CUSTOMER RETENTION STRATEGIES FOR THE TEA INDUSTRY IN SRI LANKA

TEHZEEB BISHRI

International Business Student, Staffordshire University, UK
Colombo 00500, Sri Lanka

ABSTRACT

The Sri Lankan tea industry faces intensified challenges in customer retention, with high churn rates and a declining customer base exacerbated by economic volatility, supply limitations, and rising production costs. This research investigates factors influencing customer retention (CR) for a prominent Sri Lankan tea exporter, referred to as "The Company." With a primary export market spanning 36 countries, "The Company" contends with a high 35.9% churn rate, significantly above the industry average of 16.4%, risking long-term sustainability. A comprehensive review of customer satisfaction (CS), switching costs, price perception, and perceived service quality (PSQ) provides a framework for analyzing CR in Sri Lanka's competitive tea market. Utilizing insights from relationship marketing theory (RMT) and SERVQUAL, the study highlights how CS, fair pricing, and ethical practices drive loyalty and repurchase intent in the business-to-business (B2B) and consumer (B2C) tea sectors. This study also addresses a literature gap by examining CR specifically within the tea industry, distinguishing it from other sectors previously studied. Findings are anticipated to offer "The Company" and similar entities strategic directions for bolstering customer loyalty, with implications for maintaining competitive advantage through customer-centric improvements tailored to industry-specific dynamics.

Keywords: Customer Retention, Customer Satisfaction, Perceived Service Quality, Price Perception, Switching Costs, Relationship Marketing Theory, Tea Industry in Sri Lanka, Competitive Advantage

Privacy Statement

To maintain the confidentiality of proprietary information, the name and any identifiable details of the company analyzed in this assessment have been omitted. All references to the organization will use generalized terms (e.g., The Company) to ensure privacy and compliance with ethical publishing standards. The reports of the company are referred to as "The Company" for author. Moreover, the industry information in relation to the competitors has been adjusted to mask the identity of The Company. This approach is taken to respect the organization's privacy and uphold academic integrity. The analysis presented is based on publicly available data or anonymized information provided by the company, with no sensitive or proprietary details disclosed.

Abbreviations used

CL- Customer Loyalty, CR- Customer Retention, CS- Customer Satisfaction, PP- Price Perception, PSQ- Perceived Service Quality, SC- Switching Cost, IV- Independent Variable, DV- Dependent Variable, SPSS- Statistical Package for Social Sciences

1.0 INTRODUCTION

1.1 Company Overview

The company, established in 1989, is a Sri Lankan private-label tea packer that has been among the Top 10 Exporters in the country since 2005 (The Company, no date). Their flagship brand, The Company Brand, is sold globally, with its top 2 markets being Iraq and Maldives (Volza, 2023). They offer in the form of tea bags, packets, and bulk quantities, catering to both consumer (B2C) and business (B2B) markets (The Company, no date). Their teas are of high quality and come in various flavours to suit any palette.

The company faces competition from established tea industry giants, boutique speciality tea brands, and emerging players in both local and international markets.
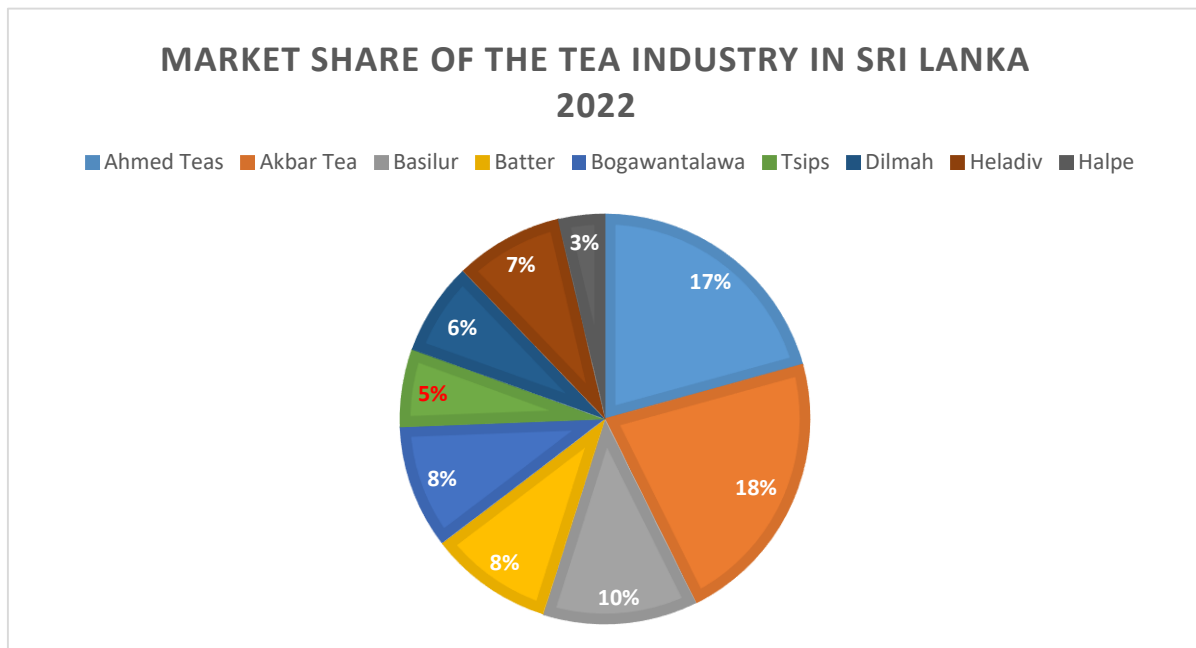

