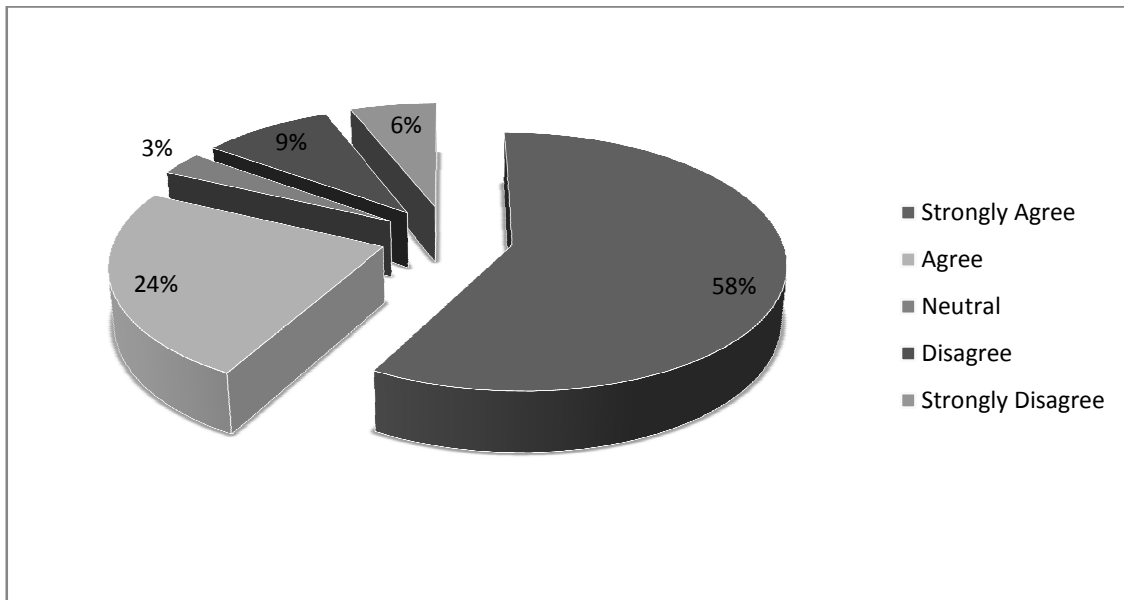


**Fig: 4.2 Frequent Flyer Program Effectiveness**

The chart above shows that most of the respondents indicated that South African Airways has the most effective FFP shown by 67 percent for very good and 23 percent said it is good. 56 percent of the respondents showed that British Airways frequent flyer is good and 24 percent ranked it very good. The respondents showed that South African Airlink is 42 percent good and 43 percent very good. Lastly Air Zimbabwe has been ranked low by the respondents, 34 percent said its frequent flyer program is good whilst only 16 percent regard it as very good.

### 4.3.2 Effects of Customer Service on Repeat Purchase

In a bid to try and find out the effects of customer service on repeat purchase, respondents recommendations are illustrated below.

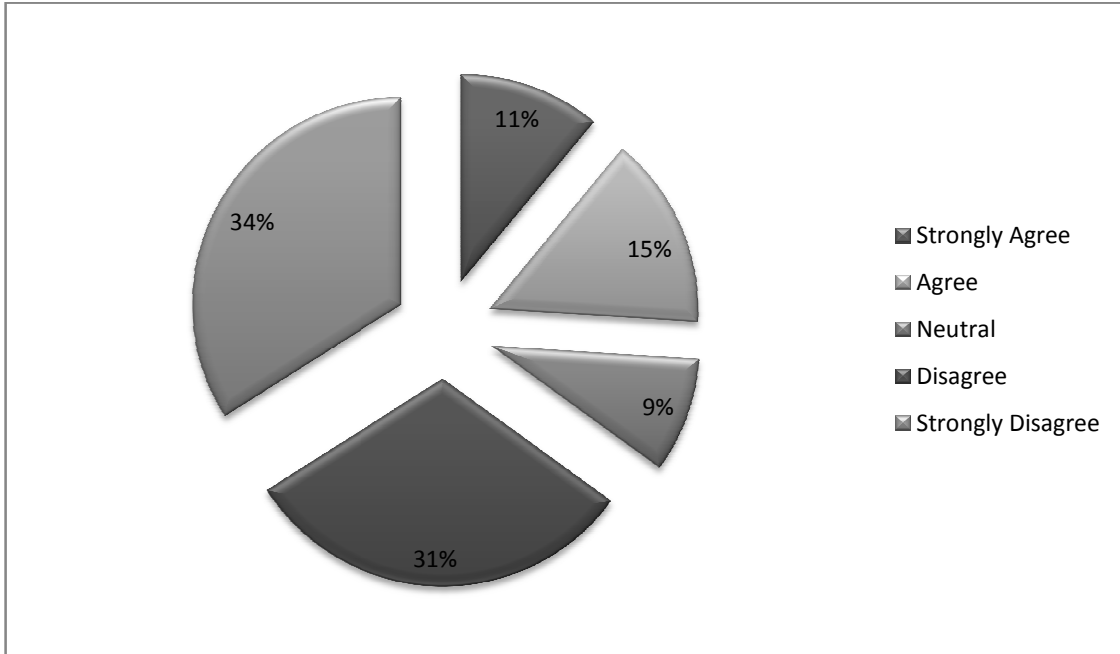


**Fig: 4.3 Customer Service on Repeat Purchase**

The figure above show that 58 percent of the respondents strongly agree and 24 percent agree that customer service has effects on repeat purchase as supported by (Kotler 2010) who said excellent customer service results in customers re-buying the same product or service. The percentage of respondents who disagree was 9 percent and those who strongly disagree were 6 percent. Only 3 percent of the respondents were uncertain about the effects of customer service on repeat purchase. The major finding was that excellent customer service results in customers patronising the same airline.

### 4.3.3 Employee Empowerment on Customer Service Decisions

In trying to assess if customer service decisions were done promptly, the employees were asked if they are empowered to make decisions concerning their area of responsibility, the responses are shown on the following figure 4.4.



