Analysis on the Most Impactful Customer Retention Strategies for Customers of LINIS SIKAT Milk Tea Shop in Dasmarinas, Cavite

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Abstract: **This research paper analyzes the customers' preferred customer retention strategy for customers of LINIS SIKAT Milk Tea Shop. To answer this, we had customers fill out our survey questionnaires to determine their most preferred CRS.**

Keywords: **Customer Retention Strategies, products and services.**

1.   INTRODUCTION

Businesses need customers to survive. They need customers to pursue their different products and services. The end goal is always to earn profit and businesses should focus on retaining existing customers. According to an article written by Formation.ai (2022), current customers spend 67% more on average compared to new customers. Historically speaking, companies have undervalued the importance of customer retention and heavily focused on customer acquisition. They even showed the numbers that only 18% of companies focus on customer retention strategies (CRS). "Customer retention refers to a company's ability to turn customers into repeat buyers and prevent them from switching to a competitor" (Olson, 2020).

Customer retention is important in promoting the success of a business. Some the goals of customer retention were highlighted by McKinsey (n.d.). He said that more companies have adopted the practice of customer retention due to the pandemic. He listed three goals of customer retention for businesses. First, he mentioned that customer retention can increase Customer Lifetime Value (CLV). He defines CLV as the overall revenue a company could get from an individual customer. Because the objective of customer retention is to convert first-time customers to become repeat customers, it is good to measure the value of the customers compared to the costs of maintaining that good relationship. Second, he mentioned that good CRS can reduce churn rates. Churn rates are the percentage of customers who abandon the product over a given period of time This measure is important to know as to know the percentage difference between new and existing customers VS customers you lost. Third, CRS can boost customer engagement which can result to better experience. A customer that experiences a good service is most likely to come back and have a more meaningful relationship with the company.

The impact of customer retention strategies to Micro, Small, and Medium (MSM) businesses cannot be overstated. According to Manole (2022), companies are more likely to increase profits by 95% if there is an increase of 5% in customer retention. The most important aspect of MSM businesses is to create and establish of network of loyal customers who will not just continue the use of the products and services offered but also serve as marketing and promotions of those products and services. Manole added that loyal customers are the most important aspect in taking up your business to the next level.

According to an article published by Engage Marketing (n.d.), customer loyalty is established if the customer has continuous patronage of the brand for a year to a year and a half. For this study, the researchers define customer loyalty as customers who patronize the café at least once a week.

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Classic examples of CRS are creating a positive customer experience, implementing loyalty programs, staying in touch with customers, appreciating repeat customers, asking for feedback, and building employee loyalty. According to Jackson (2021), the most important example of CRS is focusing on creating a positive customer experience as that ensures customers will remember and patronize your products more and will more likely treat the company well.

This study will look into the effectivity of customer retention strategies on selected coffee shops. The researchers will focus on small local-owned businesses as these companies are more likely in need of use of CRS. There has not been a lot of studies concerning the use of CRS in MSM business and the results of this research will add to that list of research. The results of the study can help MSM businesses like the subject of this research to use the appropriate CRS for their target market. MSM businesses can further develop their strong points and minimize their weaknesses to retain customers.

Statement of the Problem

The study will answer the question: What is the most impactful customer retention strategy for customers of LINIS SIKAT Milk Tea Shop in Imus, Cavite?

Specifically, it hoped that this research will provide answers to the following research questions:

1. What is the demographic and psychographic profile of the respondents in terms of:

    1.1 Personality Traits

    1.2 Activities

    1.3 Interests

    1.4 Hobbies

    1.5 Opinions

2   What is the level of effectiveness of customer retention strategies in terms of:

    2.1 Customer satisfaction

    2.2 Price perception

    2.3 Perceived service quality

    2.4 Customer loyalty

3 Is there a significant difference among the ratings of the respondents when grouped according to the psychographic profile?

