

**FACTORS AFFECTING CUSTOMER RETENTION AMONG WATER EQUIPMENT  
AND SERVICES COMPANIES IN KENYA**



**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF MASTER OF  
BUSINESS ADMINISTRATION AT STRATHMORE BUSINESS SCHOOL,  
STRATHMORE UNIVERSITY**

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## DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the document contains no material previously published or written by another person except where due reference is made in the research concept itself.

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## DEDICATION

To my wonderful parents, Raphael and Anna Florence Kahiga, for their consistent support through the year.



## ACKNOWLEDGEMENT

My supervisor Dr. Olgha Adede for her invaluable guidance.



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## ABSTRACT

Retaining customers is one of the key growth strategies for long-term business growth. The main objective of this study was to establish the factors that influence customer retention in the water equipment and services industry in Kenya. The specific objectives were to determine the effects of customer engagement, product quality, pricing and product diversification on customer retention in the water equipment and services industry in Kenya. The study was underpinned by the commitment-trust theory of relationship marketing and the conversion model. Positivism philosophy was used to guide the research methodology. The descriptive cross-sectional research design was adopted for the proposed study. Judgmental sampling strategy was employed to access respondents from a population consisting of 65 water equipment and services companies. The sample consisted of 97 respondents from these companies consisting of sales and marketing managers. Data collection was performed by distributing structured questionnaires. The collected data was analyzed using the Statistical Package for Social Sciences (SPSS) version 26. The results indicated that customer engagement had a significant positive effect on customer retention; thus, improving customer engagement can increase customer retention. Additionally, the findings showed that product quality had a significant positive effect on customer retention, which means improving product quality can improve customer retention in the water equipment and services sector. Moreover, the results showed that price did not have a significant effect on customer retention. Therefore, pricing strategies are not linked to customer retention in the water equipment and services sector. Lastly, the findings from this study revealed that product diversification had a significant positive effect on customer retention. Consequently, product diversification is a potentially effective strategy that water equipment and services company can use to improve customer retention. From the findings, this study recommends that policymakers should adopt standards for product quality in the water equipment and services sector. Additionally, this study recommends that managers should adopt practices to improve customer engagement and product diversification strategies. Some recommended strategies that managers can use to improve customer engagement include customer feedback, knowledgeable sales representatives, reachability of the company, professionalism of customer support and providing training to customers, which are based on the indicators used in this research. Additionally, some strategies that managers can utilize to implement product diversification include providing variety in options, quality and pricing.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

Retaining customers is one of the key growth strategies for long-term business growth. According to Li et al. (2020), businesses do not only need to grow their customer base but also ensure that they are serving and satisfying their existing ones. As Kumar and Reinartz (2018) noted, repeat sales are the lifeblood of a business – the best customers will make repeat purchases and it costs less to attract them. By focusing on retaining customers, a business can nurture long-term relationships, increase profits, customer loyalty and referrals from satisfied customers (Keller, 2008). Retention is more than simply keeping existing customers – it is about developing lasting relationships with existing customers, offering value in each interaction, and providing them with memorable experiences (Kumar & Reinartz, 2018). Retention is also about meeting or surpassing customer expectations and nurturing loyalty to encourage them to make repeat purchases. As a result, retention increases the customer lifetime value (CLV), leading to increased revenue (Keller, 2008).

The aim of retaining customers is to nurture long-lasting relationships with them, promote repeat purchases, and prevent switching to competition. Retaining existing customers also helps to maximize customer lifetime value (Baines et al., 2017). Moreover, the importance of retaining customers stems from the high costs of getting new customers compared to keeping existing ones (Kumar & Reinartz, 2018). Retaining existing customers is estimated to be up to five times cheaper compared to acquiring new ones (Kim et al., 2018). The ability of a business to retain customers has also been linked to profitability (Alkitbi et al., 2020). Symanski (2021) reported that increasing retention rates by 5 percent can translate to a growth in profitability by 25-95 percent. Existing customers tend to be more loyal and are likely to spend more money than new ones, which translates to revenue expansion for businesses (Kim et al., 2018). Additionally, the likelihood of converting existing customers is higher by 40% compared to converting new customers, which means making a sale is easier in existing customers than new ones (Symanski, 2021). Furthermore, loyal customers are more likely to spread positive word of mouth and can become brand ambassadors (Maklan, 2019).

Apart from profitability, retaining customers is crucial in developing competitive advantage (Kim et al., 2018). A loyal customer base can help a business differentiate itself from competitors and lead to a sustainable business model (Saleem, 2019). Retention is well acknowledged as a tool for competitive advantage since loyal customers have a lower likelihood of being swayed to switch (Symanski, 2021). Loyal customers also have a higher likelihood of recommending the business to others, and offer valuable feedback to enhance products and services (Symanski, 2021). Therefore, through retention, a firm can build competitive advantage (Saleem, 2019). Whereas studies on customer retention have been carried out, there seems to be scanty studies that have been conducted specially examining the determinants of customer retention, especially on water equipment and services companies; hence, the need for the current study.

### **1.1.1 Customer Retention**

Various conceptualizations of customer retention exist in the literature. The basic definition of customer retention is a firm's ability to retain its customers within a period of time (Maklan, 2019). Ascarza et al. (2018) conceptualized customer retention in terms of continuity – the customer continually interacts with the business. Therefore, Ascarza et al. (2018) defined retention as a form of customer behavior in which the customer repeatedly transacts with the business. Retention has also been conceptualized as the customer's intent to repurchase a product/service from a company (Alkitbi et al., 2020). Simanjuntak et al. (2020) defined retention as the future inclination of a customer to remain with the same provider. According to Barusman et al. (2019), retention denotes a customer's commitment towards a firm and its product for a given duration of time, which is demonstrated through repeat purchases as well as spreading positive word of mouth amongst those in their social circle. Hanaysha (2018) defined retention as customer continuity with respect to consuming the same products/services or dealing with a specific company. From the perspective of firms, Keller (2008) defined retention as marketing actions and aims that seek to retain new and existing customers through building, optimizing and preserving mutual long-term gains for the business and the customer. According to Peter and Donnelly (2018), customer loyalty is a key indicator of retention, which is characterized by customers engaging in after-marketing on behalf of the organization. From these definitions, it is evident that retention is a long-term and continuous process that begins with attracting a customer and retaining them. Another key feature of customer

retention is how it manifests, especially repeat purchases and recommending the offerings of a company to others (Saleem, 2019).

For this study, the conceptualization of customer retention provided by Barusman et al. (2019) was adopted, which describes retention as customer's commitment towards a firm and its product/services for a given duration of time, which is demonstrated through repeat purchases as well as spreading positive word of mouth amongst those in their social circle. The rationale for this conceptualization is because it is a fit with the nature of customer relationships in the water equipment and services industry. Customer relationships are not only transactional (contractual or monetary) but also non-contractual/non-monetary, such as spreading positive word of mouth (Saleem, 2019). In the water equipment and services industry, customer retention is needed because of diverse nature of products and services, such as borehole drilling, purification systems, filtration systems, water pumps, and water softeners, irrigation equipment, solar equipment, and drillings services; hence, to ensure consistent use of a firm's products, retention is key (Saleem, 2019). Therefore, this conceptualization is broad and captures the feature of retention (customer commitment) and its outcomes (repeat purchases and positive word of mouth).

In the literature, the common operationalization of customer retention entails the intention to continue using the services offered by a firm (Simanjuntak et al., 2020; Torkzadeh et al., 2022). In a study by Torkzadeh et al. (2022), customer retention was measured using a scale to assess the likelihood of continuing using the services or products offered by a firm. Simanjuntak et al. (2020) operationalized customer retention using three constructs including interest in reusing the services/products offered by a firm, providing recommendation and prioritizing a company. Barusman et al. (2019) measured customer retention using three constructs – spreading positive word of mouth (willingness to recommend), customer loyalty (staying with the business) and willingness to repurchase from the same provider). In this study, the operationalization of customer retention was based on Barusman et al. (2019), in which three constructs were used including repeat purchase, spreading positive word of mouth, and customer loyalty. The indicators for customer retention that were used in the proposed study are repeat purchases, positive word of mouth and customer loyalty, which have also been used in other studies on customer retention (Adejuwon & Buttle, 2022; Alshamsi et al., 2021).

### **1.1.2 Factors Affecting Customer Retention**

The concept of customer retention has gained significant attention in the literature considering the difficulty and high costs associated with acquiring new customers compared to retaining existing ones (Peter & Donnelly, 2018). According to Hitt et al. (2019), sustainable business growth can only be attained if existing ones remain. It is more cost effective to retain existing customers than to invest in marketing activities to gain new customers (Symanski, 2021). Given the significance of customer retention, both theories and research have revealed numerous factors that affect customer retention. The relationship commitment theory poses that customer retention can be achieved through commitment and trust, which increases the desire for customers to sustain the relationship they have with the firm in the long-term (Saleem, 2019). The conversion theory focuses on external factors, such as price and quality, that are likely to influence customer retention. This theory holds that customers' evaluation of their alternatives, based on factors like quality and price, can influence their decision to stay with the organization (Datta, 2018).

Empirical research has also revealed numerous factors associated with customer retention. A systematic review by Alkitbi et al. (2020) revealed that retention is positively influenced by customer loyalty, commitment, service quality and satisfaction. Alshamsi et al. (2021) reported similar findings showing that service quality was the most important factor influencing customer loyalty. Hanaysha (2018) demonstrated that marketing activities, including the store environment, sales promotion, social media marketing and corporate social responsibility positively affect customer retention. Other factors that have been reported in the literature that have a positive effect on customer retention are customer engagement, competitive pricing, customer experience, switching costs, customer satisfaction, perceived value, service personalization, and product/service diversification (Milan et al., 2018). Evidently, customer retention is a multifaceted concept with multiple antecedents.

For this study, the factors selected to be studied as determinants of customer retention are customer engagement, product/service quality, pricing, and product/service diversification. These determinants have been used in other studies (Li et al., 2020; Sukendia & Nanang, 2021). The concept of customer engagement is defined as the level of interaction between the customer and the brand/company via offline and online channels (Islam, 2020). The indicators that were used for customer engagement are customer feedback, knowledgeable sales representatives,

reachability of the company, professionalism of customer support – these indicators have been used in other studies (Islam et al., 2020; Li et al., 2020). Product quality is defined as the extent to which a company's product/service offerings meet customers' expectations (Baxter, 2018). The indicators for product quality that were used in this study are equipment quality, reliability, responsiveness, after sales service/warranty and assurance, which have been adopted in other studies (Cherlin et al., 2021; Sukendia & Nanang, 2021). Pricing constitutes one of the four Ps of the marketing mix alongside promotion, place and product. Pricing represents the only element that is directly tied to the firm's revenue, which can be used as an indicator of a product/service failure or success. The indicators of pricing that were used in this study are reasonable pricing and value for money, which have been used by Nagle and Müller (2017) and Solimun and Fernandes (2018). Product diversification is a corporate strategy characterized by expanding the product/service offering of a company by adding related products, introducing new components into existing products/services, or reaching new markets. The indicators of product diversification that were used in this study are pricing diversity, variety in options and variety in quality, which have been adopted in other studies (Lee & Fay, 2019; Kim, 2019; Supriyanto et al., 2021).

### **1.1.3 Water Equipment and Services Industry in Kenya**

The water equipment industry in Kenya is made up of manufacturers and distributors of domestic and industrial water equipment to improve access to quality water. The water equipment and services sector is a critical component of the progress towards achieving Kenya's Vision 2030 (6W Research, 2022). In Kenya, the water equipment and services industry is extremely fragmented and competitive, and filled with numerous international and domestic players (Transparency Market Research, 2022). In Kenya, there are 65 water equipment and services companies (6W Research, 2022). These companies provide diverse products and services, including borehole drilling, water pumps, swimming pools, irrigation equipment, water treatment, and renewable energy products.

The water equipment and services sector operates under the supervision of multiple regulators including Kenya Bureau of Standards (KEBS), Competition Authority, and Water Resources Management Authority (WARMA). KEBS ensures that the quality of water equipment meets acceptable standards (6W Research, 2022). The CA regulates the business conduct of water equipment and services companies to ensure effective and fair competition in the industry

(Transparency Market Research, 2022). WARMA is the overall regulatory body for water equipment and services companies. WARMA is tasked with regulating the use and management of water resources in the country in order to ensure that every Kenyan can access sufficient clean water. This body also formulates standards and provides permits for companies in the water industry (Transparency Market Research, 2022).

The fragmented and competitive nature of the water equipment and services industry means that customers have numerous alternatives and can easily switch brands (Grand View Research, 2022). Customer relationships, for both business-to-business, business-to-customer, and reseller customers is vital in this sector to ensure cross-selling and increased CLV. As a result, there is need for these companies to look for strategies of retaining their customers. Therefore, the present study intends to investigate the determinants of customer retention in water equipment and services companies in Kenya.

## **1.2 Statement of the Problem**

A key challenge faced by water equipment and services companies is poor retention of existing customers (Grand View Research, 2022). The water equipment supply industry is highly competitive and customers can easily switch brands. It is extremely fragmented and consists of numerous local and international players competing in the same market (6W Research, 2022). Surviving in this sector requires companies to develop sound customer retention strategies. Considering that customers have a wide range of options to purchase water equipment due to diverse product offerings in the market from numerous market players, a key challenge faced by these companies is poor retention of existing customers (Transparency Market Research, 2022). Attracting new customers is more difficult than retaining existing ones (Saleem, 2019). Through customer retention, water equipment and services companies can create cross-selling opportunities and increase customer loyalty, which can contribute to sustainable growth (6W Research, 2022). Customer retention is particularly important for water equipment and services companies due to their reliance on cross-selling and up-selling to grow revenues (Datta, 2018). Moreover, competition in the water equipment supply industry is intensifying, which underscores the significance of customer retention (Transparency Market Research, 2022).

