

Customers Retention in Saloon Service Industry based on Servqual Model

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ABSTRACT

The purpose of this study is to know what the factors of customer retention by the saloon retailers towards their customer around Shah Alam area are. The role of each saloon retailers has an intention to retain their current customers as well as upcoming customer. Research problem stated that the salon retailer at Shah Alam area find hardly to retrieve new customers also getting them involved enough to stay as loyal customers. In particular, it has been channeled that the factors of customer retention by saloon retailers which examine five (5) variables. These variables are listed as customer retention, tangible, responsiveness, assurance, reliability. Based on the 165 samples respondents were selected using quantitative sampling by using Google form and SPSS was used to test the hypothesis that has developed. The variable has shown significant positive result impact towards customer retention in saloon service industry.

Keywords

Customer Retention, Customer Satisfaction, Quality of Service, SERVQUAL model, Relationship, Saloon Retailer, Shah Alam.

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Introduction

In the last few years, customer retention has been an issue that has remained in management and marketing decisions. Majority of salon's income is coming from repeated businesses. Keeping in contact with customers through the use of an e-mail list, promotional cards or a monthly newsletter is a way to ensure customers remember saloon location. Incentives for repeat business, including discounts for subsequent visits or free product after 10 cuts, are good ways to keep people coming back. Unlikely product retail, it is difficult for salons to be highly profitable with walk-in business alone.

The goal of customer retention through this research is to help companies retain as many customers as possible, often through customer loyalty and brand loyalty initiatives. Industries like this finds that customer profitability tends to increase over the life of a retained customer, so employing customer retention strategies is a worthwhile use of company resources. According to (Gunasekaran, M.A.N. 2006), whether the salon is stand-alone or attached to a spa, they should draw new customers through the lure of a particular experience.

The salon industry on recent times of years has greatly felt the impact of the retention; the retention has made retailers receiving few customers for coming towards their shop. Many saloons are using the terms of customer loyalty schemes to attract customer loyalty because of the believe that loyalty schemes will increases customer retention, revisit, customer spending and profit of the salons. A study by (Reinartz, 2000) has stated that loyal customers and profitability are not necessarily related to each other; in other words, loyal customers cannot be necessarily profitable customers.

The main objectives of this research are to identify the crucial factors of customer retention in the service industry. Secondly, is to determine the strategies used by salons in order to retain their customers. Next, to examine the relationship between quality of service and customer

retention. Lastly, it is to determine how the factors affect impact towards customer retention

As for this research, the Servqual model contributes to our study based on customer retention of saloon industry is to develop the concept of loyalty of customer towards each saloon retailers.

Literature Review

Customer retention refers to the capacity of an organization or product to preserve its customers over some unique period. Customer retention starts off evolved with the primary touch an enterprise has with a client and continues for the duration of the entire life of a relationship and a success retention effort take these entire lifestyles cycle into account. The present study aims to determine the factors that affect customer retention in the saloon industry in order to help create a loyalty concept from customers itself. Saloon retailers where they urge their intention get into every new procedure to be adapted for the upcoming customers.

The theory that we had used as the based for our conceptual model is SERVQUAL Model. SERVQUAL Model is one of the most accepted service quality assessment scale, it was developed by Parasuraman, et al., 2005. It uses a 44-item scale which is further grouped into five categories (tangibles, reliability, assurance, empathy, and responsiveness) to measure service quality before and after service consumption (Khan & Fasih, 2014). The same theory can be measuring the service of quality at saloon industry.



Figure 2.1 Conceptual Framework

Understanding the concept of customer retention needed to be studied. According towards the researcher, (Zeithaml, Berry & Parasuraman, 1996) that customer retention has been conceptualized as a dimension of a customer loyalty construct. The terms “customer retention” and “customer loyalty” are often used interchangeably in literature. However, customer retention and loyalty are not surrogating of each other because the two terms can refer to different things. Hennig-Thurau and Klee (1997) also suggested that the conceptualization of customer retention needs further clarification. There is a positive correlation between service quality and customer satisfaction (Khan & Fasih, 2014, after, Sureschchandar et al, 2002; Boulding et al., 1993; Tambi, Ghazali, & Rahim, 2008; Marković, & Raspor Janković, 2013). Naidoo (2011) also suggest that service delivery firms with a developed customer relationship management can track complaints and give indication of the service quality perception of customer. Based on the previous studies, most of it they use quantitative methodologies as well where the result is determined by measuring it through questionnaire.