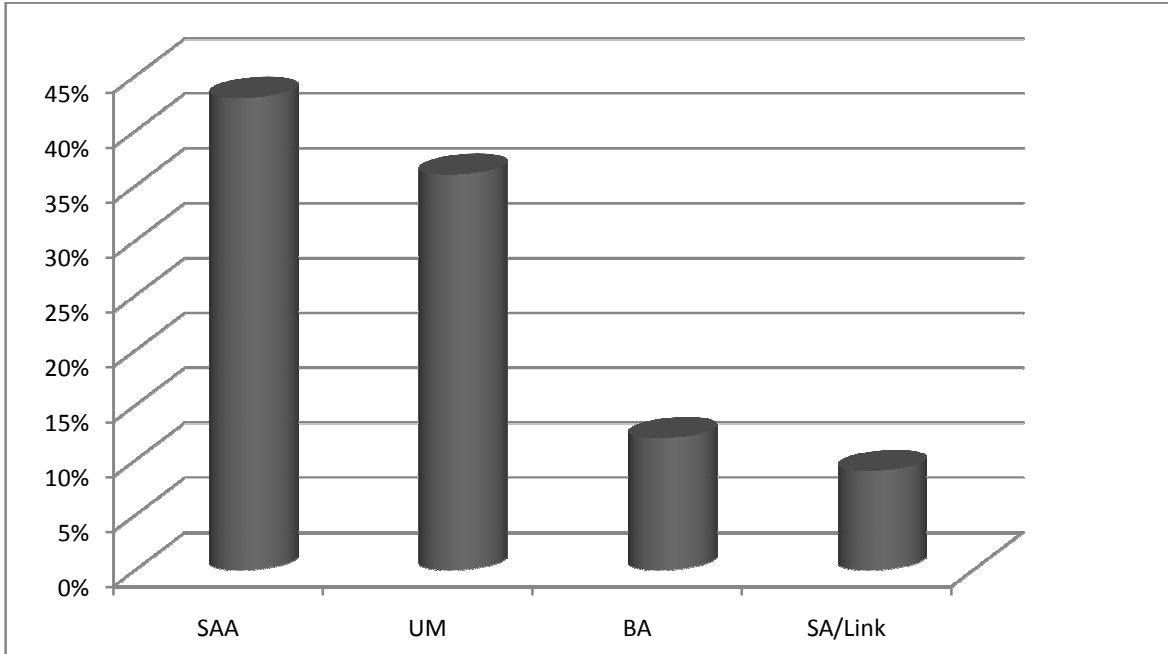
**Fig: 4.4 Empowerment of Employees**

From the figure above, most of the respondents are in strong disagreement that their companies empower them to make decisions as highlighted by 34 percent. The respondents represented by 31% disagree that they are empowered by their companies to make decisions regarding their work and solve customer queries as they occur. 15 percent of the respondents are in agreement that their companies empower them, 11 percent strongly agree that they are empowered. The remaining 9 percent were uncertain about being empowerment. The airlines that empower employees most is South African Airways and South African Airlink, British Airways Comair and Air Zimbabwe had their employees disagreeing that they were empowered to make decisions and through personalised questionnaires, the employees said they refer to their managers about any decision.

**4.3.4 Rate of Frequenting the Airline**

To find out the most frequented airline, customers were asked to pick the airline they frequently use from the four airlines under study and the findings are depicted on figure 4.5 below.



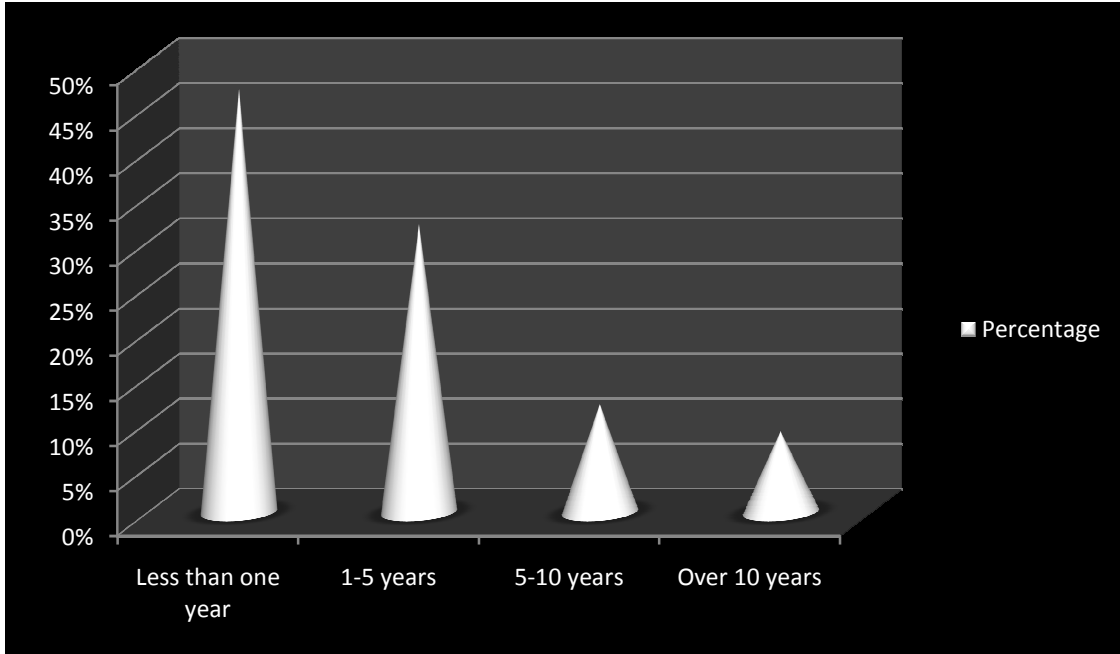


**Fig: 4.5 Most Frequented Airline**

The respondents indicated that 43 percent frequent South African Airways more than any other airline on the route, followed by Air Zimbabwe as shown by 36 percent. Only 10 percent of the respondents showed that they prefer British Airways Comair. South African Air-Link represented by 9 percent of the respondents. Whilst administering personalized questionnaires some of the executive travelers revealed that they do not usually stick to a single airline but will frequent those that had special offerings at the time. The major findings are that SAA and UM are the most frequented airlines.

#### **4.3.5 Period Taken by Customers using a Single Airline**

In trying to find out how long customers stay loyal to one airline, customers were asked to show the time they have been using a single airline as depicted on the following figure 4.6.