Conceptual, contextual and methodological gaps exist in the literature in studies on customer retention. In the developed world, a quantitative study by Sukendia & Nanang (2021) in the Turkish e-commerce sector showed that customer engagement and service quality did not affect customer retention, which was defined in terms of customer loyalty. Sukendia and Nanang (2021) reported that in the context of e-commerce, security/privacy, reliability/fulfilment and website design were significant in influencing customer loyalty. However, a quantitative study by Islam et al. (2020) in India's banking sector showed that customer engagement has a positive effect on loyalty as a proxy measure for retention, which contradicted with Sukendia and Nanang (2021). In Indonesia's telecommunication sector, a quantitative study by Solimun & Fernandes (2018) showed the positive effect of service quality on retention, which contradicted with the findings obtained by Supriyanto et al. (2021) that showed no effect using a sample of Indonesian banking customers. A study by Kim (2019) showed the positive effect of price promotions on retention intentions in the fitness industry, which was contrasted by the results reported by Cherlin et al. (2021) that showed no effect of price on retention in the retail sector.

Regionally, studies on customer retention have also been conducted. For instance, In Ghana's retail banking sector, Omoregie et al. (2019) provided evidence showing that trust, service quality and satisfaction had a significant positive effect on customer loyalty, in which the effect of satisfaction was the greatest. In Morocco and Egypt, Shamah et al. (2018) demonstrated that customer retention was determined by self-image congruity defined that the cognitive match between the brand image and a customer's self-concept. The study showed that customer's perceptions of the environment, service, product and price positively affected their loyalty. an explanatory study by Van Tonder and Petzer (2018) reported that engagement as one of the predictors of customer retention in the short-term insurance sector in South Africa. In this study, customer engagement was defined using four dimensions including affection, absorption, attention, and interaction. In Nigeria, a descriptive survey study by EzuRizy and Ademe (2022) investigated the link between customer retention and service quality in online shops. Their study showed that service quality positively predicted customer retention.

Locally, studies on the determinants of customer retention have also been conducted. A study by Akunja (2020) in the hospitality and hotel industry in Kenya showed that brand image significantly affects customer retention. In the pharmaceutical industry in Kenya, Gakuya and Mbugua (2018)

reported that cost leadership had a significant positive effect on customer retention. in e-commerce with Jumia as the case study, Mwaura (2021) identified customer engagement as one of the determinants of retention. Similar conclusions were reached in a descriptive study involving Kenyan commercial banks (Changole, 2018), which showed a positive association between customer engagement and retention.

In the existing literature, there are differences in the conceptualization of customer retention across studies. The contexts of the existing studies also differ. Additionally, methodologies and findings adopted in studies also differ. In this respect, this study addressed this gap by seeking to establish the factors that influence customer retention in the water equipment and services industry in Kenya. additionally, there are scanty studies that have been performed on the determinants of customer retention in water equipment and services companies. In light these conceptual, contextual and methodological gaps, the current study intends to investigate the determinants of customer retention in water equipment and services companies in Kenya.

### **1.3 Objective of the Study**

The main objective of this study was to establish the factors that influence customer retention in the water equipment and services industry in Kenya.

#### **1.3.1 Specific Objectives of the Study**

- i. To determine the effect of customer engagement on retention of customers in the water equipment and services industry in Kenya
- ii. To determine the effect of product quality on customer retention in the water equipment and services industry in Kenya
- iii. To determine the effect of pricing on customer retention in the water equipment and services industry in Kenya
- iv. To determine the effect of product diversification on customer retention in the water equipment and services industry in Kenya

### **1.4 Research Questions**

- i. What is the effect of customer engagement on retention in the water equipment and services industry in Kenya?

- ii. What is the effect of product quality on customer retention in the water equipment and services industry in Kenya?
- iii. What is the effect of pricing on customer retention in the water equipment and services industry in Kenya?
- iv. What is the effect of product diversification in the water equipment and services industry in Kenya?

### **1.5 Scope of the Study**

The focus of this study was on the factors affecting customer retention. While multiple factors affect customer retention, only four factors, including customer engagement, product quality, pricing and product/service diversification, were examined in this study as per empirical reviews conducted (Milan et al., 2018; Sukendia & Nanang, 2021). The context of this study was all water equipment and services companies in Kenya. Respondents were selected across all water equipment and services companies in the country. The methodological scope of this research is quantitative using the descriptive cross-sectional design. This research was conducted between April and May 2024.

### **1.6 Significance of the Study**

The study might be relevant to policy makers, industry players and academicians. The findings from this research are expected to have policy implications. This study revealed customer requirements and expectations in the water equipment and services sector, which might help inform standards that policymakers and regulators may need to enforce to safeguard consumers of water equipment and services.

Water equipment and services companies may be able to use the results of this research to formulate effective customer retention strategies. This study revealed the factors that affect customer retention and therefore assist companies in developing strategies that most effectively take advantage of these factors to improve business performance. Lastly, for academicians and scholars, this research expands existing literature on customer retention. The findings advanced understanding on the factors that affect customer retention, which can be useful in developing models and frameworks for predicting customer retention.

## 1.7 Chapter Summary

This chapter has discussed the background of this research and the concepts that were investigated. The objectives of the research, problem statement and significance have also been discussed. This chapter has also outlined the scope of the proposed research.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter presents a review of the literature on the topic of factors affecting customer retention. The first of the chapter provides an overview of the theoretical framework that underpins the research, which was followed by a review of empirical literature based on the objectives of this research. Next, the research gap that was addressed in this research is highlighted. Lastly, a conceptual framework detailing the variables that were examined in this research is presented as well as their operationalization.

#### 2.2 Theoretical Review

The two theories that form the basis for this research are the Commitment-Trust Theory of Relationship Marketing and the Relationship Marketing Theory. These theories are discussed in the following subsections including how they inform the present research.

##### 2.2.1 The Commitment-Trust Theory of Relationship Marketing

The commitment-trust theory of relationship marketing (CTTRM), formulated by Morgan and Hunt (1994), posits that successful customer relationships require commitment and trust. Trust refers to the confidence that both the customer and the firm have in the relationship that each party will not act in a harmful manner. From the perspective of the customer, trust is the belief that the firm will act in a manner that is consistent with the interests of the buyer (Baines et al., 2017). A high level of trust leads to relationship commitment, which refers to the long-term desire to sustain the relationship. This desire encourages the business to keep on investing in maintaining and developing relationships with customers. By embarking relationship-building activities, an organization demonstrates its commitments to customers (Morgan & Hunt, 1994)

This theory emphasizes the importance of relationship marketing by forming bonds with customers, which requires honouring commitment and satisfying their needs instead of pursuing short-term profits (Baines et al., 2017). Therefore, this theory holds that creating lasting bonds with customers contributes to their retention and loyalty (Baines et al., 2017). According to the

commitment-trust theory of relationship marketing, relationship commitment is influenced by communication effectiveness and quality. Communication effectiveness entails sharing timely and meaningful information with customers in order to keep them updated about the firm's offering and address their concerns (Juliana et al., 2021). The commitment-trust theory of relationship marketing holds that communication improves relationship commitment (Baines et al., 2017).

The CTTRM offers valuable insights into the dynamics of long-term relationships between businesses and their customers (Changole, 2018). One of its strengths lies in its emphasis on the critical roles of trust and commitment in fostering durable, mutually beneficial relationships. The theory effectively highlights how trust reduces uncertainty and commitment enhances the likelihood of future transactions, both of which are vital for sustaining customer loyalty (Barusman et al., 2019). Additionally, the theory's broad applicability across various industries makes it a versatile framework for understanding relationship marketing. However, a notable weakness is its limited consideration of external factors, such as market dynamics or competitive pressures, that can influence relationship outcomes (Changole, 2018). Furthermore, the theory presumes that both trust and commitment are inherently positive and linear, which may oversimplify the complexities of real-world relationships, where these elements can fluctuate or be influenced by contextual variables (Barusman et al., 2019).

The CTTRM has been validated in research. For example, Brown et al. (2019) showed that trust enhanced commitment, which in turn was positively associated with customer loyalty. The CTTRM was also validated in a study by Juliana et al. (2021), who used it as a theory as a framework to examine the determinants of trust amongst hotel customers. The CTTRM also outlines the expected effects of trust and commitment on both the business and the customer (Juliana et al., 2021). According to this theory, trust and commitment enables both parties to meet their expectations and needs. For customers, they do not only receive the product or service that they are buying but also feel valued (Saleem, 2019). The expected outcome of relationship based on trust and commitment is loyalty from customers. In the context of this research, the constructs of trust and commitment form the basis of customer engagement and the expected effect on retention. This CTTRM is the anchoring theory and forms the basis of the independent variables in this study, including customer engagement, product quality, pricing and product diversification. This theory

has been adopted in similar studies examining customer retention determinants (Barusman et al., 2019; Changole, 2018).

### **2.2.2 Relationship Marketing Theory**

The Relationship Marketing theory was formulated by Berry (1983) who argued that the aim of marketing obtaining, maintaining and promoting effective customer relationships that can lead to customer satisfaction and retention instead of focusing on completing sales transactions. This theory emphasizes the importance of long-term value associated with customer relationships and communicating with customers beyond using promotional messages and intrusive sales promotional messages (Harmeling et al., 2017). The concept of relationship marketing is ideal in situations where customers have competitive alternative products to select from coupled with continuing need for the product. The relationship marketing theory posits that customer loyalty and retention can be achieved through various strategies including offering the best service or best product at the best price, satisfying customer requirements above competitors and personalized engagement of customers (Harmeling et al., 2017). The theory also outlines the expected outcomes of relationship marketing, which include reduced likelihood of switching produces, reduced price sensitivity among customers, referrals and word of mouth promotions, and increased likelihood of purchasing supplemental and ancillary products (Berry, 1983).

Relationship Marketing Theory emphasizes the importance of building and maintaining long-term relationships between businesses and their customers, rather than focusing solely on transactional exchanges (Ebrahim, 2020). One of its key strengths is its ability to foster customer loyalty and retention by prioritizing trust, communication, and mutual value, which can lead to sustained competitive advantage (Harmeling et al., 2017). By emphasizing customer satisfaction and engagement, it allows firms to create personalized experiences and increase lifetime value. However, a significant weakness is that relationship marketing may not be suitable for all industries or types of products, particularly in transactional or low-involvement markets where customers may prioritize convenience or price over long-term relationships (Bilgihan & Bujisic, 2015). Furthermore, the theory often assumes that customers always prefer long-term relationships, which may not hold true in contexts where consumers seek novelty or are highly price-sensitive (Harmeling et al., 2017).

The relationship marketing theory has been widely validated in research (Bilgihan & Bujisic, 2015; Ebrahim, 2020). This theory offers an explanatory foundation for marketing outcomes, such as customer retention, satisfaction and loyalty. For this study, relationship marketing theory was the supporting theory and was used as a supporting theory to explain the relationship between the independent and independent variables. From this theory, it can be expected that customer engagement, pricing, product quality, and product diversification has a positive influence on customer retention (Ebrahim, 2020).

## **2.3 Empirical Review**

This part discusses previous studies relating to the objectives of this research, which focus on the effects of customer engagement, product quality, pricing and product diversification on customer retention.

### **2.3.1 Engagement and Customer Retention**

The concept of customer engagement is defined as the level of interaction between the customer and the brand/company via offline and online channels (Islam, 2020). Kumar et al. (2019) described customer engagement as a continuing effort by companies to cultivate relationships with their customers beyond transactions. Customer engagement is a consistent and intentional strategy adopted by a business to deliver value at every point that a customer interacts with the brand. Customer engagement commences at the first instance the customer interacts with the brand and goes beyond the initial purchase (Kumar et al., 2019). The business benefits associated with engagement include improved customer relationships, increased customer loyalty, uncovering up-selling opportunities, and generating leads (Becker & Jaakkola, 2020).

The relationship between customer engagement and retention has received considerable attention amongst scholars. A number of international studies have reported the positive impact of customer engagement on retention across various sectors (Islam et al., 2020; Braun, 2017). For instance, amongst customers of Indian banks, Islam et al. (2020) used a quantitative online survey to show that customer engagement via these banks' websites was positively associated with customer trust and customer retention. Engagement in these websites was measured in terms of interactivity, aesthetics, customization and ease of use. The study also indicated that customer trust positively influenced customer retention (Islam et al., 2020). The positive effect of customer engagement on

retention was also reported in Swedish consumers by Braun et al. (2017), who conceptualized engagement as the extent of behavioral, emotional, and cognitive investment in a brand or firm interactions. Braun et al. (2017), using a descriptive survey, examined the impacts of customer engagement on various customer behaviour such as perceived product/service quality and customer retention. Braun et al. (2017) found a positive relationship between customer engagement and product/service quality and customer retention. Additionally, these scholars reported that the perceived product/service quality positively influenced customer retention. Braun et al. (2017) showed the positive impact of customer engagement has on perceived product/service quality. Besides offline engagement, online customer engagement has also been found to have a positive impact on customer retention. After surveying customers of quick service restaurants in the United States, Sashi et al. (2019) observed that online customer engagement via social media was positively linked to customer retention as well as advocacy. Engagement did not only improve customer commitment and loyalty but also encouraged them to become brand advocates through sharing the company's social media content with others. Similar views were replicated in a study conducted by Shawky et al. (2020) who demonstrated the positive impact of customer engagement on social media on their retention. Shawky et al. (2020) found that social media engagement did not only improve retention but also customer loyalty and brand advocacy. Overall, a synthesis of these findings suggests that customer engagement has a positive effect on customer retention.

Regionally, an explanatory study by Van Tonder and Petzer (2018) reported that engagement as one of the predictors of customer retention in the short-term insurance sector in South Africa. In this study, customer engagement was defined using four dimensions including affection, absorption, attention, and interaction. Similarly, in customers of Nigerian small and medium sized enterprises, Adejuwon and Buttle (2022) performed a descriptive survey study to show that customer engagement via social media positively influenced customer retention. Similar positive effects of engagement on customer retention have been shown in other regional contexts including the telecommunication industry in Uganda (Namirembe & Musinguzi, 2023) and the healthcare sector in Egypt (Mohsen et al., 2018)

Similar findings have been reported in local studies. For instance, in e-commerce with Jumia as the case study, Mwaura (2021) identified customer engagement as one of the determinants of retention. Similar conclusions were reached in a descriptive study involving Kenyan commercial

banks (Changole, 2018), which showed a positive association between customer engagement and retention. Kapai and Moronge (2015), using a case study of Airtel Kenya, presented evidence showing the positive effect of customer engagement on retention. In Kenyan commercial banks, Kabue (2021) reported that customer engagement plays a key role in improving customer knowledge, which contributes to increased retention.