Methodology

We are using Research design, for our research which is a set of methods and procedures used in collecting and analysing measures of the variables specified in the problem research and to the overall strategy that we choose to find an idea, This study will be conducted from the customer’s point of view, which in turn might aid these industrial with managerial implication in their customer retention strategies. This study has retained a quantitative research approve whereby the nature of method and data collection is to motivate us to research closer to the applicable group to obtain a deeper understanding of their perspective on our research. According to Emelie Johansson et al., 2015, research design defined by the customers frequently goes for a haircut from saloon retailers.

Therefore, this method is will be used by us to obtain the result that we needed through the questionnaire. We are investigating a group of saloon retailers that are opened around Shah Alam. We are focusing on their services quality based on the SERVQUAL model and we do it based on four important variables.

For our research, we use and develop both primary and secondary data for our research. We state that we develop primary data is because we refer from previous researches.

Meanwhile, we develop secondary data is because we use online tools which is Google Forms to do the survey as it is easier and cheap. Respondents may be contacted by investigators in person, by telephone or by post or through their social sites such as Instagram / Facebook.

The sample strategies we obtain for this research are probability method where the sample of data collection has been observed and done with research. The targeted population for this study is the saloon retailers on every section of Shah Alam, Selangor. As there are few sections in Shah Alam, Selangor, a sample size of 20 to 30 will be collected from each area. We decided to target 200 participants. 165 respondents give an acceptable risk in predicting the level of precision or confidence level.

Results and Discussion

For the respondents age, 34.5% was from the age group of 21-25 years old. Meanwhile, 26-30 years old obtained 30.9%, 31-35 years old with 17.6%, 36-40 years old with 7.9% and lastly 41-45 years old got 9.1% out of the total respondents. For the respondents’ races, majority of them is Malay with 49.7% meanwhile Chinese has 28.5%, Indian has 18.2% and others with 3.6%. Therefore, the age groups and also the races were distributed fairly.

The respondents also answered in majority whereby they also have experience in other industries. A large majority of 89.1% answered that they have experience in other industries meanwhile the remaining 10.9% do not have experience in other industries. As for their education levels, most of them has college diploma where they have a majority of 38.8%. On the other hand, respondents with high school education has 20%, university degree has 26.1%, respondents with masters consist of 6.1%, PhD with 4.8% and lastly the ones with no high level of education which is 4.2%.

Model Summary

Table 4.16 Model of Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.851 ^a	.724	.717	.41530
a. Predictors: (Constant), Assurance, Tangibility, Responsiveness, Reliability				

Based on the result in the Table 4 above, the tangibility can be explained 73.2 percent by these four variables. It means that 26.8 percent explanation of the tangibility depends on other factors, which we never included in this study.

ANOVA

Table 4.17 ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72.243	4	18.061	104.714	.000 ^b
	Residual	27.596	160	.172		
	Total	99.839	164			
a. Dependent Variable: Cust Retention						
b. Predictors: (Constant), Assurance, Tangibility, Responsiveness, Reliability						

Based on the Anova Table 4 above, we can conclude that our model is statically fit 95% as our significant value is less than 0.05.

Coefficients

Table 4.18 Coefficients

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.202	.210		-.958	.339
	Tangibility	.346	.093	.291	3.731	.000
	Responsiveness	.468	.088	.440	5.326	.000
	Reliability	.258	.085	.259	3.027	.003
	Assurance	-.081	.078	-.087	-1.035	.302
a. Dependent Variable: Cust Retention						

Based on the sig value, the Empathy has the significant effect on the factors of customer retention in saloon industry with the beta value of 0.275 and the sig value is less than 0.05. Responsiveness significant value is less than 0.05 and its beta value is 0.255. Reliability beta value is 0.258 and its significant value 0.002 and thus make tangibility, empathy, responsiveness, and reliability are important for customer

retention in saloon industry. As for assurance, the beta value is 0.148 and its significant value is 0.069. Thus, this concludes that assurance is not important for customer retention in saloon industry compared to other factors.