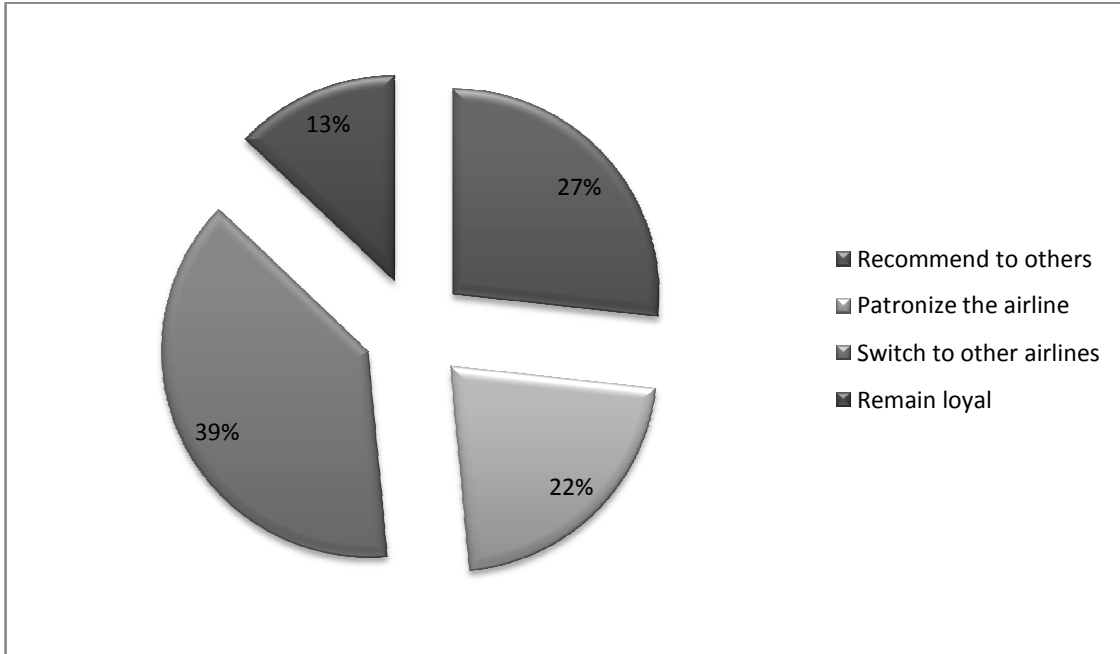


**Fig: 4.6 Period of Customer Stay at one Airline**

The chart above shows the period taken by customers using a single airline. The respondents show that 47 percent have been using the same airline in less than one year. The respondents between 1-5 years are a considerable number constituting 32 percent and through probing for more information through interviews, the researcher got to know that most of the respondents have less than 2 years patronizing the different airlines under review. The combination of less than one and 1-5 years sums up a total of 79 percent. The respondents who stayed for longer on one airline were represented by 12 percent for a period between 5-10 years and those over 10 years stands at 9 percent. The major finding on the above is that most of the respondents are not loyal to any particular airline, they use the one with specials at the time.

#### **4.3.6 Actions of Customers after Service Delivery**

Customers were asked how they will act after service delivery and the responses are shown on the following figure 4.7 below.

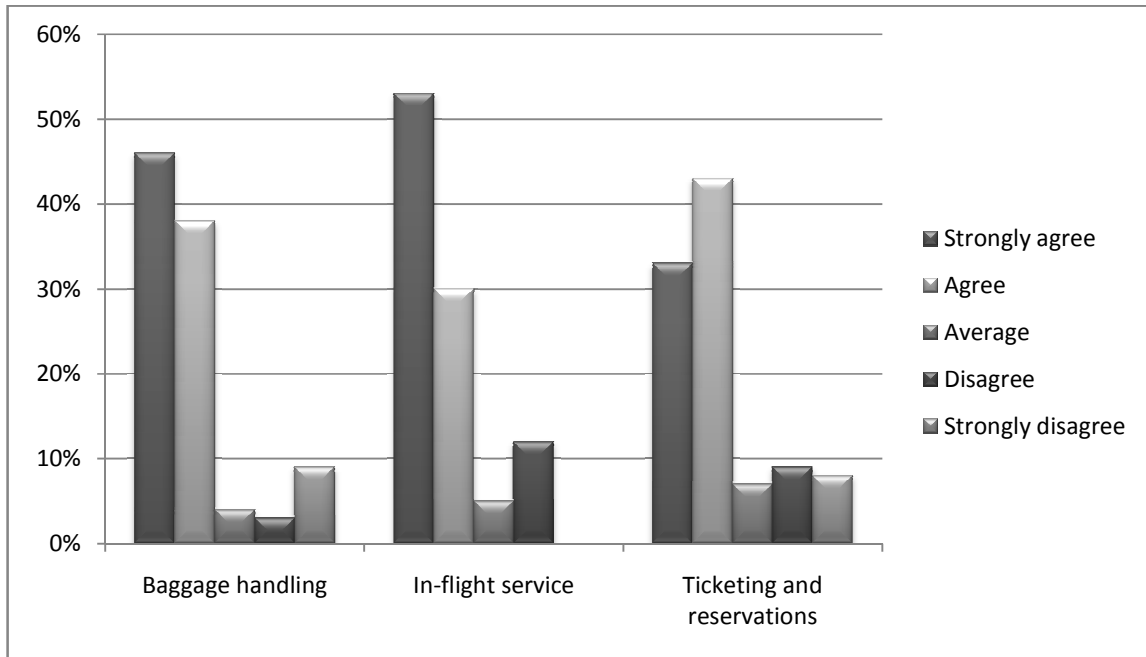


**Fig 4.7 Customer Actions after Experiencing Service**

The figure above show that 39 percent switch to other competing airlines after experiencing services with the airline; 27 percent recommend to others; 22 percent indicated that they patronize the same airline and 13 percent remain loyal. During interviews one had to echo the costs of switching to other airlines for example being taken as a new customer, which made them to remain loyal to the same old service provider. The major finding was that most of the respondents switch to other airlines in search of better deals on fares and service.

#### **4.3.7 Importance of Customer Care Services**

Customers were asked to rate the importance they put on different customer care services such as baggage handling, in-flight service and ticketing and reservations and the responses are shown on the following figure 4.8.