### **2.3.2 Product Quality and Customer Retention**

Product quality is defined as the extent to which a company's product/service offerings meet customers' expectations (Baxter, 2018). Customers buy products/services to meet their specific needs, and have expectations and standards regarding how a company's products/services should fulfil these needs. High product/service quality is characterized by matching or exceeding the expectations of customers (Blut et al., 2015). The main dimensions of product/service quality described in the literature include reliability, tangibility, empathy, responsiveness and assurance. Reliability represents a firm's consistency in satisfying the needs of customers at every point where the customer interacts with the brand (Baxter, 2018). Tangibility refers to the ability of a company to demonstrate quality to customers. Empathy represents the extent to which the company delivers its products/services in a manner that appears empathetic to the demands and desires of customers. Responsiveness is defined as the company's ability to be prompt in the delivery of products/services, such as responding swiftly to customer requests (Blut et al., 2015). Assurance is concerned with the trust and confidence that customers have in the organization.

The link between product/service quality and customer retention has been examined in the international literature with most studies reporting a positive effect. In the telecommunications sector in Indonesia, Solimun and Fernandes (2018) conducted an explanatory study and found that service quality has a direct positive effect on customer retention and loyalty. The same study showed that service quality was positively linked customer satisfaction, which in turn was positively associated with customer retention and loyalty. Likewise, Shafiee and Bazargan (2018) confirmed the positive effect of service quality on customer retention in the Iranian e-retail sector. Shafiee and Bazargan (2018) evaluated service quality in e-commerce using security of customer information, on-time delivery, swift transaction, and easy to use websites. Another dimension of service quality examined in this research was responsiveness, which was evaluated in terms of handling problems and providing alternatives for products returned. Using structural equation

modelling, Shafiee and Bazargan (2018) reported positive relationships between these dimensions of service quality and online customer retention and loyalty. Similar findings have been replicated in other studies in various sectors including the Pakistani hotel sector (Malik et al., 2020) and United Kingdom retail sector (Wang & Gutierrez, 2019).

Regional studies have also indicated the positive effect of product quality on retention. In Nigeria, a descriptive survey study by EzuRizzy and Ademe (2022) investigated the link between customer retention and service quality in online shops. Their study showed that service quality positively predicted customer retention. Among South African consumers, Greeff (2023) reported that service quality predicts customer loyalty. Similar findings have been replicated in other studies in various sectors including the Zimbabwean banking industry (Makanyeza & Chikazhe, 2017) and Mozambique banking system (Bilika et al., 2016)

In Kenya, Njeru and Cheruiyot (2020) found a positive association between service quality and customer retention in the airline sector. Other Kenyan studies that have showed the positive effect of quality on customer retention include Owino et al. (2016) and Omar and Kilika (2018) in the banking sector, and Cherono (2017) in retail supermarkets. From these studies, it can be expected that product/service quality has a positive impact on customer retention.

### **2.3.3 Pricing and Customer Retention**

Pricing constitutes one of the four Ps of the marketing mix alongside promotion, place and product. Pricing represents the only element that is directly tied to the firm's revenue, which can be used as an indicator of a product/service failure or success. In markets that are increasingly becoming competitive, filled with varieties and different consumer preferences, pricing is one of the effective strategies that companies are using to attract and retain customers (Hitt et al., 2019). Pricing has an impact on consumer behavior as evidenced by the observation that high prices are linked to lesser units sold (Nagle & Müller, 2017). On the other hand, prices that are lower than the market rate are associated with higher sales volumes. An important aspect of pricing is how consumers perceive the price rather than the actual price. Perceptions regarding the price have been shown to influence the consumer behaviour instead of the actual price. However, this perception is dependent on the pricing strategy adopted by the company (Hitt et al., 2019). Some pricing strategies reveal the perceived cost whereas other strategies mask the cost that a consumer incurs

to acquire a product or use a service. Numerous pricing strategies exist including price skimming, market penetration pricing, premium pricing, economy pricing, bundle pricing, and value-based pricing, with each eliciting different behaviours from customers (Nagle & Müller, 2017).

The use of pricing as a customer retention has been reported in the literature. Lee and Fay (2019) examined the impact of price discrimination on customer retention, especially the effect of offering the lowest price to new customers and preferential prices to existing customers. Lee and Fay (2019) found that it is optimal to give past customers lower prices, especially in situations where the product of a company is less appealing to new customers in comparison to competing customers. Additionally, offering lower prices was recommended if a company has a large existing customer base, or that its existing customers are sensitive to prices of others and not the competitors. Such a pricing approach has been adopted by companies. The impact of pricing on customer retention in the service sector was also demonstrated by Kim (2019), who found that customer retention is higher for new customers who received a free monthly fee and paid a joining fee compared to those who received a free joining fee and later paid a monthly fee. Kim (2019) presented evidence showing the influence of pricing promotions on the retention of customers. The same findings were found by Hanaysha (2017) who investigated the impacts of the marketing mix elements on the retention of retail customers in Malaysia. Their findings indicated that pricing had a positive impact on customer retention, especially prices perceived as lowest, best, reasonable, and value for money. Similar results were reported by Nisar and Prabhakar (2017) in the e-retailing industry in the United States.

Regionally, Haripersad and Sookdeo (2018) reported pricing is a significant predictor of customer retention in commercial banks in South Africa. Lower prices were found to be effective in preventing customers from switching banks. Dubihlela and Molise-Khosa (2014) also reported the positive effect of perceived fair pricing on customer loyalty in the hotel industry in South Africa. The significant effect of pricing on customer retention has also been reported by Mashene et al. (2019) in the Tanzanian higher education sector and Adetayo et al. (2020) in the Pay TV sector in Nigeria – these studies show that pricing discounts are effective in retaining customers.

Locally, pricing is an effective strategy for retaining customers. Kapai and Moronge (2015), using a case study of Airtel Kenya, showed positive effect of pricing on retention. In Kenyan commercial banks, Kabue (2021) demonstrated that pricing plays a key role in improving customer knowledge,

which contributes to increased retention. Similar results have been documented by Awiti and Otieno (2021). From the literature review, it can be inferred that price is a determinant of customer retention; however, the pricing strategy that can lead to optimal customer retention is not clear in the literature.

#### **2.3.4 Product Diversification and Customer Retention**

Product diversification is a corporate strategy characterized by expanding the product/service offering of a company by adding related products, introducing new components into existing products/services, or reaching new markets (Hitt et al., 2019). Product diversification offers several strategic benefits to companies including mitigating risk, increasing visibility, and protecting market share. Firms pursue product diversification to mitigate any risk that might accompany shifts in the industry. Additionally, product diversification helps in improving the visibility of brands. Research shows that consumers tend to recall brands with options and varieties in their product/services portfolio, which can in turn improve loyalty (Hitt et al., 2019). In some cases, firms pursue product diversification as a defensive strategy to prevent competitors from taking up their market ownership.

Linkages between product diversification and customer retention have been documented in the international literature. In the Batik industry in Indonesia, Tjahjaningsih et al. (2020) reported that product diversification, conceptualized using various related products, positively influenced customer loyalty, which was mediated by customer satisfaction. According to Tjahjaningsih et al. (2020), product diversification provided customers with many choices, which in turn encouraged them to be loyal. Similar positive effects of product diversification on customer retention were demonstrated by Kanodia (2020) using a case study of Colgate, who linked the company's product diversification strategy to its brand loyalty. Kanodia (2020) noted that the complementarities between Colgate's products contributed to its brand loyalty. A systematic review by Manral and Harrigan (2018) demonstrated how product diversification promotes loyalty in multi-product customers.

Haripersad and Sookdeo (2018) reported that product diversification is a significant predictor of customer retention in commercial banks in South Africa. Banks with more product diversification had higher customer loyalty. The significant effect of product diversification on customer loyalty

was also reported in Pay TV sector in Nigeria such as Pay TV providers with more offerings had more loyal customers compared to those with fewer offerings. In the retail sector in South Africa, Peyton et al. (2015) showed that product diversification, defined using the number of product offerings, had a positive effect on customer loyalty.

Locally, product diversification is an effective strategy for retaining customers. In dairy companies, Chege and Oloko (2017) used a descriptive study to show the positive effect of product differentiation on customer loyalty. In the banking industry, Mburu (2014) indicated that the introduction of new, diversified products is positively associated with customer loyalty. Thogori and Gathenya (2014) reported similar positive effects of product diversification on customer loyalty in manufacturing firms in Kenya.

## **2.4 Research Gaps**

Conceptual, contextual and methodological gaps have been identified in the literature. Customer retention and its determinants has been conceptualized differently in the literature. Islam et al. (2020) examined the impact of engagement, defined in terms of interactivity, aesthetics, customization and ease of use, on customer retention defined as making repeat purchases. Braun et al. (2017) conceptualized engagement as the extent of behavioural, emotional, and cognitive investment in a brand or firm interactions, and studied their impact on customer retention defined as customer loyalty. Sashi et al. (2019) examined the effect of customer engagement on social media on customer retention defined using customer commitment, loyalty and brand advocacy. These studies show different conceptualization and operationalization of customer retention. In this study, customer retention was measured using repeat purchases, customer loyalty and positive word of mouth.

Studies on customer retention have also been conducted in different contexts including India (Islam et al., 2020), Sweden (Braun et al., 2017), South Africa (Van Tonder & Petzer, 2018), Nigeria (Adejuwon & Buttle, 2022), Uganda (Namirembe & Musinguzi, 2023), and Egypt (Mohsen et al., 2018). Therefore, the findings from these contexts cannot be applied in the Kenyan context. Moreover, there are scant studies focusing on customer retention in the context of water equipment and services companies.

Moreover, different methodologies have been employed in the existing literature including descriptive research design (Braun et al., 2017; Islam et al., 2020) and explanatory design (Solimum & Fernandes, 2018). In light of the identified conceptual, contextual, and methodological gaps, this study focused on examining the concept of customer retention in the Kenyan water equipment and services sector. Table 2.1 presents a summary of the knowledge gaps in the existing literature.



**Table 2. 1:Summary of Knowledge Gaps**

<b>Study</b>	<b>Focus of the study</b>	<b>Findings</b>	<b>Research Gap</b>	<b>Focus of the current study</b>
Islam et al. (2020)	Impact of website attributes on customer engagement in banking	Customer engagement in Indian banks' websites was positively associated with customer trust and customer retention	Contextual and conceptual	The current study focused on the water equipment and services sector in Kenya
Braun et al. (2017)	To examine the impact of customer engagement on relationship outcomes	A positive relationship was found between customer engagement and product/service quality and customer retention	Contextual and conceptual	The current study was conducted in Kenya
Mwaura (2021)	Determinants of customer e-loyalty in the online retail industry in Kenya:	Customer engagement was identified as one of the determinants of retention	Contextual and conceptual	Current study was on retention in the water equipment and services sector
Changole (2018)	Impact of customer retention strategies on market share among commercial banks in Kenya	Customer engagement had a positive impact on retention	Contextual, methodological and conceptual	Current study was on the water equipment and services sector in Kenya

Sashi et al. (2019)	Social media, customer engagement and advocacy	Online customer engagement via social media was positively linked to customer retention as well as advocacy	Contextual, methodological and conceptual	The current study was on the water equipment and services sector in Kenya
Shawky et al. (2020)	Engagement in social media	Social media engagement did not only improve retention but also customer loyalty and brand advocacy	The study focused on the effect of engagement on loyalty	Current study focused on the effect of engagement on retention
Solimun and Fernandes (2018)	The mediation effect of customer satisfaction in the relationship between service quality, service orientation, and marketing mix strategy to customer loyalty	Service quality has a direct positive effect on customer retention and loyalty	Contextual, methodological and conceptual	Current study focused on the water equipment and services sector in Kenya
Shafiee and Bazargan (2018)	Behavioral customer loyalty in online shopping	The findings confirmed the positive effect of service quality on customer retention	Focus of the study was on online retail	Current study examined retention in the water equipment and services industry
Makanyeza & Chikazhe (2017)	Mediators of the relationship between service quality and customer loyalty	The findings confirmed the positive effect of service quality on customer retention	Focus of the study was on customer loyalty in the Zimbabwean banking sector	This study examined the concept of retention in the water equipment and services sector
Njeru and Cheruiyot (2020)	Effect of service quality on customer loyalty	Findings showed a positive association between service quality and customer retention in the airline sector	Contextual and conceptual	Current study focused on the water equipment and services sector

Malik et al. (2020)	service quality perceptions of customers	The findings confirmed the positive effect of service quality on customer retention	Contextual, methodological and conceptual	Current study examined the effect of service quality on customer retention in the water equipment and services sector in Kenya
Lee and Fay (2019)	Effect of pricing on customer retention	It is optimal to give past customers lower prices, especially in situations where the product of a company is less appealing to new customers in comparison to competing customers.	Contextual and conceptual	The context of the current study was Kenya
Kim (2019)	Impact of pricing promotions on customer retention	Pricing promotion influences retention	Contextual and conceptual	The context of the present study was Kenya
Hanaysha (2017)	Marketing mix elements and customer retention	Pricing had a positive impact on customer retention, especially prices perceived as lowest, best, reasonable, and value for money	Contextual, methodological and conceptual	Study was conducted in the water equipment and services sector in Kenya
Tjahjaningsih et al. (2020)	effect of service quality and product diversification on customer loyalty	Product diversification had a significant effect on customer loyalty	Contextual and conceptual	Current study focused on customer retention

Source: Researcher (2025)

## 2.5 Conceptual Framework

The conceptual framework of this study is underpinned by two theories: the Commitment-Trust Theory of Relationship Marketing (CTTRM) and the Relationship Marketing Theory (RMT). These theories complement each other in explaining the antecedents and outcomes of customer retention.