Hypotheses Testing

NO.	HYPOTHESIS STATEMENT	DECISION
1.	There is positive effect between tangibility and customer retention in saloon industry	It has positive influence because the sig value results in .000
2.	There is positive effect between responsiveness and customer retention in saloon industry	It has positive influence because the sig value results in .000
3.	There is positive effect between reliability and customer retention in saloon industry	It has positive influence because the sig value results in .003
4.	There is negative effect between assurance and customer retention in saloon industry	It has negative influence because the sig value results in .302

Hypotheses testing summary table

Based on the data analysis, it is clear that the variables tangibility, responsiveness, and reliability is accepted to be the factors which affects customer retention in the saloon industry. Meanwhile, assurance is rejected as a factor which affects customer retention because it has negative effect towards customer retention in saloon industry.

In simple form, tangibility plays a big role in affecting customer retention in the saloon industry, and it is the same way for other two variables which are responsiveness and also reliability.

The respondents that responded to our questionnaire is more towards male respondents. They play a bigger role in customer retention in the saloon industry. Based on the results, male genders are more important in retaining customers. In conclusion of the data, the more they retain their customers, the better it will be for the business for a long-term operation basis.

Conclusions

Theoretical contributions

We have conducted these researches using the SERVQUAL model to determine the quality of service of every hairdresser of saloon retailer implement this method towards their customer in order to retain their upcoming and current customer. The other minor model which is relationship commitment model also Richard’s conversion model where we have implemented these theories into our research paper here. The aim of our research paper here to acknowledge every saloon retailer to understand these three theories to ensure that they could understand their customer even better by treating them in a proper way and retrieving the customer loyalty also satisfaction award from customer itself. Next, Service quality according to Sharma and Patterson (1999) is

divided into two main components: technical quality and functional quality.

Practical contributions

This research able to motivate and encourage other researchers to acknowledge through this service industry. Upcoming researchers can use this paper for a reference which contain element related on retaining customer on service industries. This paper presents service quality metrics and a methodology that can be easily adopted by other businesses to assess service quality This study also provides guidance and suggestions to help businesses and understand how to help hairdresser saloon retailer retaining their customer for the purpose of evaluating service quality. The primary objective for this paper is to obtain the factors of retaining customer for the saloon retailers. Findings of this paper that we conclude more retailer are determined and feel engaged as well as urged their quality of service into better level and retaining customer as well as preserving loyalty contribution award from customers.

Limitations

Throughout the process of creating this thesis, these are the few challenges that we faced. One of it was at the beginning, we faced the challenge of finding the number of respondents according to our sample size. It became an issue because our target area was only around Shah Alam. Besides that, we also had problems with our framework. We had to change our framework due to some errors on our first framework. Regarding the problem of our framework, it was mainly because of our title in the first place. We had to also change our title because our framework was changed to the SERVQUAL which relates us with customer retention in the service industry. Next, the problem that we faced was related to data. It is because data itself has its own limitations. Data only shows a little bit of information regarding a consumer's purchasing behaviour. For example, data cannot track their purchases from other brands and stores. We cannot rely on them to share excessive data as they may be uncomfortable to share too much just to get incentives of a program. Beside the problems above they are few more problems that we face which are in terms of distributing our sampling we had no choice but to go with online methods instead of face to face interview. This is because of the pandemic that is currently happen in the world. Because of that, we cannot do any interviews as it can lead to virus spreading and death. Due to that we used online platform which is google form to distribute the sampling.

Further study

Throughout this research, we found that all research was covered by limitations, and so this research is no exception. When researching and considering the cross-sectional nature of the study, the results related to the respondents only in this study generalization to a wider population or sector should be done with caution. The study reported is a preliminary step towards understanding and what are the more practical factors involved in the phenomenon.

Specifically, the results show that service quality is an important driver in customer retention decisions. However, for future research researchers they should continue to try to improve how to study the phenomena studied in this study using anonymous samples. Besides that, Further research should also delve into the underlying processes that may affect the perceived effects of decreased flexibility and expected regret on quality service and customer retention.

Conclusion

In conclusion, the purpose of this paper is to obtain better information and understanding on how organizations in the service industry retain their customers over time. Generally, professional service providers don't have formal or standardized procedures for them to follow in retaining customers. Next, it is also said that adaptation is one of the keys for professional service providers as they need to adapt with their customers, individually. Furthermore, it is also said that by creating deep and long-term relationships are also considered as a factor in customer retention in the service industry. Customer retention is an interesting topic to discuss because this is one of the things needed for businesses in the long run of their company. by doing this research, we may help the current service sector to improve their service qualities for them to retain their customers on a long-term basis. Hence, this topic is very significant as it is to improve the quality of service for existing service sector.

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