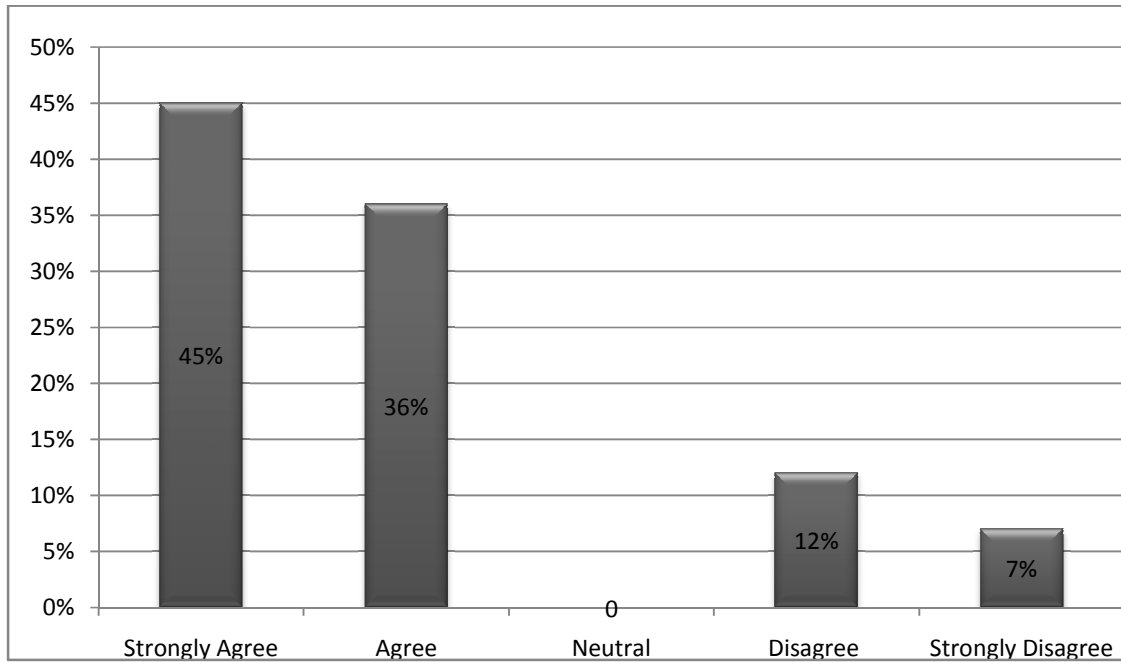
**Fig 4.8 Customer Care Services**

The research findings shows that 53 percent of the respondents strongly agree and 30 percent agree that in-flight service is more important to them when experiencing airline services. 46 percent indicate that they strongly agree that baggage handling should be given priority when they are using the airline services and 38 percent agrees. Ticketing and reservations was regarded as important too as shown by 33 percent who strongly agree and 43 percent who agrees. The respondents who disagree and strongly disagree were shown by insignificant percentages where all of the responses are below 12 percent. The major finding shows that respondents are more concerned with the in-flight service followed by the baggage handling.

#### **4.4 Analysis of Responses on Aspect of Service Recovery**

##### **4.4.1 Compensation after Delays or Cancellation of Flights**

In a bid to find out if there is effective service recovery in the industry, customers were asked if they get compensation in case there is a service breakdown or failure in the delivery of the service as shown on the following figure 4.9.

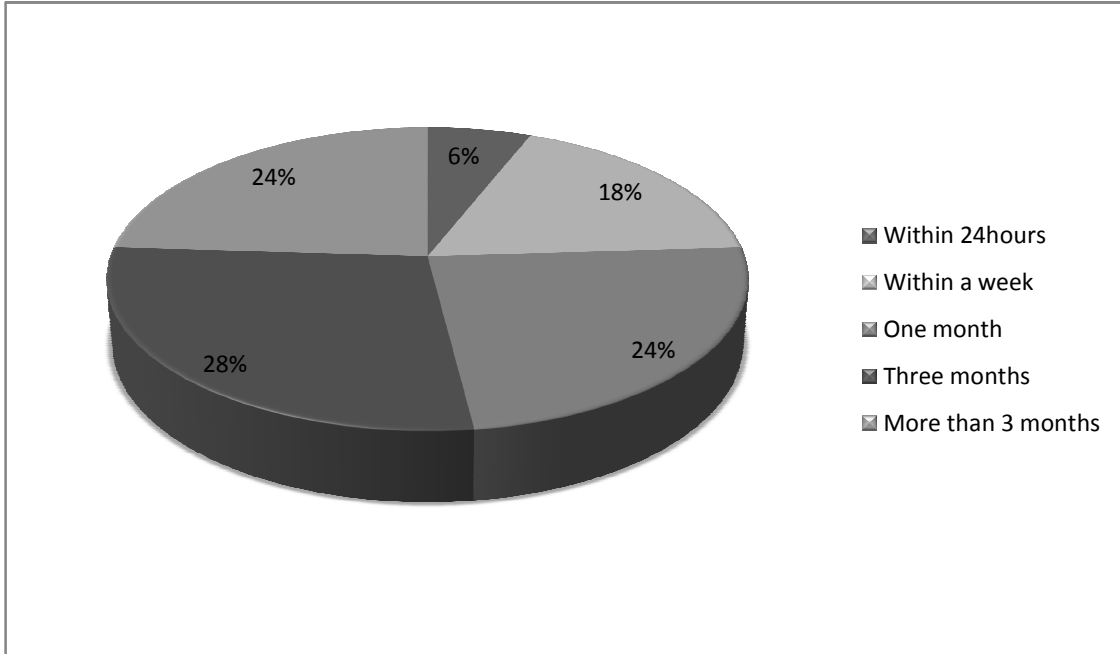


**Fig:4.9 Compensation on Delays and Cancellation of Flights**

The graph above shows that 45 percent of the respondents strongly agree that airlines compensate them in case of cancellations or delays whilst 36 percent agree that they get compensation when a service failure occurs. 12 percent of the respondents disagree and 7 percent strongly disagree that they get compensated when their flights are delayed or cancelled.