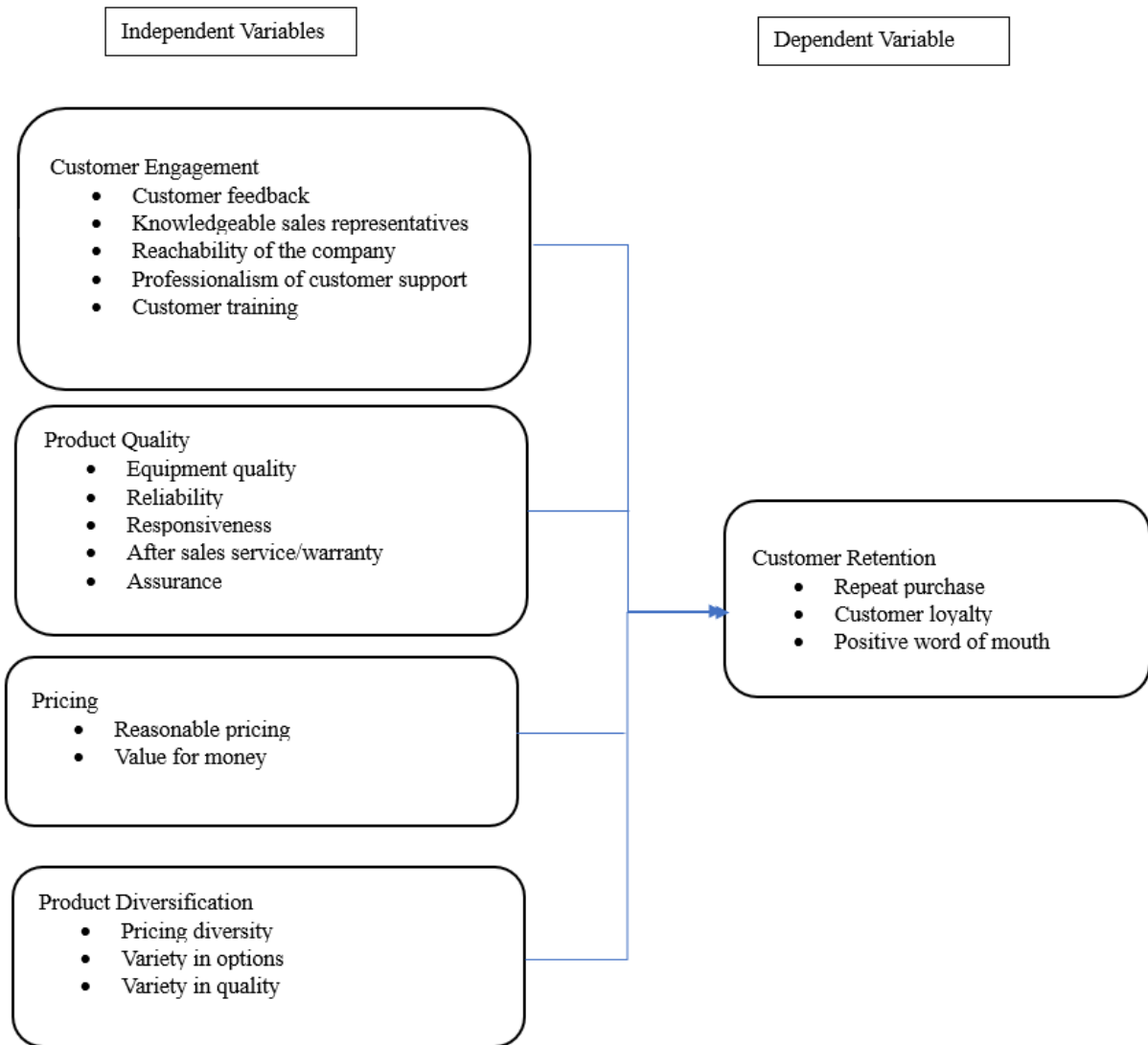
The CTTRM emphasizes that trust and commitment are essential for building long-term customer relationships. This theory directly supports the customer engagement and product quality variables (Changole, 2018). For example, when companies demonstrate professionalism, responsiveness, and reliability (key indicators in this study), they build trust and commitment, which are considered foundational elements of customer retention.

The Relationship Marketing Theory expands on this by highlighting that long-term customer value and relationship-building, rather than short-term transactions, foster loyalty (Harmeling et al., 2017). This theory supports broader strategic elements like pricing and product diversification, where firms offer fair pricing and diversified products to create value and meet evolving customer needs; thereby, reducing switching behavior (Ebrahim, 2020).

Together, these theories explain the causal pathways illustrated in the conceptual framework (Figure 2.1). Customer engagement and product quality establish trust and commitment (CTTRM), while pricing and product diversification influence customer satisfaction and loyalty (RMT). Both theories converge on the outcome of customer retention as the ultimate goal of relationship marketing efforts (Harmeling et al., 2017). This integrative use of theories provides a comprehensive lens to understand the multiple dimensions influencing retention in the water equipment and services sector in Kenya.

From the literature review, Figure 2.1 shows the factors expected to influence customer retention, including customer engagement, product quality, pricing and product diversification, which are the independent variables. The conceptual framework hypothesizes that these factors have a significant effect on customer retention.

**Figure 2. 1:Conceptual Framework**



**Source: Researcher (2025)**

## **2.6 Operationalization of Study Variables**

Operationalization entails converting abstract concepts into measurable indicators and variables.

Table 2.2 presents a summary of the indicators that were used for the variables in this study.

**Table 2. 2:Operationalization of variables**

<b>Variable</b>	<b>Constructs</b>	<b>Operational Definition</b>	<b>Measurement Scales</b>	<b>Source</b>
Independent variables	Customer Engagement	The level to which the customer and company engages, communicates, or interact with each other	Five-point Likert scale (Strongly disagree = 1, disagree = 2, neither = 3, agree = 4, strongly agree = 5)	Islam et al. (2020)
	Product Quality	The degree to which the product meets or surpasses the expectations of customers	Five-point Likert scale (1 = much worse than expected, 2 = somewhat worse than expected, 3 = about what I expected, 4 = better than I expected, 5 = much better than I expected)	Solimun and Fernandes (2018)
	Price	Value for money gained after making a purchase	Five-point Likert scale (Strongly disagree = 1, disagree = 2, neither = 3, agree = 4, strongly agree = 5)	Lee and Fay (2019)
	Product diversification	The variety of products and services offered by the company	Five-point Likert scale (Strongly disagree = 1, disagree = 2, neither = 3, agree = 4, strongly agree = 5)	Tjahjaningsih et al. (2020)
Dependent Variable	Retention	The likelihood of buying from the same company in future	Five-point Likert scale (1 = extremely unlikely, 2 = unlikely, 3 = not sure, 4 = likely, 5 = extremely likely)	Ascarza et al. (2018)

Source: Researcher (2025)

## 2.7 Chapter Summary

This chapter has discussed theories that underpinned this research and the empirical literature on the determinants of customer retention. The research gaps found in existing literature has also been summarized. Additionally, a conceptual framework was developed to show the associations between the variables. The operationalization of variable has also been presented.



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

In this chapter, the research methodology for this study is discussed. The research philosophy, research design, population and sampling, data collection, data analysis, research quality, and ethical issues in this research are detailed.

#### 3.2 Research Philosophy

Research philosophy refers to a researcher's assumptions and beliefs about how valid knowledge should be developed, which subsequently influences the type and how data to answer the research question is collected (Bell et al., 2022). In the context of business research, the two leading philosophies are positivism and interpretivism (Bell et al., 2022). Positivism was embraced as the guiding philosophy for this research since its assumptions lead to objective investigations using structured quantitative methods that can produce findings that can be applied to the broader population (Bell et al., 2022). On the contrary, interpretivism is subjective and encourages the use of unstructured qualitative approaches in order to delve deep into human nature (ref). Interpretivism was not deemed appropriate since it cannot generate findings that can be generalized to the water equipment and services industry as a whole. Considering the scope of this research, interpretivism was be the appropriate guiding philosophy. Positivism has been used in other similar studies on customer retention (Changole, 2018).

#### 3.3 Research Design

Research design is the overall plan that guides the execution of the research including how the data is collected and analyzed (Gliner et al., 2016). The use of the positivism philosophy means that this research was quantitative (Greenfield & Greener, 2016). As a result, the descriptive cross-sectional research design has been selected for this research. The descriptive design is used for collecting information with the goal of describing a phenomenon in a population of interest (Greenfield & Greener, 2016). This is achieved by describing the characteristics of variables by collecting data and deriving objective conclusions (Greenfield & Greener, 2016). The descriptive design is suitable for the proposed study because it seeks to describe the variables under study

(Gliner et al., 2016). The cross-sectional design has been adopted in similar studies (Changole, 2018; Shawky et al., 2020).

### **3.4 Population of the Study**

The population denotes the group of objects or people that the findings of a study were generalized to (Greenfield & Greener, 2016). For this research, the population comprises of water equipment and services companies in Kenya. In Kenya, there are 65 water equipment and services companies (6W Research, 2022). This represents the population for this research. The unit of analysis in this study was the water equipment and services companies.

### **3.5 Sample Design**

A census approach was adopted in this study, which entails collecting information from all units in the population. Therefore, respondents were selected from all the 65 water equipment and services companies in Kenya. A census approach has been selected because of the small size of the population.

To select respondents from these companies, purposive sampling was employed, which is a non-probabilistic approach. Purposive involves selecting participants who meet the criteria that the researcher deems relevant to answer the research questions (Gliner et al., 2016). For this study, marketing and sales managers from these companies were selected as respondents due to their knowledge in the study topic because of their involvement in marketing activities. These managers have relevant customer insights including retention. The target was to select two respondents (One sales manager and one marketing manager) from each company, which was expected to bring the total sample size to 130 respondents.

### **3.6 Data Collection**

Primary data collection was performed by distributing structured questionnaires having closed-ended questionnaires. The reasons for choosing questionnaires as the data collection instrument included cost savings, ability to reach many participants quickly and anonymity of respondents (Gliner et al., 2016). Also, questionnaires are standardized, which improves the accuracy of the collected data. One drawback of administering questionnaires is the possibility of respondents misunderstanding the questions (Patten, 2017). This issue was addressed using descriptive

questions in simple language. Additionally, using closed-ended questionnaires helped minimize questionnaire fatigue (Patten, 2017). The survey design enabled the researcher to describe the characteristics of the population by administering a questionnaire to gather data (Gliner et al., 2016).

The questionnaire to be used in this research was divided into three sections. Section A is demographic information. Section B contained questions focusing on the independent variables of customer engagement, product quality, price and product diversification. Section C focused on customer retention. A drop-and-pick later approach was used to administer the questionnaires where questionnaires were sent to respondents and collected later. The researcher made appointments prior to dropping and picking the completed questionnaire. Research assistants were used to improve the response rate.

### **3.8 Research Quality**

This section describes the steps that were taken to ensure the validity and reliability of the research.

#### **3.8.1 Validity**

A number of steps were taken to improve the validity of the research. To improve internal validity, the accuracy of the research in reflecting the truth in the population, the questionnaire has been developed with the guidance of the supervisor at Strathmore University. Additionally, the questionnaire was reviewed by marketing experts from the researcher's contacts working for companies excluded from this study. Their feedback incorporated to enhance its validity. Also, the variables have been derived from the literature and sound theoretical models. The sample questionnaire was also piloted with 13 respondents, 10 percent of the final sample, as recommended by Patten (2017), to establish its clarity. Feedback from the pilot study was used to refine the questionnaire. A pilot study was conducted using 30 participants recruited from the university to determine if the questions are clear.

#### **3.8.2 Reliability**

Reliability, defined as the consistency of the research instrument, was evaluated using Cronbach's alpha (Patten, 2017). An acceptable reliability coefficient of at least 0.7 is considered acceptable as recommended by Patten (2017). Bell et al. (2022) considered a Cronbach's alpha of less than

0.6 as unacceptable, 0.6-0.65 as undesirable, 0.65-0.7 as minimally acceptable, 0.7-0.8 as respectable, 0.8-0.9 as very good, and more than 0.9 as excessive that warrant's shortening the scale. The criteria for reliability by Bell et al. (2022) was adopted for this research. Table 3.1 shows the reliability coefficients for the variables in this research.

**Table 3. 1: Reliability Statistics**

Variable	Cronbach's Alpha Coefficient	Number of Items	Interpretation
Customer engagement	0.853	8	Reliable
Product Quality	0.811	9	Reliable
Price	0.796	5	Reliable
Product diversification		4	Reliable
Customer retention	0.826	9	

Source: Researcher (2025)

### 3.9 Data Analysis

The data analysis step entails applying statistical tools to process data in order to derive meaningful information. The collected data was sorted and edited to confirm their consistency and completeness. Analysis was performed using SPSS, wherein descriptive and inferential statistics were used. Descriptive statistics that were used are mean and standard deviation. Correlation analysis was applied to establish the fitness of the study variables to determine if they meet the criteria further analysis, Regression analysis was used to examine the association between the variables. In particular, regression was employed to assess the association between customer retention (the dependent variable) and customer engagement, price, product quality and product diversification (independent variables). The following regression equation models the hypothesized relationship between the variables:

Descriptive summaries of variables were presented using means, frequencies and percentages. To examine the association between variables, multiple linear regression was performed with customer retention as the dependent variable. The regression equations for analysis are:

$$CR = \beta_0 + \beta_1CE + \beta_2PQ + \beta_3Pr + \beta_4PD + \epsilon$$

Where: -

CR = customer retention,

CE = customer engagement,

PQ = product quality,

Pr = Price and

PD = product diversification

### **3.10 Ethical Considerations**

The key ethical considerations for this research consist of informed consent, confidentiality, anonymity and ethical approval. Prior to participating, respondents were required to provide an informed consent, which means that they be notified the purpose of the research and the extent of their participation. Respondents were called beforehand to seek for their consent to participate in the study. Only consenting respondents were given the questionnaires. Their confidentiality and anonymity were also be guaranteed. The collected data was kept securely in an encrypted format. Identifying information like names and contact information was not gathered from participants in order to ensure they remain anonymous (Patten, 2017). Lastly, the study only proceeded after getting clearance from the Strathmore University's Ethical Review Committee and the National Commission for Science, Technology and Innovation.

### **3.11 Chapter Summary**

This chapter has discussed the research philosophy, design, population and sample and data collection and analysis. Research quality and ethical considerations have also been discussed.