4 Based on the findings of the study what enhanced customer retention strategies can be developed?

2.   LITERATURE REVIEW

In the study conducted by Hawkins and Hoon (2020), they studied about how small service-based businesses are affected by customer retention strategies. The goal of the study is to find out if customer retention has a positive effect on sustainability. Although more often used to assess customer behavioral loyalty, customer retention and customer loyalty were usually considered as synonymous by practitioners and academic researchers. They added, "customer retention or loyalty as a biased repeat purchase of a specific brand over time by a consumer and assessed it on three distinct forms." One of the major concerns in small businesses is the value and implementation of customer retention strategies.

A study was conducted by Moon and Zhong (2020) on Chinese' driving factors for customer satisfaction, loyalty, and happiness in fast-food restaurants. China's emerging market has a great potential for the different Western Fast-Food Restaurants like McDonalds' and KFC. The study wanted to find out how price, service quality, food quality, and physical environmental quality affect the customer satisfaction and loyalty of Chinese customers. In the hypothesis, the researchers proposed that price, food quality, service quality, and physical environment quality has positive effects on customer satisfaction and loyalty. Reasonable pricing is very important in a business as it is the reflection of everything that is happening in a business (Campbell, 2022). The researchers hypothesized as well that customer satisfaction and loyalty have positive effects when it comes to customer happiness. The research found out that price greatly affects food quality, service quality, and physical environment quality. The respondents believe that prices of products and services should be based on the quality of the food, service, and physical environment.

3.   METHODOLOGY

Research Design

The study will be qualitative research. According to Bhandari Qualitative research involves collecting and analyzing non-numerical data (e.g., text, video, or audio) to understand concepts, opinions, or experiences. It can be used to gather in-depth insights into a problem or generate new ideas for research.

Research Locale

The study will be conducted in Dasmarinas, Cavite. The researchers will do the study in this province because of proximity of the researchers to the locale.

Respondents of the Study

The researchers will survey customers of the selected coffee shop. The criteria for choosing the coffee shop are (1) opened before the start of the pandemic; (2) did not close during the quarantine phase of the pandemic; and (3) still open until now.

The researchers will use a simple random sampling method. According to Frost (n.d.), simple random sampling method is a probability sampling method where researchers randomly choose participants from a population. LINIS SIKAT typically gets around 100 customers per day. Using that information, the researchers will survey at least 44 customers taking account a 5% margin of error. According to Graglia (n.d.), a smaller margin of error is needed for educational research.

Research Instrument & Data Gathering Procedures

The research will use survey questionnaires. The researchers will develop a face-to-face survey. According to an article published by QuestionPro (n.d), qualitative surveys have been an essential part of research as they help uncover aspects related to respondents' emotions, behaviors, and perceptions beyond what numbers can convey. Qualitative surveys seek comments, opinions, suggestions, and other types of responses that are not as easy to classify and quantify as numbers. Typically, fewer people may be surveyed compared to quantitative surveys, but richer data can be obtained. In face-to-face surveys, the researcher asks participants one or more open-ended questions on a topic, usually observing participants' facial expressions and other behaviors while they respond. According to Mcleod (2008), Likert scale provides five possible answers to a statement or question that allows respondents to indicate their positive-to-negative strength of agreement or strength of feeling regarding the question or statement.

The researchers will first create a survey questionnaire. The researchers will have the questionnaire checked by the thesis adviser who'll be the primary checker. The researchers will have the questionnaire checked by the thesis professor who'll be the secondary checker and validator of the thesis. The researchers will have the questionnaire checked by the statistician who'll be the tertiary checker.

After the validation, the survey questionnaire will undergo quality checking to make sure the respondents can answer the survey. The researchers will find random people that almost fit the criteria to serve as test respondents. If there are parts of the survey questionnaire that seems to be difficult for the test respondents to understand, the researchers will edit the survey questionnaire.

After the validation of the survey questionnaire, the researchers will create the letter of consent. The letter will be checked by the ethics committee of De La Salle University Dasmarinas.

The researchers will create a letter of permission to be signed by the thesis adviser, for the manager/owner of the selected coffee shop. The letter is to ask permission to conduct the data gathering procedure inside the establishment.

After the validation of the survey questionnaire and securing of letters of permission, the researchers will go to the selected coffee shop to hand out survey forms to their customers.

Data Treatment and Analysis

The researchers will analyze the quantitative data using mean, median and mode. At the same time, the data will be presented in tabular form for easier reading of the data.

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