#### **4.4.2 Claims Settlement**

In trying to find out how responsive airlines are, the employees from the four airlines under study were asked how long their organisations take in settling claims. Their responses are shown on figure 4.10.

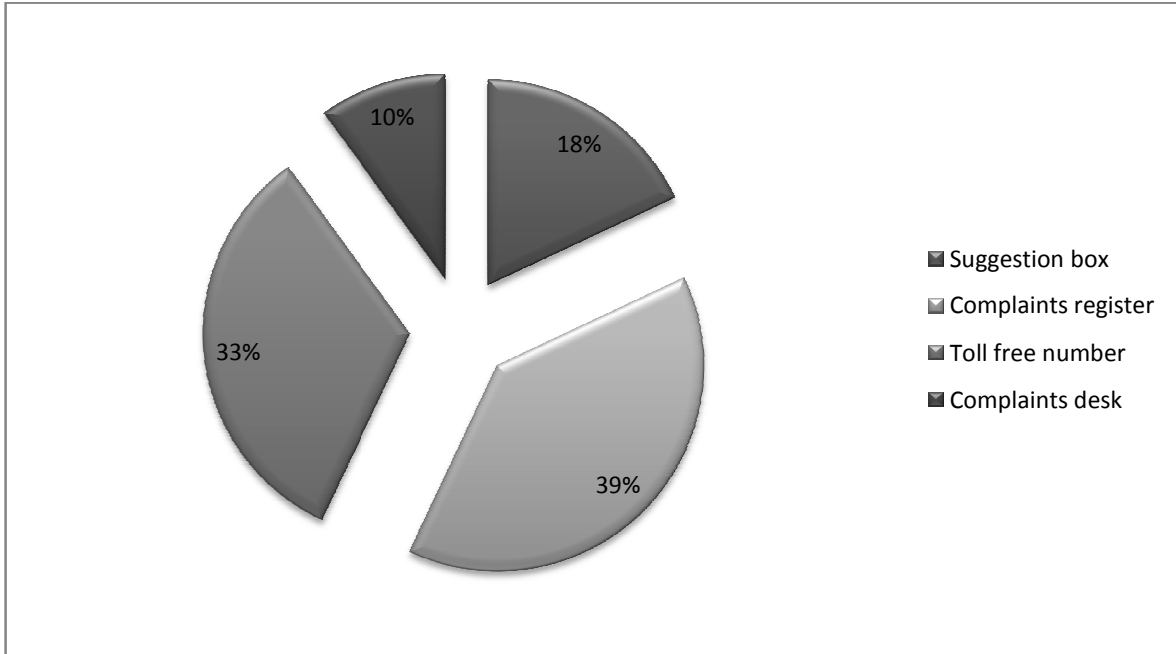


**Fig: 4.10 Time Taken by Airlines to Settle Claims.**

In figure 4.10 above, the larger portion, which is 28 percent of the respondents, indicated that airlines were taking 3 months to settle claims. 24 percent said the companies are taking more than 3 months and another 24 percent showed that they were taking a month to settle claims. Respondents who indicated that airlines were settling claims within a week stands at 18 percent and 6 percent representing those who said within 24 hours.

#### **4.4.3 Welcoming and Encouraging Complaints.**

In a bid to try and find out the ways used by the airline organisations to encourage complaints, the employees were asked about the methods they use to welcome and encourage complaints as shown on figure 4.11.



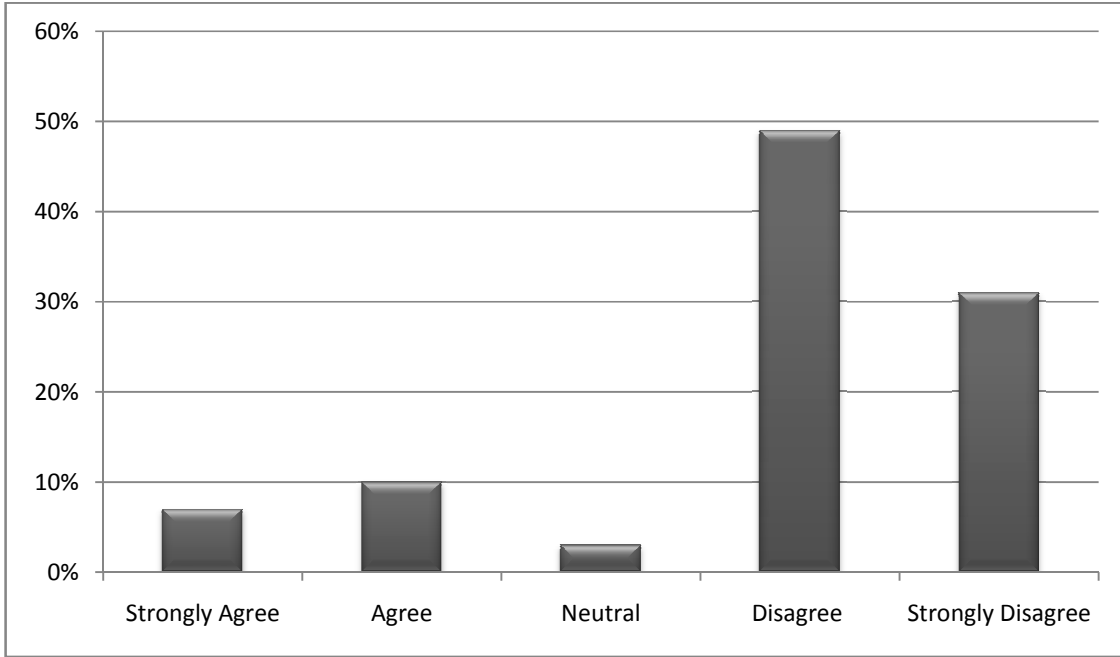
**Fig: 4.11 Ways of Encouraging Complaints**

The chart above shows findings of ways in which airlines encourage customer complaints. Most of the respondents 39 percent indicated that they use complaints register to allow customers to lodge their complaints with the airlines. Toll free number at 33 percent was also shown to be used in the industry as a way to make complaints. 18 percent of the respondents showed that suggestion boxes were widely used than the other forms. Only 10 percent said their customers use complaints desk when they want to complain to the airline.