## CHAPTER FOUR

### PRESENTATION OF RESULTS

#### 4.1 Introduction

The objective of this study was to establish the factors that influence customer retention in the water equipment and services industry in Kenya. The specific factors that were examined included customer engagement, product quality, pricing, and product diversification. The results obtained from this study are presented in this chapter based on the study objectives. Both descriptive and inferential statistics are presented.

#### 4.2 Response Rate

One hundred and thirty questionnaires were distributed to 65 water equipment and services companies. Ninety-seven questionnaires were returned, which equates to a response rate of 74.6%. Bell et al. (2022) recommended a response rate of at least 50%. Therefore, the response rate obtained from this study met the threshold required. Table 4.1 illustrates the response rate for this research.

**Table 4. 1: Response Rate**

Questionnaires	Frequency	Percent
Issued	130	100%
Returned	97	74.6%
Not returned	33	25.4%

Source: Researcher (2025)

#### 4.3 Respondents Demographic Information

The demographic profile of the respondents provides critical insights into the composition of the workforce in the water equipment and services industry in Kenya. These findings are presented in Table 4.2.

**Table 4. 2:Demographic Information**

		Frequency	Percent
Gender	Female	54	56%
	Male	43	44%
	Total	97	100%
Highest Level of Education	College diploma	17	18%
	Bachelor's Degree	54	56%
	Masters	19	20%
	PhD	7	7%
	Total	97	100%
Age	18-25	7	7%
	26-35	19	20%
	36-45	49	51%
	46-55	17	18%
	56 and above	5	5%
	Total	97	100%
Experience working for the firm	0-5 years	9	9%
	6-10 years	24	25%
	11-15 years	55	57%
	Above 16 years	9	9%
	Total	97	100%

Source: Researcher (2025)

Gender distribution reveals a slight female majority, with 56% (n = 54) of the respondents identifying as female and 44% (n = 43) as male. This suggests that women play a significant role in the industry, potentially influencing customer engagement and service delivery. The gender balance also highlights the need for customer retention strategies that account for diverse perspectives in customer relations and business operations.

In terms of education, the majority of respondents, 56% (n = 54), hold a bachelor's degree, followed by 20% (n = 19) with a master's degree, 18% (n = 17) with a college diploma, and 7% (n = 7) with a PhD. These findings indicate that the industry employs a highly educated workforce, which may contribute to professional service delivery and informed decision-making. The high proportion of respondents with advanced education suggests that firms in this sector value technical expertise and specialized knowledge, which could play a crucial role in enhancing product quality and customer satisfaction.

Age distribution further illustrates the demographic characteristics of the workforce, with the largest proportion of respondents, 51% (n = 49), falling within the 36-45 age bracket. Employees aged 26-35 account for 20% (n = 19), while those between 46-55 years constitute 18% (n = 17). The youngest category, 18-25 years, represents only 7% (n = 7), and the oldest group, 56 and above, makes up 5% (n = 5) of the respondents. The dominance of middle-aged employees suggests that the industry benefits from an experienced workforce, which is likely contributing to stability and consistency in customer service. However, the relatively low number of younger employees could indicate limited entry of new talent, which may impact the industry's ability to integrate fresh perspectives and innovative approaches to customer retention.

Work experience is another key demographic factor, with a majority, 57% (n = 55), of respondents having worked in the industry for 11-15 years. Additionally, 25% (n = 24) have been in the sector for 6-10 years, while 9% (n = 9) have either less than five years or more than sixteen years of experience. This distribution suggests that the industry retains experienced professionals, which can enhance customer trust and long-term business relationships. However, the low proportion of employees with fewer than five years of experience may point to a challenge in attracting and integrating new employees, potentially affecting workforce renewal and adaptability to emerging customer needs.

Overall, these demographic findings provide a foundation for understanding customer retention in the water equipment and services industry. The presence of a highly educated, experienced, and predominantly middle-aged workforce suggests that firms may benefit from established industry expertise and professionalism in service delivery. However, addressing generational gaps and fostering innovation among younger employees could further strengthen customer engagement and retention efforts.

#### **4.4 Descriptive Analysis**

This section presents the descriptive statistics for the variables in this research including customer engagement, product quality, price, product diversification and customer retention.

#### 4.4.1 Descriptive Statistics on Customer Engagement

The first objective of this research was to determine the effect of customer engagement on the retention of customers in the water equipment and services sector in Kenya. Respondents in this study were asked to indicate their extent of agreement/disagreement with statements relating to customer engagement. Their responses are presented in Table 4.3.

**Table 4. 3:Descriptive Statistics for Customer Engagement**

	N	Mean	Std. Deviation
The company takes feedback from customers seriously	97	3.26	.845
The company's sales representatives are well-informed (they answer all customers' questions)	97	3.35	.778
Customers' queries are addressed in a timely manner	97	3.76	1.008
The customer support is very professional	97	3.72	.955
The training the company provides to customers is relevant	97	3.78	1.111
The company has numerous avenues where our customers can reach us	97	4.06	.998
The customer service team is always available to respond to queries from our customers	97	3.66	1.050
The company provides adequate technical support to its customers	97	3.63	.950
<b>Overall Score for Customer Engagement</b>		<b>3.6534</b>	<b>0.90724</b>

Source: Researcher (2025)

The overall score for customer engagement was calculated as 3.65 (SD = 0.907), indicating that, on average, respondents agree that water equipment companies demonstrate a moderate to strong level of engagement with its customers. However, the standard deviation of 0.907 suggests that perceptions vary among respondents, highlighting the need for further improvements in customer engagement strategies, particularly in areas such as responsiveness, sales representative knowledge, and handling customer feedback.

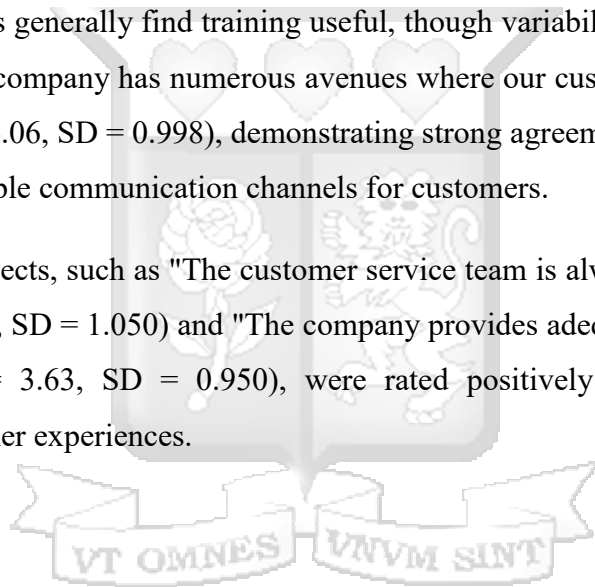
The statement "The company takes feedback from customers seriously" received a mean score of 3.26 (SD = 0.845), suggesting a moderately positive perception but with room for improvement in how customer feedback is handled. Similarly, "The company's sales representatives are well-informed" had a mean of 3.35 (SD = 0.778), which suggests that while sales representatives

are generally considered knowledgeable, there is some inconsistency in how well they address customer inquiries.

In contrast, statements related to responsiveness and customer support scored higher. "Customers' queries are addressed in a timely manner" had a mean of 3.76 (SD = 1.008), indicating a relatively positive perception, although the standard deviation suggests variations in customer experiences. "The customer support is very professional" also received a favorable rating (Mean = 3.72, SD = 0.955), which indicates that professionalism in customer service is a recognized strength.

Training and accessibility aspects of customer engagement were rated slightly higher. "The training the company provides to customers is relevant" had a mean of 3.78 (SD = 1.111), suggesting that customers generally find training useful, though variability in responses indicates differing opinions. "The company has numerous avenues where our customers can reach us" had the highest mean score (4.06, SD = 0.998), demonstrating strong agreement that water equipment companies provide multiple communication channels for customers.

Other support-related aspects, such as "The customer service team is always available to respond to queries" (Mean = 3.66, SD = 1.050) and "The company provides adequate technical support to its customers" (Mean = 3.63, SD = 0.950), were rated positively but still indicate some inconsistencies in customer experiences.



#### 4.4.2 Descriptive Statistics on Product Quality

This study also sought to examine the influence of product quality on customer retention in the water equipment and services sector. Respondents in this study were asked to indicate their extent of agreement/disagreement with statements on product quality. Their responses are presented in Table 4.4.

**Table 4. 4: Descriptive Statistics for Product Quality**

	N	Mean	Std. Deviation
The company distributes high quality water equipment	97	3.67	.921

The company keeps its promises to customers when it promises to do something by a certain time	97	3.80	.837
The company delivers products promptly	97	4.01	.700
The company has a sales service /warranty process	97	3.45	1.128
The behaviour or actions of our employees instil the confidence of customers in the company	97	3.37	.782
We have few cases of customers requesting to return the products sold to them	97	3.36	1.110
Very few customers complain about the quality of the company's products	97	3.69	.882
The company's products are reliable	97	4.19	.755
The company products are easy to use	97	3.92	1.048
<b>Overall Score for Product Quality</b>	<b>97</b>	<b>3.7182</b>	<b>.84697</b>

Source: Researcher (2025)

The overall score for product quality was 3.72 (SD = 0.847). This suggests that respondents generally agree that water equipment companies maintain a moderate to high level of product quality. However, the standard deviation of 0.847 suggests some variability in customer experiences, particularly regarding after-sales service, employee interactions, and product returns. To enhance customer satisfaction and retention, water equipment companies could focus on improving post-purchase support, ensuring consistent customer service, and minimizing instances of product returns.

The statement "The company distributes high-quality water equipment" received a mean score of 3.67 (SD = 0.921); thus, suggesting a generally positive perception of product quality though some variation exists among respondents. Similarly, "Very few customers complain about the quality of the company's products" had a mean of 3.69 (SD = 0.882); this finding supports the notion that product quality is generally well-regarded but some customers still experience quality-related concerns.

One of the strongest aspects of product quality was "The company delivers products promptly," which had a mean of 4.01 (SD = 0.700), which suggests that respondents largely agree that water equipment companies meet delivery expectations. Additionally, "The company's products are reliable" had the highest mean score (4.19, SD = 0.755), suggesting that product dependability is

a recognized strength. "The company's products are easy to use" also received a high rating (Mean = 3.92, SD = 1.048), highlighting that usability is another positive attribute.

Conversely, aspects related to customer service and support scored slightly lower. "The company has a sales service/warranty process" had a mean of 3.45 (SD = 1.128), and "The behavior or actions of our employees instill confidence in customers" had a mean of 3.37 (SD = 0.782). These findings suggest that while water equipment companies provide warranties and after-sales services, there may be inconsistencies in how these processes are perceived. Similarly, "We have few cases of customers requesting to return products" had a mean of 3.36 (SD = 1.110), which indicates that while product returns are not widespread, there are notable cases where customers feel the need to return items.

#### 4.4.3 Descriptive Statistics on Price

This study also examined the influence of price on customer retention in the water equipment and services sector. Respondents in this study were asked to indicate their extent of agreement/disagreement with statements regarding price. Their responses are presented in Table 4.5.

**Table 4. 5: Descriptive Statistics for Price**

	N	Mean	Std. Deviation
The prices of products and services in this company are reasonable	97	3.47	1.128
Our customers get value for money	97	3.46	1.041
Our customers rarely complain about the prices of our products	97	2.91	.990
Our prices are based on the quality of our products	97	4.20	.731
Our customers are satisfied with our prices	97	3.15	.782
<b>Overall score for Price</b>	<b>97</b>	<b>3.4392</b>	<b>.90168</b>

Source: Researcher (2025)

The descriptive statistics for price provide insights into customer perceptions regarding the affordability, fairness, and value of the company's pricing structure. The data indicate varying levels of agreement across different pricing aspects, with the overall score for price at 3.44 (SD = 0.902) suggesting a moderate perception of pricing fairness and value.

The statement "The prices of products and services in this company are reasonable" received a mean score of 3.47 (SD = 1.128). This indicates that respondents have a generally neutral to slightly positive view of the company's pricing. However, the relatively high standard deviation suggests diverse opinions, with some respondents perceiving prices as fair while others may feel they are high. Similarly, "Our customers get value for money" had a mean of 3.46 (SD = 1.041), reinforcing the idea that while customers recognize some value in the pricing, there is variability in their experiences.

A key concern emerges from the statement "Our customers rarely complain about the prices of our products," which had the lowest mean (2.91, SD = 0.990), indicating that a notable portion of customers express dissatisfaction or concerns about pricing. This suggests that price sensitivity might be an issue in customer retention. In contrast, the statement "Our prices are based on the quality of our products" received the highest rating (Mean = 4.20, SD = 0.731), which indicates that respondents acknowledge a link between pricing and product quality, which could justify the costs for some.

Lastly, the statement "Our customers are satisfied with our prices" received a mean of 3.15 (SD = 0.782). While there is some level of satisfaction, it is not overwhelmingly positive. The moderate standard deviation indicates that customer opinions on price satisfaction vary, with some expressing approval while others may feel prices could be more competitive.

Overall, while customers recognize that pricing aligns with product quality, price-related concerns—such as fairness and customer complaints—may present a challenge to customer retention. To enhance customer satisfaction, the company may need to explore pricing strategies such as promotional discounts, flexible payment plans, or enhanced value-added services to justify costs and improve perceived affordability.

#### 4.4.4 Descriptive Statistics on Product Diversification

This study also examined the effect of product diversification on customer retention in the water equipment and services sector. Respondents in this study were asked to indicate their extent of agreement/disagreement with statements on product diversification. Their responses are presented in Table 4.6.

**Table 4. 6: Descriptive Statistics for Product Diversification**

	N	Mean	Std. Deviation
The company has a wide variety of products to cater to different customers' budgets	97	3.77	1.295
The company has a wide range of products to choose from	97	3.24	.761
The company has a broad of range of products of different qualities to choose from depending on my preference	97	3.63	1.175
The company caters to customers having a variety of needs	97	3.96	.923
<b>Overall score for product diversification</b>	<b>97</b>	<b>3.6495</b>	<b>1.00433</b>

Source: Researcher (2025)

The overall score for product diversification was  $M = 3.65$  ( $SD = 1.004$ ). This indicates a moderately positive perception of the water equipment companies' ability to offer diverse products that cater to different customer needs and preferences.

The statement "The company has a wide variety of products to cater to different customers' budgets" received a mean score of 3.77 ( $SD = 1.295$ ), which suggests that although many customers recognize a range of budget-friendly options, there was a notable variability in responses as indicated by the high standard deviation. The high standard deviation indicates that some customers may not perceive the product offerings as sufficiently diverse in terms of affordability.

Similarly, "The company has a broad range of products of different qualities to choose from depending on my preference" had a mean of 3.63 ( $SD = 1.175$ ). This suggests that respondents

generally agreed that they have multiple quality options although some may feel that more differentiation is needed.

The statement "The company caters to customers having a variety of needs" had the highest rating (Mean = 3.96, SD = 0.923), which suggests that respondents agreed that water equipment companies are capable of serving different market segments effectively. This indicates a strength in addressing diverse customer requirements, which is crucial for customer retention. However, "The company has a wide range of products to choose from" received the lowest mean score (3.24, SD = 0.761); thus, suggesting that while variety exists, some customers may feel that the available product range could be expanded further.

Overall, the findings suggest that while respondents acknowledge efforts in product diversification, there may be room for improvement in expanding the range of products, particularly in affordability and selection. Enhancing product variety—especially in terms of pricing tiers and quality options—could further strengthen customer retention by ensuring that diverse customer needs are met effectively.

#### 4.4.5 Descriptive Statistics on Customer Retention

Customer retention was the dependent variable in this research. Respondents in this study were asked to indicate their extent of agreement/disagreement with statements on customer retention. Their responses are presented in Table 4.7.

**Table 4. 7:Descriptive Statistics for Customer Retention**

	N	Mean	Std. Deviation
The company has loyal customers	97	3.54	1.109
Our customers do not switch brands	97	3.54	1.173
Our customers recommend our products to others	97	3.39	1.335
Our customers are willing to wait	97	3.85	1.130
Our customers are willing to search for our products	97	3.66	.815
Our customers remain because of the quality of our products	97	3.94	.864

Our customers remain with us because of the prices of our products	97	3.72	1.008
Our customers remain with us because we engage with them and address their concerns	97	3.76	.998
Our customers remain with us because we offer diverse products and services	97	3.98	.878
<b>Overall Score for Customer Retention</b>	<b>97</b>	<b>3.7079</b>	<b>.96002</b>

Source: Researcher (2025)

The overall mean score for customer retention was 3.71 (SD = 0.96), which suggests a moderately positive perception of customer loyalty and brand commitment. Among the specific retention indicators, the highest-rated statement was "Our customers remain with us because we offer diverse products and services" (Mean = 3.98, SD = 0.878), indicating that product diversification is a key driver of customer retention. Similarly, "Our customers remain because of the quality of our products" received a high rating (Mean = 3.94, SD = 0.864), which supports the idea that product quality is a crucial factor in maintaining customer loyalty.

Customers also expressed a willingness to wait for the company's products (Mean = 3.85, SD = 1.130) and search for them actively (Mean = 3.66, SD = 0.815). This suggests a level of brand attachment. Additionally, customer engagement appears to play a significant role in retention, as evidenced by the statement "Our customers remain with us because we engage with them and address their concerns" (Mean = 3.76, SD = 0.998).

However, brand loyalty and resistance to switching showed slightly lower mean scores. "The company has loyal customers" and "Our customers do not switch brands" both had a mean of 3.54 with high standard deviations (1.109 and 1.173, respectively), indicating variation in responses. This suggests that while many customers remain loyal, a portion might still consider switching brands under certain circumstances.

Notably, word-of-mouth recommendations scored the lowest (Mean = 3.39, SD = 1.335), which suggests that while customers may stay with the brand, they are less likely to actively recommend it to others. This indicates that customer satisfaction, while present, may not be strong enough to drive enthusiastic referrals.

Overall, the findings indicate that product quality, engagement, and product diversification are the strongest factors influencing customer retention. However, to further solidify loyalty, the company could focus on strengthening emotional brand attachment and increasing customer advocacy through enhanced engagement strategies, loyalty programs, or improved customer experiences.

#### 4.5 Inferential Analysis

Inferential analysis was performed using correlation, simple linear regression and multiple linear regression. The following sections present the results from these analyses.

##### 4.5.1 Correlation Analysis

Pearson Correlation analysis was used to determine the nature and strength of the relationships between variables. Correlations are usually performed prior to conducting a linear regression. The presence of significant correlations implies the need for further analysis using regression. Table 4.8 presents the results of the correlation analysis. A significant strong positive correlation was found between customer retention and customer engagement ( $r = 0.981$ ,  $p < 0.05$ ), customer retention and product quality ( $r = 0.983$ ,  $p < 0.05$ ), customer retention and price ( $r = 0.976$ ,  $p < 0.05$ ), and customer retention and product diversification ( $r = 0.984$ ,  $p < 0.05$ ).

**Table 4. 8: Pearson Correlations**

		Customer Engagement	Product Quality	Price	Product Diversity	Customer Retention
Customer Engagement	r	1				
	p					
Product Quality	r	.982**	1			
	p	.000				
Price	r	.967**	.982**	1		
	p	.973**	.977**	.972**	1	
Product Diversity	r	.000	.000	.000		
	p	.981**	.983**	.976**	.984**	1
Customer Retention	r	.000	.000	.000	.000	

Source: Researcher (2025)

## 4.5.2 Regression Analysis

This section presents results for both simple and multiple linear regression analysis. Simple regression was used to examine the effect of individual variables on the dependent variable while the multiple regression was used to formulate a predictive model with all the independent variables.

### 4.5.2.1 Regression Between Customer Engagement and Customer Retention

A simple linear regression was performed with customer retention as the dependent variable and customer engagement as the independent variable. The findings are presented in Table 4.9.

**Table 4. 9: Regression Model Summary – Customer Engagement and Customer Retention**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.981 <sup>a</sup>	.962	.961	.18876
a. Predictors: (Constant), Customer Engagement				

Source: Researcher (2025)

The regression model assessing the relationship between customer engagement and customer retention demonstrates a strong and statistically significant association. The correlation coefficient ( $R = 0.981$ ) indicates a highly positive relationship, suggesting that increased customer engagement is strongly linked to higher customer retention. Furthermore, the coefficient of determination ( $R^2 = 0.962$ ) reveals that 96.2% of the variation in customer retention can be explained by customer engagement. The adjusted  $R^2$  value (0.961) remains nearly identical to  $R^2$ , confirming the robustness of the model and minimizing concerns of overfitting. Additionally, the standard error of the estimate (0.18876) is relatively low, which suggests that the model predicts customer retention with high accuracy.

The ANOVA (Analysis of Variance) table (Table 4.10) evaluates the overall significance of the regression model by determining whether customer engagement significantly predicts customer retention.

**Table 4. 10: ANOVA Summary – Customer Engagement and Customer Retention**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.092	1	85.092	2388.208	.000 <sup>b</sup>
	Residual	3.385	95	.036		
	Total	88.477	96			
a. Dependent Variable: Customer Retention						
b. Predictors: (Constant), Customer Engagement						

Source: Researcher (2025)

The F-statistic ( $F = 2388.208$ ,  $p = 0.000$ ) indicates that the model is highly significant. A p-value of 0.000 (which is less than 0.05) confirms that the relationship between customer engagement and customer retention is statistically significant; this means that the predictor variable (customer engagement) has a meaningful impact on the dependent variable (customer retention). The sum of squares for regression (85.092) accounts for the majority of the total sum of squares (88.477), demonstrating that the model explains a substantial proportion of the variation in customer retention. In contrast, the residual sum of squares (3.385), which represents unexplained variance, is minimal, further reinforcing the strength of the model. The mean square for regression (85.092) is notably higher than the mean square for residuals (0.036), which further indicates that that customer engagement is a strong predictor of customer retention.

The coefficients table (Table 4.11) provides insights into the strength, direction, and significance of the relationship between customer engagement and customer retention in the regression model.

**Table 4. 11: Regression Coefficient - Customer Engagement and Customer Retention**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.083	.080		-1.043	.300
	Customer Engagement	1.038	.021	.981	48.869	.000
a. Dependent Variable: Customer Retention						

Source: Researcher (2025)

The constant ( $B = -0.083$ ,  $p = 0.300$ ) represents the predicted value of customer retention when customer engagement is zero. However, since the p-value (0.300) is greater than 0.05, the constant is not statistically significant, indicating that the model's primary explanatory power comes from the predictor variable rather than the intercept. The coefficient for customer engagement ( $B = 1.038$ ,  $p = 0.000$ ) indicates that for every one-unit increase in customer engagement, customer retention increases by 1.038 units, assuming all other factors remain constant. The standardized coefficient (Beta = 0.981) further confirms that customer engagement has a strong impact on customer retention, as it is very close to 1, suggesting a nearly one-to-one relationship. The t-value (48.869) is exceptionally high, and the p-value (0.000) is well below 0.05, confirming that customer engagement is a highly significant predictor of customer retention. These findings suggest that organizations in the water equipment and services industry should prioritize customer engagement initiatives, as they play a crucial role in enhancing retention.

Therefore, the regression equation is:

$$CR = 1.038CE$$

Where: -

CR = customer retention,

CE = customer engagement,

#### 4.5.2.2 Regression between Product Quality and Customer Retention

A simple linear regression was performed with customer retention as the dependent variable and product quality as the independent variable. The regression model summary for the relationship between product quality and customer retention demonstrates a strong positive association between the two variables (Table 4.12).

**Table 4. 12: Regression Model Summary – Product Quality and Customer Retention**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.983a	.967	.967	.17464
a. Predictors: (Constant), Product Quality				

Source: Researcher (2025)

The R value (0.983) indicates a very high correlation, suggesting that product quality is a significant determinant of customer retention. The R Square (0.967) implies that 96.7% of the variation in customer retention can be explained by product quality. This means that product quality plays a crucial role in determining whether customers continue to engage with the company and remain loyal. The Adjusted R Square (0.967), which accounts for the number of predictors in the model, remains the same, indicating a robust model with minimal overfitting. The Standard Error of the Estimate (0.17464) is relatively low, suggesting that the model's predictions are quite precise and that there is minimal unexplained variance.

The ANOVA results for the regression model between product quality and customer retention indicate that the model is highly significant (Table 4.13).

**Table 4. 13: ANOVA Summary – Product Quality and Customer Retention**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.580	1	85.580	2805.917	.000b
	Residual	2.897	95	.030		
	Total	88.477	96			
a. Dependent Variable: Customer Retention						
b. Predictors: (Constant), Product Quality						

Source: Researcher (2025)

The regression sum of squares (85.580) is substantially larger than the residual sum of squares (2.897), indicating that the model explains most of the variability in customer retention. The F-statistic (2805.917) is exceptionally high, demonstrating that the regression model fits the data well. A high F-value suggests that product quality has a significant effect on customer retention and that the relationship is unlikely to have occurred by chance. The p-value (Sig. = 0.000) is below the conventional threshold of 0.05, confirming that the effect of product quality on customer retention is statistically significant at the 95% confidence level. This means that product quality is a strong predictor of customer retention, and improvements in product quality are likely to enhance customer loyalty.

The regression coefficients for the relationship between product quality and customer retention indicate a strong and statistically significant relationship. The constant ( $B = -0.437$ ,  $p = 0.000$ ) suggests that if product quality were absent (hypothetically 0), customer retention would be negative. While this is not a realistic scenario, it indicates that product quality plays a crucial role in maintaining customer retention. The unstandardized coefficient for product quality ( $B = 1.115$ ,  $p = 0.000$ ) means that for every one-unit increase in product quality, customer retention increases by 1.115 units, holding all other factors constant. This positive and substantial coefficient highlights the significant influence of product quality on customer retention. The standardized coefficient (Beta = 0.983) further confirms that product quality has a very strong effect on customer retention. With a t-value of 52.971, which is highly significant ( $p = 0.000$ ), it suggests that the likelihood of this relationship occurring due to chance is extremely low. Overall, these findings indicate that product quality is a key determinant of customer retention, and efforts to improve product quality are likely to result in higher customer loyalty and reduced brand switching.

**Table 4. 14: Regression Coefficient – Product Quality and Customer Retention**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.437	.080		-5.447	.000
	Product Quality	1.115	.021	.983	52.971	.000

a. Dependent Variable: Customer Retention

Source: Researcher (2025)

Therefore, the regression equation is:

$$CR = -0.437 + 1.15PQ$$

Where: -

CR = customer retention,

PQ = product quality

### 4.5.2.3 Regression between Pricing and Customer Retention

A simple linear regression was performed with customer retention as the dependent variable and price as the independent variable. The regression model summary for the relationship between pricing and customer retention indicates a strong correlation between the two variables (Table 4.15).

**Table 4. 15: Regression Model Summary – Price and Customer Retention**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.976a	.952	.952	.21113
a. Predictors: (Constant), Price				

Source: Researcher (2025)

The R value (0.976) suggests a very high positive correlation between pricing and customer retention, indicating that changes in pricing are closely associated with variations in customer retention. The R Square (0.952) shows that 95.2% of the variance in customer retention can be explained by pricing. This means that pricing is a highly influential factor in determining customer retention, while the remaining 4.8% is attributable to other variables not included in this model. The Adjusted R Square (0.952) is nearly identical to R Square, confirming that the model generalizes well to the population and is not overly influenced by sample-specific variations. The standard error of the estimate (0.21113) represents the average deviation of observed customer retention values from the predicted values. Since this value is relatively small, it indicates that the model has a high level of accuracy in predicting customer retention based on pricing.

The ANOVA results for the regression analysis between pricing and customer retention indicate that the model is statistically significant (Table 4.16).