#### **4.5 Analysis of Responses on Aspect of Promise Fulfillment**

##### **4.5.1 Settling of Claims Forwarded to Airline.**

To find out if airlines fulfill their promises on settling customer claims, the customers were questioned on whether their airline gave priority to settling of claims in the event of service breakdown as shown on figure 4.12.



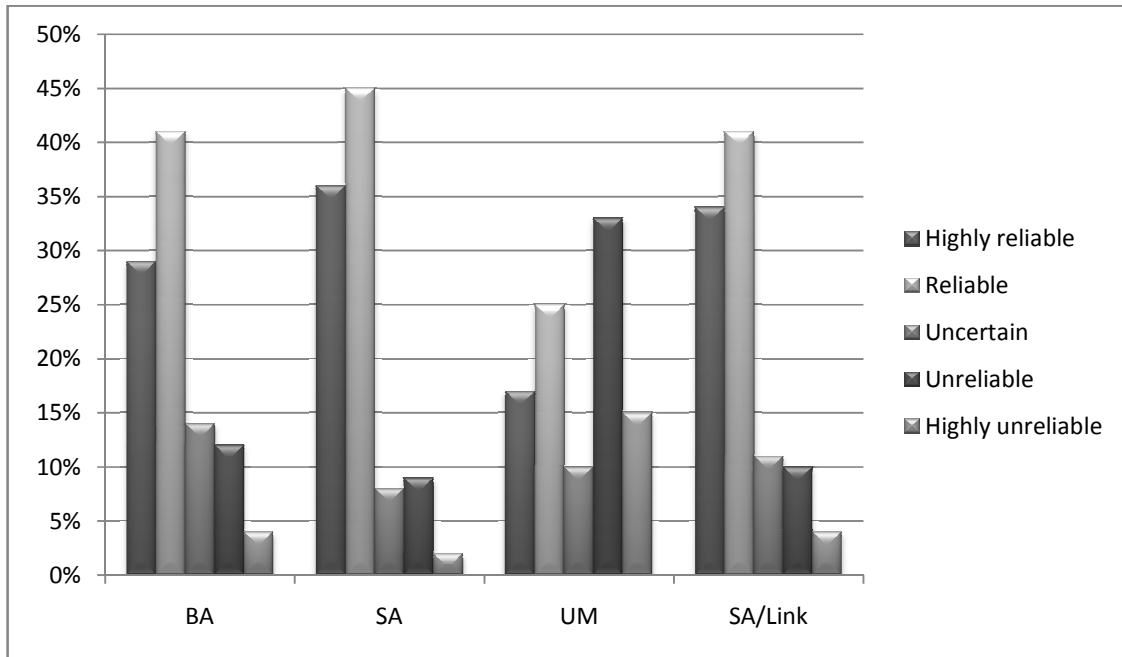
**Fig: 4.12 Settling of Claims Forwarded to Airlines**

The above figure shows that 49 percent of the respondents disagree and 31 percent strongly disagree that all claims forwarded to airlines were settled on time. The respondents who agree that claims were settled on time stands at 10 percent and only 7 percent of the respondents strongly agree that all claims forwarded to respective airlines are settled on time reflecting little effort towards fulfillment of promises. The number of respondents who are neutral is 3 percent maybe the respondents have not experienced any problems that need claiming. However management through in-depth interviews argues that some claims take longer to settle because customers do not follow the instructions and restrictions on travel tickets.

#### **4.5.2 Rating Reliability of Airline Service**

The customers were asked to rate the reliability of airline services in trying to find out which airlines were most reliable on the route under study and the results are shown on the figure 4.13.





**Fig 4.13 Service Reliability**

The findings above indicate that South African Airways was recommended by 36 percent of the respondents as highly reliable whilst 41 percent said it's reliable. 34 percent of the respondents showed that South African Airlink is equally good with a 34 percent of the respondents ranking it as highly reliable and 45 percent saying it's reliable. British Airways Comair got 29 percent of the respondents who indicated that it is highly reliable and 41 percent regards it as reliable. The least percentage of 17 percent depicts the respondents who views Air Zimbabwe as highly reliable whereas 25 percent said it is reliable. The major finding is that SA and SA/Link were regarded as the most reliable airlines on the route under review.

### **Chapter Summary**

The chapter analysed, presented and summarised the data collected over the period of the study in the form of tables, bar graphs, line graphs, pie charts and text. Percentages and numerical terms were used on presentation and interpretation of data was also done. The next chapter focused on summary, conclusions and recommendations.

## CHAPTER V

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Summary

The research was focusing on the effectiveness of customer retention strategies in managing customer attrition in the airline industry in Zimbabwe. The study seeks to assess the effects of the following customer retention strategies; loyalty programs, customer service, service recovery and promise fulfillment. Literature was reviewed on the effects of customer retention strategies on repeat purchase; the influence of service recovery on building customer loyalty and the effects of promise fulfillment on customer satisfaction as discussed by different authors. Literature review was carried out to find similarities and differences from different authors who studied on customer retention variables and in this study major authors were Gronroos (2008), Jobber (2004) and Zeithaml (2003) who supports that implementation of customer retention strategies increase customer retention through customer satisfaction and repeat purchase.

Positivist or Post-positivism approach was used to critically analysis of the data and discussion of findings to arrive at an informed decision. Descriptive and exploratory research designs were adopted which allows the gathering of data. A sample of 162 customers and 40 employees were used, sales and marketing managers of the airlines under study were interviewed, and personally administered questionnaires were used on executive travelers and some of the employees. Self administered questionnaires were administered to customers and the remaining employees. Probability and non probability sampling techniques were used by the researcher because when using non probability, the probability of sample selection is unknown. The researcher used simple random, stratified, and convenience sampling.

From a total of 200 customers only 162 questionnaires were returned and 33 out of 40 questionnaires for employees were received. The study used description tool to describe events through organizing, tabulating, depicting and describing the data gathered and come up with graphs, charts and tables. Qualitative information was discussed to reflect the views of the respondents on the effectiveness of customer retention strategies in managing customer attrition in the airline industry.

## **5.1 Conclusions**

### **5.1.1 Major Conclusion**

The major findings are that the customer retention strategies if fully implemented results in successful retention of customers as customers want airlines to provide efficient frequent flyer programs, practice service recovery and fulfill the promises made to customers, through reliable schedules and lucrative in-flight services as well as the need to settle claims on time.