**Table 4. 16: ANOVA Summary – Price and Customer Retention**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	84.242	1	84.242	1889.945	0.000
	Residual	4.235	95	.045		
	Total	88.477	96			
a. Dependent Variable: Customer Retention						
b. Predictors: (Constant), Price						

Source: Researcher (2025)

The regression sum of squares (84.242) represents the portion of the total variability in customer retention explained by pricing. The residual sum of squares (4.235) represents the unexplained variation due to other factors not included in the model. The total sum of squares (88.477) shows the overall variability in customer retention. The degrees of freedom (df) are 1 for regression, indicating a single predictor variable (pricing), and 95 for residuals, reflecting the number of observations minus the number of estimated parameters. The mean square for regression (84.242) is significantly larger than the mean square for residuals (0.045), demonstrating that a substantial portion of the variation in customer retention is explained by pricing. The F-statistic (1889.945) is extremely high, indicating a strong relationship between pricing and customer retention. A higher F-value suggests that the predictor variable contributes significantly to explaining the dependent variable. The p-value (Sig. = 0.000) confirms that the regression model is highly significant at the 95% confidence level ( $p < 0.05$ ). This means that pricing has a statistically significant impact on customer retention, and the likelihood that this relationship is due to random chance is extremely low.

The regression coefficient table provides valuable insights into the relationship between pricing and customer retention (Table 4.17).

**Table 4. 17: Regression Coefficient - Price and Customer Retention**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.135	.085		1.589	.115
	Price	1.039	.024	.976	43.474	.000

a. Dependent Variable: Customer Retention

Source: Researcher (2025)

The constant (intercept) in the model is 0.135, suggesting that when pricing is at its minimum value, the predicted level of customer retention is slightly positive. However, the intercept is not statistically significant ( $p = 0.115$ ), indicating that it does not contribute meaningfully to the model. The coefficient for pricing ( $B = 1.039$ ) indicates that for every one-unit increase in pricing, customer retention increases by 1.039 units, holding all other factors constant. This finding suggests that customers are more likely to remain loyal when they perceive the company's pricing as fair, reasonable, and aligned with the quality of the products offered. Furthermore, the standardized beta coefficient (0.976) highlights the strong positive effect of pricing on customer retention. The t-statistic (43.474) and the highly significant p-value (0.000) further confirm the robustness of this relationship. The high t-value suggests a strong effect size, while the p-value indicates that the observed relationship is not due to random chance. These results underscore the importance of pricing strategies in influencing customer retention in the water equipment and services industry.

#### **4.5.2.4 Regression between Product Diversification and Customer Retention**

A simple linear regression was performed with customer retention as the dependent variable and product diversification as the independent variable. The regression model summary presents the relationship between product diversification and customer retention (Table 4.18).

**Table 4. 18: Regression Model Summary – Product Diversification and Customer Retention**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.984a	.969	.968	.17096
a. Predictors: (Constant), Product Diversification				

Source: Researcher (2024)

The R-value of 0.984 indicates a very strong positive correlation between product diversification and customer retention. This suggests that as product diversification increases, customer retention also tends to increase significantly. The R Square value of 0.969 signifies that 96.9% of the variance in customer retention is explained by product diversification. This high proportion indicates that product diversification is a major determinant of customer retention in the water equipment and services industry. The adjusted R Square value (0.968) is nearly identical to the R Square value, confirming that the model remains highly explanatory even when adjusted for the number of predictors. The standard error of the estimate (0.17096) is relatively low, indicating that the model's predictions are close to the actual values of customer retention. This low error margin suggests a high level of precision in the model's ability to predict customer retention based on product diversification.

The ANOVA results assess the overall significance of the regression model examining the relationship between product diversification and customer retention (Table 4.19).

**Table 4. 19: ANOVA Summary – Product Diversification and Customer Retention**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.700	1	85.700	2932.075	.000b
	Residual	2.777	95	.029		
	Total	88.477	96			
a. Dependent Variable: Customer Retention						
b. Predictors: (Constant), Product Diversification						

Source: Researcher (2025)

The regression sum of squares (85.700) is significantly larger than the residual sum of squares (2.777), indicating that most of the variation in customer retention is explained by product diversification rather than by random error. The mean square for the regression (85.700) is notably higher than the mean square for the residuals (0.029), leading to a very high F-value of 2932.075. This F-statistic is substantial and suggests that the model provides a significantly better fit to the data compared to a model with no predictors. The significance value (Sig. = 0.000) confirms that the model is statistically significant at any conventional confidence level (e.g., 95% or 99%). This means that there is a near-zero probability that the observed relationship between product diversification and customer retention occurred by chance.

The regression coefficient results provide insights into the effect of product diversification on customer retention (Table 4.20).

**Table 4. 20: Regression Coefficient – Product Diversification and Customer Retention**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.275	.066		4.177	.000
	Product Diversification	.941	.017	.984	54.149	.000

a. Dependent Variable: Customer Retention

Source: Researcher (2025)

The unstandardized coefficient (B) for product diversification is 0.941, indicating that for every one-unit increase in product diversification, customer retention is expected to increase by 0.941 units, assuming all other factors remain constant. This positive coefficient suggests a strong and direct relationship between product diversification and customer retention. The standardized coefficient (Beta = 0.984) further confirms this strong relationship, showing that product diversification is a highly influential predictor of customer retention. The t-value of 54.149 is exceptionally high, suggesting that product diversification has a statistically significant impact on customer retention. The constant term (B = 0.275, t = 4.177, p = 0.000) represents the estimated

customer retention level when product diversification is zero. The p-value of 0.000 for product diversification confirms that the relationship is highly significant at 95%.

#### 4.5.2.5 Multiple Regression Results

A multiple linear regression was used to model the relationship between customer retention as the dependent variable and customer engagement, product quality, pricing and product diversification as the independent variables. Table 4.21 shows the model summary, which indicates an R-square value of 0.982. This means that customer engagement, product quality, pricing and product diversification explain 98.2% of the variance in customer retention; thus, the predictive model is strong.

**Table 4. 21: Multiple Regression Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.991 <sup>a</sup>	.982	.981	.13290
a. Predictors: (Constant), Product Diversification, Price, Customer Engagement, Product Quality				

Source: Researcher (2025)

Table 4.22 presents the ANOVA results, which indicate that the model was significant ( $F [4, 92] = 1229.419, p < 0.05$ ).

**Table 4. 22: ANOVA for Multiple Regression**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	86.852	4	21.713	1229.419	.000 <sup>b</sup>
	Residual	1.625	92	.018		
	Total	88.477	96			
a. Dependent Variable: Customer Retention						
b. Predictors: (Constant), Product Diversification, Price, Customer Engagement, Product Quality						

Source: Researcher (2025)

Further analysis revealed that the Constant (-0.065) was not significant ( $p > 0.05$ ). Customer engagement had a significant positive effect on customer retention ( $\beta = 0.263, p < 0.05$ ). Product quality also had a significant positive effect on customer retention ( $\beta = 0.270, p < 0.05$ ). Price did not have a significant effect on customer retention ( $\beta = 0.118, p > 0.05$ ). Product diversification had a significant positive effect on customer retention ( $\beta = 0.384, p < 0.05$ ).

**Table 4. 23: Multiple Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.065	.078		-.831	.408
	Customer Engagement	.263	.084	.248	3.120	.002
	Product Quality	.270	.117	.238	2.317	.023
	Price	.118	.085	.111	1.398	.166
	Product Diversification	.384	.071	.402	5.396	.000
a. Dependent Variable: Customer Retention						

Source: Researcher (2025)

From the analysis, the model becomes:

$$CR = 0.263 (CE) + 0.27 (PQ) + 0.384 (PD)$$

Where: -

CR = customer retention,

CE = customer engagement,

PQ = product quality,

PD = product diversification

The coefficient for customer engagement (0.263) indicates that a one-unit increase in customer engagement leads to a 0.263-unit increase in customer retention. This finding suggests that businesses that actively engage with their customers, address their concerns, and build strong relationships are more likely to retain their customer base. Engagement fosters a sense of connection and loyalty, reducing the likelihood of customers switching to competitors.

Similarly, product quality (0.270) has a positive and significant effect on customer retention. A one-unit increase in product quality is associated with a 0.270-unit increase in customer retention. This highlights the importance of consistently delivering high-quality products, as customers tend to remain loyal to brands that meet their expectations in terms of durability, reliability, and performance. Maintaining high product quality strengthens customer trust and reduces the risk of losing customers to competitors offering superior products.

Among the three variables, product diversification (0.384) has the strongest influence on customer retention. A one-unit increase in product diversification results in a 0.384-unit increase in customer retention. This suggests that offering a wide range of products tailored to different customer needs significantly enhances retention. Customers are more likely to remain loyal to a company that provides diverse options that cater to their varying preferences, budgets, and requirements. Product diversification ensures that businesses remain competitive and adaptable to market changes, making it a crucial factor in sustaining long-term customer relationships.

Overall, the findings indicate that product diversification is the most influential factor in retaining customers, followed by product quality and customer engagement. Companies in the water equipment and services industry should focus on expanding their product offerings while ensuring high quality and fostering customer engagement. By implementing a comprehensive strategy that integrates these three factors, businesses can enhance customer satisfaction and reduce churn, ultimately leading to improved customer retention.

#### **4.6 Chapter Summary**

The findings presented in this chapter indicate a strong predictive model for customer retention using customer engagement, product quality, price and product diversity as predictors. All these variables, except price, had a significant positive effect on customer retention.

## CHAPTER FIVE

### DISCUSSION, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

The aim of this research was to investigate the factors that influence customer retention in the water equipment and services sector. The factors of interest in this research were customer engagement, product quality, pricing and product diversification. This chapter summarizes the key findings of this study, followed by a discussion and lastly recommendations for policy, managers and theory as well as future studies.

#### 5.2 Summary of Key Findings

The first objective of this study was to examine the effect of customer engagement on retention of customers in the water equipment industry in Kenya. In this regard, the results indicated that customer engagement had a significant positive effect on customer retention ( $\beta = 0.263$ ,  $p < 0.05$ ). This means that a unit increase in customer engagement produces an increase in customer retention by 0.263 units. Therefore, improving customer engagement can increase customer retention.

The second objective of this study was to examine the effect of product quality on customer retention in the water equipment and services sector. Regarding this objective, the findings showed that product quality had a significant positive effect on customer retention ( $\beta = 0.270$ ,  $p < 0.05$ ). This means that a unit increase in product quality can produce an increase in customer retention by 0.270 units. An implication is that improving product quality can improve customer retention in the water equipment and services sector.

The objective of this study was to examine the effect of pricing on the retention of customers in the water equipment and services sector. In this respect, the results showed that price did not have a significant effect on customer retention ( $\beta = 0.118$ ,  $p > 0.05$ ). Therefore, pricing strategies are not linked to customer retention in the water equipment and services sector.

The final objective of this study was to examine the effect of product diversification on customer retention in the water equipment and services sector. In relation to this objective, the findings from this study revealed that product diversification had a significant positive effect on customer

retention ( $\beta = 0.384$ ,  $p < 0.05$ ). This means that a unit increase in product diversification can increase customer retention by 0.384 units. Thus, product diversification is a potentially effective strategy that water equipment and services company can use to improve customer retention.

### **5.3 Discussion of Findings**

This section discusses the findings of this research with respect to the study objectives.

#### **5.3.1 Customer Engagement and Customer Retention**

The findings of this study suggest that customer engagement has a positive effect on retention. This research provides evidence showing that the aspects of customer engagement, including customer feedback, knowledgeable sales representatives, reachability of the company, professionalism of customer support and providing training to customers can enhance retention. The positive effect of engagement on retention reported in this study is aligned with the postulations of the commitment-trust theory of relationship marketing. According to this theory, relationship commitment is influenced by communication effectiveness and quality. Communication effectiveness entails sharing timely and meaningful information with customers in order to keep them updated about the firm's offering and address their concerns. The commitment-trust theory of relationship marketing holds that communication improves relationship commitment (Baines et al., 2017).

The positive effect of customer engagement on retention documented in this study has also been reported in past studies. Islam et al. (2020) showed that customer engagement was positively associated with customer trust and customer retention. Similarly, Braun et al. (2017) found a positive relationship between customer engagement and product/service quality and customer retention. Sashi et al. (2019) observed that online customer engagement via social media was positively linked to customer retention as well as advocacy. Engagement did not only improve customer commitment and loyalty but also encouraged them to become brand advocates through sharing the company's social media content with others. Other studies that have demonstrated the positive effect of engagement on retention include Shawky et al. (2020), Van Tonder and Petzer (2018), and Adejuwon and Buttle (2022). Overall, the findings from this research augments existing research on the positive influence of customer engagement on their retention.

### **5.3.2 Product Quality and Customer Retention**

This study demonstrated that product quality has a significant positive effect on customer retention. The findings provide evidence indicating that elements of product quality, such as equipment reliability, responsiveness, equipment quality, after sales service and assurance, can improve customer retention. These finding is consistent with the expectation of the relationship marketing theory, which emphasizes the importance of long-term value associated with customer relationships and communicating with customers beyond using promotional messages and intrusive sales promotional messages (Harmeling et al., 2017). Increasing product quality goes beyond simply making the sale to increase responding to concerns of customers, providing after sales services and assuring them, which helps in building relationships with customers (Blut et al., 2015).

Like the current study, past studies have demonstrated the positive effect of customer retention. Customers buy products/services to meet their specific needs, and have expectations and standards regarding how a company's products/services should fulfil these needs. High product/service quality is characterized by matching or exceeding the expectations of customers (Blut et al., 2015). Solimun and Fernandes (2018) found that service quality has a direct positive effect on customer retention and loyalty. The same study showed that service quality was positively linked customer satisfaction, which in turn was positively associated with customer retention and loyalty. Likewise, Shafiee and Bazargan (2018) confirmed the positive effect of service quality on customer retention. Shafiee and Bazargan (2018) reported positive relationships between on-time delivery, swift transaction, and easy to use websites, and customer retention and loyalty. EzuRizzy and Ademe (2022) showed that service quality positively predicted customer retention. In addition, Greeff (2023) reported that service quality predicts customer loyalty. Therefore, the current study adds to the existing literature that supports the positive effect of product quality on customer retention.

### **5.3.3 Pricing and Customer Retention**

This study showed that pricing elements, especially reasonable pricing and value for money does not have a significant effect on customer retention in the water equipment services sector. This finding suggests that pricing is not an effective tool for developing long-term relationships with customers, which contradicts with the expectations of the commitment-trust theory of relationship

marketing and the relationship marketing theory that postulate that pricing is one of the strategies that companies can use to attract and retain customers (Hitt et al., 2019).