### **5.1.2 Conclusion on Current Retention Strategies**

- The four airlines under study have been using one common loyalty program that is, the Frequent Flier Program, which is effective in retaining customers on those airline that were said to have effective loyalty programs such as SAA which has a 67 percent rating of being very good and 23 percent of good frequent flyer program.
- Customer service has been shown to have positive effects on repeat purchase as shown by 58 percent of the employees who strongly agree and 24 percent who agrees that customer service increase repeat purchase and results in retaining customers.
- Customers shows that they do not rely on one airline but rely mostly on the airline that is currently offering lucrative loyalty deals as shown by 47 percent of customers who stayed for less than one year at one airline, better customer service as evidenced by 39 percent who switch to other airlines even after experiencing satisfactory services.
- Customers are more concerned with the in-flight service recommended by 53 percent, apart from their own safety, efficient baggage handling 46 percent and ticketing and reservation services 43 percent in-order to re-patronize the airline.

### **5.1.3 Conclusion on Service Recovery**

- It can be concluded that customers want justice to be done after experiencing a service failure through compensation and re-routing so that they do not lose much business. Compensation has been used mostly in these four airlines as customers strongly agreed 45 percent and agree 36 percent that the airlines really compensate for any cancellation of flights, lost baggage depending with the circumstances and other problems. Therefore service recovery if well implemented will result in customer retention.
- The airlines are making use of complaint handling systems which are dominated by complaint register 39 percent and toll-free numbers 33 percent. This trend encourages customers to complain in the event of service failure and mostly important to provide priceless advice to the organization so that it can improve on service delivery. Encouraging complaints and practicing service recovery will result in more satisfied customers that can easily be retained by the organisations.
- Claims are not getting high priority in settling for at least 28 percent of the respondents showed that claims takes more than 3 months to settle in all the airlines plying the route. The period appears not reasonable and this practice makes service recovery fail to build loyalty. Therefore it can be concluded that service recovery if well implemented results in customer retention.

### **5.1.4 Conclusion on Promise Fulfillment**

- The customers in the airlines are judging reliability of service in the airline leveraging on cancellation of flights. The airlines does not cancel flights willy-nilly as evidenced by less percentages on very often 10 percent and often 19 percent.
- Reliability of services has an effect of retaining customers since those airlines that command the highest levels of reliability are the current market leaders in the route that is, South African Airways, British Comair, South African Airlink and Air-Zimbabwe in their order. The findings on reliability are that 36 percent of the customers view SAA as highly reliable and 41 percent said it's reliable.
- Settlement of claims by airlines was found wanting shown by 49 percent of customers who strongly disagree, 31 percent who disagree that claims were being settled on time.

The employees from different airlines also indicated that their companies take time to settle claims. It can therefore be concluded that if airlines fulfill what they promise customers, satisfaction and customer retention is evident.

## **5.2 Recommendations**

- Operating in isolation might not be encouraged, alliances and code sharing can help organisations to retain customers. There is need for the airlines on the route to fully utilise cooperation rather than competition
- The industry might not strive for 100 percent retention; focus might be on the 20/80 rule. Customers could be retained based on the revenue they generate otherwise some costly customers are not worth to be retained.
- There is need for airlines to provide the greatest customer service since most of the customers are educated and knowledgeable and know exactly their expectations from service providers
- The airline industry can try to act quickly in responding to customer queries through empowering their employees to make quick decisions in regards to customer service issues.
- Exit interviews may be undertaken with defecting customers so as to enhance service recovery and customer retention than not only encouraging complaints.
- The airlines may use a hotline to receive, analyse and give prompt feedback to the customers. This will enable them to manage customer attrition.
- To reduce attrition, the airlines may adopt a strategy of under promising and over delivering promises so that customers will be delighted when they get services they were not expecting.
- Airlines might also take advantage of strategic alliances such as Star Alliances and One World to increase customer retention through giving customers more options to travel across the globe.

## **5.3 Area for Future Research**

The research on customer attrition leaves a gap that needs to be closed on customer bonding so that the organisations will find solutions on how to convert the customers they have acquired into

partners or advocates through different levels of bonding. Bonding usually result in locking in the customers that they will not deflect to other competing airlines but the question not yet answered is on how to take the acquired as prisoners. This study focused on the Johannesburg route, these findings reflect partial retention strategy on one route so another research can be done and focus on all routes in the industry.

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## Appendix I

### Questionnaire for Airline Employees

#### Dear participant

My name is Josephine Karisambudzi, I am conducting a research study, as part of my Masters of commerce degree in Marketing Strategy at Midlands State University. The topic is: Effectiveness of customer retention strategies in managing customer attrition in the airline industry in Zimbabwe. Therefore I am appealing for your assistance in providing information through this questionnaire. Your responses will not be used for purposes other than those intended in this research and will be treated as confidential.

#### Required

- a) Use a tick(s) on closed ended questions in the chosen box or boxes to mark your responses.
- b) Use phrases or short answers on open ended questions to express your opinions.

#### Section A

##### Demographic Information

1. Your company name.....

2. What is your gender?

Male

Female

3. Age group (in years).

Below 25

25-34

35-44

45-54

55 and above

4. Work experience

0.....3 years

3.....7 years

7.....11 years

11 and above

5. Highest level of education

|                             |                          |                  |                          |
|-----------------------------|--------------------------|------------------|--------------------------|
| 'O' Level                   | <input type="checkbox"/> | 'A' level        | <input type="checkbox"/> |
| Diploma /Higher certificate | <input type="checkbox"/> | Degree and above | <input type="checkbox"/> |

**Section B**

1. Do you agree that frequent flyer programs are an effective tool in retaining customers?

|                   |                          |          |                          |
|-------------------|--------------------------|----------|--------------------------|
| Strongly agree    | <input type="checkbox"/> | Agree    | <input type="checkbox"/> |
| Neutral           | <input type="checkbox"/> | Disagree | <input type="checkbox"/> |
| Strongly disagree | <input type="checkbox"/> |          |                          |

2. Do you agree that customer service enhances repeat purchase?

|                   |                          |          |                          |
|-------------------|--------------------------|----------|--------------------------|
| Strongly agree    | <input type="checkbox"/> | Agree    | <input type="checkbox"/> |
| Neutral           | <input type="checkbox"/> | Disagree | <input type="checkbox"/> |
| Strongly disagree | <input type="checkbox"/> |          |                          |

3. I make most of the customer service decisions in my area of responsibility.

|                   |                          |          |                          |
|-------------------|--------------------------|----------|--------------------------|
| Strongly agree    | <input type="checkbox"/> | Agree    | <input type="checkbox"/> |
| Neutral           | <input type="checkbox"/> | Disagree | <input type="checkbox"/> |
| Strongly disagree | <input type="checkbox"/> |          |                          |

4. Do you agree your company recognizes excellent customer service by employees?

|                   |                          |          |                          |
|-------------------|--------------------------|----------|--------------------------|
| Strongly agree    | <input type="checkbox"/> | Agree    | <input type="checkbox"/> |
| Neutral           | <input type="checkbox"/> | Disagree | <input type="checkbox"/> |
| Strongly disagree | <input type="checkbox"/> |          |                          |



5. How does your company take to settle claims?

Within 24hrs       Within a week       One month   
Three months       More than 3 months

6. What is your opinion on customer loyalty after service recovery?

.....  
.....  
.....  
.....

7. How do you welcome and encourage complaints as an organization?

Suggestion box       Toll free number   
Complaints register       Complaints desk

Other  
specify.....  
.....

8. How often does your airline cancel or reschedule flights?

Frequently       Moderate       Very often   
Less Often       Not at all

***Your effort and time are greatly appreciated and will be of great importance to the airline industry in Zimbabwe in retaining its customers.***

## Appendix II

### Questionnaire for customers

#### Dear Participant

My name is Josephine Karisambudzi, I am conducting a research study, as part of my Masters of commerce degree in Marketing Strategy at Midlands State University. The topic is: Effectiveness of customer retention strategies in managing customer attrition in the airline industry in Zimbabwe. Therefore I am appealing for your assistance in providing information through this questionnaire. Your responses will not be used for purposes other than those intended in this research and will be treated as confidential.

#### Required

- a) Use a tick(s) on closed ended questions in the chosen box or boxes to mark your responses.
- b) Use phrases or short answers on open ended questions to express your opinions.

#### Section A

##### Demographic Information

1. What is your gender?

Male  Female

2. Age group (in years).

Below 25  25-34  35-44

45-54  55 and above

3. What is the main purpose of your travel?

Business  Leisure  Study

**Section B**

1. From the following airlines, which one do you frequent most?

|                        |                          |                       |                          |
|------------------------|--------------------------|-----------------------|--------------------------|
| British Airways Comair | <input type="checkbox"/> | Air Zimbabwe          | <input type="checkbox"/> |
| South African Airlink  | <input type="checkbox"/> | South African Airways | <input type="checkbox"/> |

2. For how long have you been using this airline?

|                    |                          |     |                          |      |                          |
|--------------------|--------------------------|-----|--------------------------|------|--------------------------|
| Less than one year | <input type="checkbox"/> | 1-5 | <input type="checkbox"/> | 6-10 | <input type="checkbox"/> |
| Over 10 years      | <input type="checkbox"/> |     |                          |      |                          |

3. Rate the following airlines on the effectiveness of their frequent flyer programs? (Use a tick in the boxes provided)

|                        | Very Good                | Good                     | Average                  | Poor                     | Very Poor                |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                        | (5)                      | (4)                      | (3)                      | (2)                      | (1)                      |
| British Airways Comair | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| South African Airways  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Air Zimbabwe           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| South African Airlink  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

4. After experiencing the above airline services how do you act?

|                          |                          |
|--------------------------|--------------------------|
| Recommending to others   | <input type="checkbox"/> |
| Repeat business          | <input type="checkbox"/> |
| Switching to competitors | <input type="checkbox"/> |
| Remain loyal             | <input type="checkbox"/> |

5. What do you think can be done by airlines to improve on service delivery?

.....  
.....  
.....

6. Would you frequent an airline if you had a satisfactory service?

|                   |                          |          |                          |
|-------------------|--------------------------|----------|--------------------------|
| Strongly agree    | <input type="checkbox"/> | Agree    | <input type="checkbox"/> |
| Neutral           | <input type="checkbox"/> | Disagree | <input type="checkbox"/> |
| Strongly disagree | <input type="checkbox"/> |          |                          |

7. Do you agree the following are important in airline customer care services?

|                         | Strongly Agree           | Agree                    | Neutral                  | Disagree                 | Strongly Disagree        |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                         | (5)                      | (4)                      | (3)                      | (2)                      | (1)                      |
| Baggage Handling        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| In-flight service       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Reservations/ Ticketing | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

8. Do you agree that when you encounter delays or cancellation of flights, your airline compensate?

|                   |                          |          |                          |
|-------------------|--------------------------|----------|--------------------------|
| Strongly agree    | <input type="checkbox"/> | Agree    | <input type="checkbox"/> |
| Neutral           | <input type="checkbox"/> | Disagree | <input type="checkbox"/> |
| Strongly disagree | <input type="checkbox"/> |          |                          |

9. All claims you forwarded to airlines were settled in time

|                   |                          |          |                          |
|-------------------|--------------------------|----------|--------------------------|
| Strongly agree    | <input type="checkbox"/> | Agree    | <input type="checkbox"/> |
| Neutral           | <input type="checkbox"/> | Disagree | <input type="checkbox"/> |
| Strongly disagree | <input type="checkbox"/> |          |                          |

10. May you rate the following airlines in terms of reliability of service?

|                        | Highly Reliable          | Reliable                 | Fair                     | Unreliable               | Highly Reliable          |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                        | (5)                      | (4)                      | (3)                      | (2)                      | (1)                      |
| British Airways Comair | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| South African Airlink  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Air Zimbabwe           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| South African Airways  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

*Your effort and time are greatly appreciated and will be of great importance to the airline industry in Zimbabwe in retaining its customers.*

## **Appendix III**

### **Questionnaire Guideline for Management**

1. What are the effects of loyalty programs on repeat purchase?
2. Outline the customer service principles that your company observes?
3. What is your opinion on building customer loyalty after service recovery?
4. Comment on promise fulfillment as a strategy for customer satisfaction?