In addition, the findings from this study showing the insignificant effect of price contradicts with findings in the extant literature. Lee and Fay (2019) found that it is optimal to give past customers lower prices, especially in situations where the product of a company is less appealing to new customers in comparison to competing customers. Additionally, offering lower prices was recommended if a company has a large existing customer base, or that its existing customers are sensitive to prices of others and not the competitors. Kim (2019) presented evidence showing the influence of pricing promotions on the retention of customers. In the same way, Hanaysha (2017) indicated that pricing had a positive impact on customer retention, especially prices perceived as lowest, best, reasonable, and value for money. Haripersad and Sookdeo (2018) reported pricing is a significant predictor of customer retention. Lower prices were found to be effective in preventing customers from switching. From the past studies, it can be inferred that price is a determinant of customer retention.

A potential explanation for this divergent finding is due to how consumers perceive the price rather than the price itself. Perceptions regarding the price have been shown to influence the consumer behaviour instead of the actual price. However, this perception is dependent on the pricing strategy adopted by the company (Hitt et al., 2019). Some pricing strategies reveal the perceived cost whereas other strategies mask the cost that a consumer incurs to acquire a product or use a service.

#### **5.3.4 Product Diversification and Customer Retention**

The findings from this study showed the positive effect of product diversification on customer retention. This study suggests that providing variety in options, quality and pricing can increase retention. This finding is aligned with postulations of the commitment-trust theory of relationship marketing and the relationship marketing theory. The relationship marketing theory posits that customer loyalty and retention can be achieved through various strategies including offering the best service or best product at the best price, satisfying customer requirements above competitors and personalized engagement of customers (Harmeling et al., 2017). The theory also outlines the expected outcomes of relationship marketing, which include reduced likelihood of switching

produces, reduced price sensitivity among customers, referrals and word of mouth promotions, and increased likelihood of purchasing supplemental and ancillary products.

The findings from this study demonstrated that product diversification has a positive effect on customer retention is consistent with past studies. Tjahjaningsih et al. (2020) reported that product diversification positively influenced customer loyalty, which was mediated by customer satisfaction. According to Tjahjaningsih et al. (2020), product diversification provided customers with many choices, which in turn encouraged them to be loyal. Similar positive effects of product diversification on customer retention were demonstrated by Kanodia (2020) who linked product diversification strategies to brand loyalty. Kanodia (2020) noted that the complementarities between Colgate's products contributed to its brand loyalty. Manral and Harrigan (2018) also demonstrated how product diversification promotes loyalty in multi-product customers. Haripersad and Sookdeo (2018) reported that product diversification is a significant predictor of customer retention. Peyton et al. (2015) showed that product diversification had a positive effect on customer loyalty. Therefore, the present study provides additional evidence showing the positive effect of product diversification on customer retention.

## **5.4 Recommendations**

This section outlines the recommendations from the findings of this research for policy, managers and theory.

### **5.4.1 Policy Recommendations**

This study recommends that policymakers should adopt standards for product quality in the water equipment and services sector. The findings of this study reported the positive effect of product quality on customer retention. Based on this finding, policymakers can formulate product quality standards for water equipment products and services, which should focus on areas, such as product quality, such as equipment reliability, responsiveness, equipment quality, responsiveness, after sales service and assurance. The findings provide evidence indicating that elements of product quality can improve customer retention.

### **5.4.2 Managerial Recommendations**

This study recommends that managers should adopt practices to improve customer engagement and product diversification strategies. The findings from this study have demonstrated the positive effect of customer engagement and product diversification on customer retention. Some recommended strategies that managers can use to improve customer engagement include customer feedback, knowledgeable sales representatives, reachability of the company, professionalism of customer support and providing training to customers, which are based on the indicators used in this research. Additionally, some strategies that managers can utilize to implement product diversification include providing variety in options, quality and pricing. These strategies can improve customer retention.

### **5.4.3 Theoretical Recommendations**

The findings from this study contributes to the commitment-trust theory of relationship marketing and the relationship marketing theory. The results show that customer engagement, product quality and product diversity are effective strategies that firms can use to form long-term relationships with their customers. The findings from this study adds to existing literature showing the positive effects of customer engagement, product quality and product diversification on customer retention. Therefore, this study validates the postulations of the commitment-trust theory of relationship marketing and the relationship marketing theory. This study also addressed conceptual, methodological and contextual gaps in the literature regarding the factors that influence customer retention.

### **5.5 Study Limitations and Suggestions for Future Research**

A limitation of this research was that its was conducted only in the water equipment and services sector in Kenya, which leaves a gap for future studies to examine customer retention in other sectors, such as healthcare and manufacturing in order to determine if the findings obtained from this study can be replicated in other sectors. Future studies can also consider exploring the factors affecting customer retention outside Kenya. In addition, future studies can also use other methodological approaches, such as experimental designs and use of secondary data to obtain more accurate findings regarding the determinants of customer retention.

## 5.6 Chapter Summary

This chapter has discussed the key findings of the research. The contribution of the findings to policy, managers and theory have also been discussed. The chapter has also outlined the limitations of the current study and recommendations for future study.



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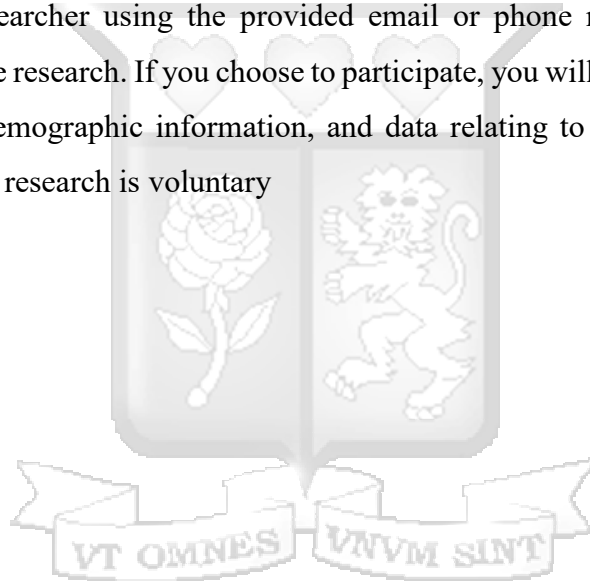
## APPENDICES

### Appendix 1: Letter of Introduction

Miriam Kahiga, a student at Strathmore University, is inviting to participate in a study titled, “Factors affecting customer retention in water equipment companies in Kenya.” The researcher is Miriam Kahiga (Email address: [Miriam.kahiga@strathmore.edu](mailto:Miriam.kahiga@strathmore.edu), Phone Number: 0727318417).

The purpose of this study is to examine the factors that influence customer retention in water equipment companies in Kenya. By participating, your insights will help water equipment companies better retain their customers.

You can contact the researcher using the provided email or phone number if you have any questions pertaining to the research. If you choose to participate, you will fill a questionnaire where you will provide your demographic information, and data relating to customer retention. Your choice to take part in this research is voluntary



## Appendix 2: Questionnaire

### Section A: Respondent Profile (Please mark below the appropriate box)

1. Indicate your gender  
Male  Female
2. Indicate your highest level of education  
College diploma  Bachelor's Degree  Masters  PhD
3. Indicate your age in years  
18-25  26-35  36-45  46-55  56 and above
4. Experience in years working for your company  
0-5 years  6-10 years  11-15 years  Above 16 years

### Section B: Factors Affecting Customer Retention

#### Customer Engagement

This section will ask you about the level to which the company engages, communicates, or interact with its customers. Show your opinion by circling one of the five numbers next to each statement. If you feel you strongly disagree with the statement, select 1, if you strongly agree, circle 5. If you are not sure, circle 3. (Strongly disagree = 1, disagree = 2, neither = 3, agree = 4, strongly agree = 5)

	1	2	3	4	5
The company takes feedback from customers seriously					
The company's sales representatives are well-informed (they answer all customers' questions)					
Customers' queries are addressed in a timely manner					
The customer support is very professional					
The training the company provides to customers is relevant					
The company has numerous avenues where our customers can reach us					
The customer service team is always available to respond to queries from our customers					

The company provides adequate technical support to its customers					
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### Product Quality

This section will ask you about the quality of the product or services offered by your company (the extent to which customers' expectations were met). If you feel the company does much worse than customers' expectations, circle 1, if the company exceeds your expectations, circle 5. If you matches customers' expectations, circle 3 (1 = much worse than expected, 2 = somewhat worse than expected, 3 = about what I expected, 4 = better than I expected, 5 = much better than I expected).

	1	2	3	4	5
The company distributes high quality water equipment					
The company keeps its promises to customers when it promises to do something by a certain time					
The company delivers products promptly					
The company has a sales service /warranty process					
The behaviour or actions of our employees instil the confidence of customers in the company					
We have few cases of customers requesting to return the products sold to them					
Very few customers complain about the quality of the company's products					
The company's products are reliable					
The company products are easy to use					

### Price

This section will ask you about your views on the prices of products and services offered by the company. Show your opinion by circling one of the five numbers next to each statement. If you feel you strongly disagree with the statement, select 1, if you strongly agree, circle 5. If you are not sure, circle 3. (Strongly disagree = 1, disagree = 2, neither = 3, agree = 4, strongly agree = 5)

	1	2	3	4	5
The prices of products and services in this company are reasonable					

Our customers get value for money					
Our customers rarely complain about the prices of our products					
Our prices are based on the quality of our products					
Our customers are satisfied with our prices					

### Product diversification

This section will ask you about your views on the variety of products and services offered by the company. Show your opinion by circling one of the five numbers next to each statement. If you feel you strongly disagree with the statement, select 1, if you strongly agree, circle 5. If you are not sure, circle 3. (Strongly disagree = 1, disagree = 2, neither = 3, agree = 4, strongly agree = 5)

	1	2	3	4	5
The company has a wide variety of products to cater to different customers' budgets					
The company has a wide range of products to choose from					
The company has a broad of range of products of different qualities to choose from depending on my preference					
The company caters to customers having a variety of needs					

### Section c: Customer Retention

This section asks you your likelihood of your customers buying from the company again in the future. If you feel you strongly disagree with the statement, select 1, if you strongly agree, circle 5. If you are not sure, circle 3. (Strongly disagree = 1, disagree = 2, neither = 3, agree = 4, strongly agree = 5)

	1	2	3	4	5
The company has loyal customers					
Our customers do not switch brands					
Our customers recommend our products to others					
Our customers are willing to wait					
Our customers are willing to search for our products					
Our customers remain because of the quality of our products					
Our customers remain with us because of the prices of our products					
Our customers remain with us because we engage with them and address their concerns					

Our customers remain with us because we offer diverse products and services					
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### Appendix 3: List of Water Equipment Companies

1. Davis and Shirliff
2. Aquatreat Solutions
3. Hydrolink Technologies Ltd
4. Davchem East Africa Ltd
5. Lewin Technologies
6. Eco Maji
7. Kanku Kenya
8. OmiFlo Limited
9. Elikham Systems Ltd
10. Atlas Copco
11. Ecocycle Limited
12. CESP Africa
13. Lotus Africa Ltd
14. Nature Systems Kenya
15. Pureflow Solutions
16. Sewertech Limited
17. Aquachem Technologies Ltd
18. Wilmag Kenya Ltd
19. Nairobi City Water & Sewerage Co Ltd
20. Vajra Drill Ltd
21. Pedic Chemicals and Equipments Ltd
22. Wotech Kenya Ltd
23. Afraha Water Ltd
24. Water Leaders (K) Ltd
25. Jumbo Tanks
26. Enpro Africa
27. Ramrod Tanks Ltd
28. Water Equipments & Systems Ltd
29. Bounty Wells
30. Puryhydro Systems



31. Aquavita Limited
32. TSW International Limited
33. Safechem (K) Ltd
34. WaterKiosk Africa
35. Dothan Aqua Systems Ltd
36. Amrutfiltration
37. Sewertech Limited
38. Bioliff Water Technologies
39. Lynntech Chemicals & Equipments Limited
40. Atlas Kenya Limited
41. Feedwater Treatment Ltd
42. Japmor
43. Environmental Products of East Africa
44. Norwa Africa Ltd
45. Trivon Trading Company Ltd
46. Biogreen Waste Water Treatment Systems
47. Oloolaiser Water & Sewarage Company Ltd
48. Collaboration Engineering Solutions and Products
49. Aqua Plumbing Co Ltd
50. Water Engineering and Pumping Technologies LTD
51. Indcare Africa Ltd
52. Elikham Systems Ltd
53. Aquatreat Solutions Ltd
54. ChemZone Kenya
55. Pure Aqua Inc.
56. Waterlink limited drillers
57. INNO-NEAT ENERGY SOLUTIONS
58. Bisol waste water solution
59. Creos Holdings Ltd
60. MajiAgri Solutions Limited
61. Odra Company Ltd



62. Rural Focus Ltd

63. Runji Consulting Group

64. Norken International Ltd

65. East African Engineering Consulting Ltd



## Appendix 4: Ethical Approval and NACOSTI License



19<sup>th</sup> June 2024

Ms Kahiga Miriam,  
Miriam.kahiga@strathmore.edu

Dear Ms Kahiga,

**RE: Factors Affecting Customer Retention among Water Equipment Companies in Kenya**

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2248/24**. The approval period is from **19<sup>th</sup> June 2024 to 18<sup>th</sup> June 2025**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

**Mr Ambrose Rachier,**  
Chairperson; SU-ISERC



REPUBLIC OF KENYA

Ref No: 889640

RESEARCH LICENSE



This is to Certify that Miss. MIRIAM WANJIRU KAHIGA of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Baringo, Boimet, Garissa, Kiambu, Kisumu, Marsabit, Mombasa, Nairobi, Nakuru, Nyeri, Samburu on the topic: FACTORS AFFECTING CUSTOMER RETENTION AMONG WATER EQUIPMENT COMPANIES IN KENYA for the period ending : 11/July/2025.

License No: NACOSTI/P/24/37504

Applicant Identification Number 889640



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Date of Issue: 11/July/2024

Handwritten signature of Director General

DIRECTOR GENERAL NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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