MARKET SHARE OF THE TEA INDUSTRY IN SRI LANKA 2022

Legend: Ahmed Teas, Akbar Tea, Basilur, Batter, Bogawantalawa, Tsips, Dilmah, Heladiv, Halpe

Values shown: 17%, 18%, 10%, 8%, 8%, 5%, 6%, 7%, 3%

Figure 1: Top 10 Tea Companies in Sri Lanka (Data One, 2022)

1.2 Identified Issue

The biggest competitive advantage in the tea industry in Sri Lanka is retaining its customers as it helps position them in the top 10 list and encourages repeat purchases (Musumali, 2019). Customers of the tea industry are big buyers of large quantities; therefore the repeat-purchase rate is over 90% in Sri Lanka (Bishri, 2023a). However, due to the high competitiveness of this industry, the customer retention rate is only 17% (Tea Exporters Association Sri Lanka, 2023a). According to Khan (2013), Customer Satisfaction (CS), good service quality, and Customer Loyalty (CL) play a pivotal role in retaining a customer.

The Company exports to 36 countries in total (The Company, no date). They currently have 103 buyers, a 28.5% decrease since 2019 which was 140 (See Figure 2). The number of buyers has been gradually decreasing throughout the years for many reasons such as the scarce availability of teas in the market and the decrease in the production of teas by 27.30 Million Kilograms in just one year (Tea Exporters Association Sri_Lanka, 2023b). The tea industry took a hit with the economic crisis and exchange loss in Sri Lanka, causing a significant drop in customers. This has resulted in The Company facing consecutive years of losses (Bishri, 2023a). Casteran, Meyer-Waarden and Reinartz (2017) claim that this issue is of paramount importance because a shrinking customer base could indicate that rivals are successfully attracting your customers, or internal issues such as product quality and customer service deficiencies.
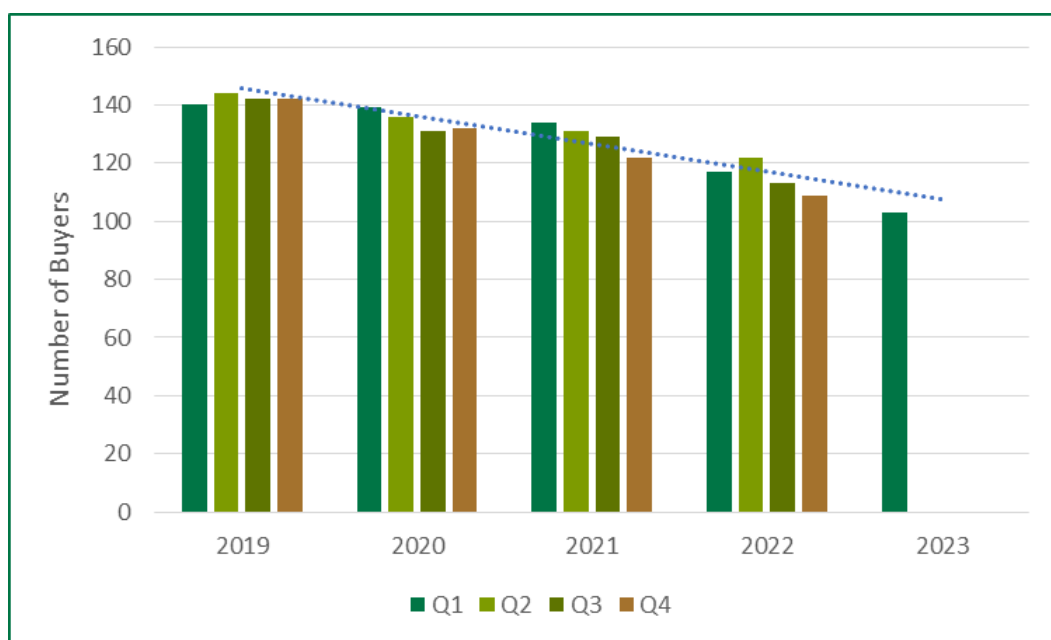

Figure 2: Number of Buyers at The Company has decreased since 2019 (The Company, 2023) (Refer to Appendix 1 for a comprehensive table).

Akbar Teas, Sri Lanka's leading tea exporter, has managed to retain their customers, despite the challenges the nation is facing, due to its focus on specialty tea production and branding. Despite low production quantities, Akbar Teas maintains high-profit margins (Bishri, 2023b).

On the contrary, The Company, a company primarily selling in bulk quantities, has been experiencing repeated losses since the start of COVID-19, resulting in a loss of Rs.50 million in the first quarter of 2023 (Bishri, 2023a). Compared to the industry customer churn rate average of 16.4% as of 2023, The Company churn rate is high at 35.9%, emphasizing the need for improvement (The Company, 2023; Data One, 2022). If no progression occurs, The Company is at high risk of closure.
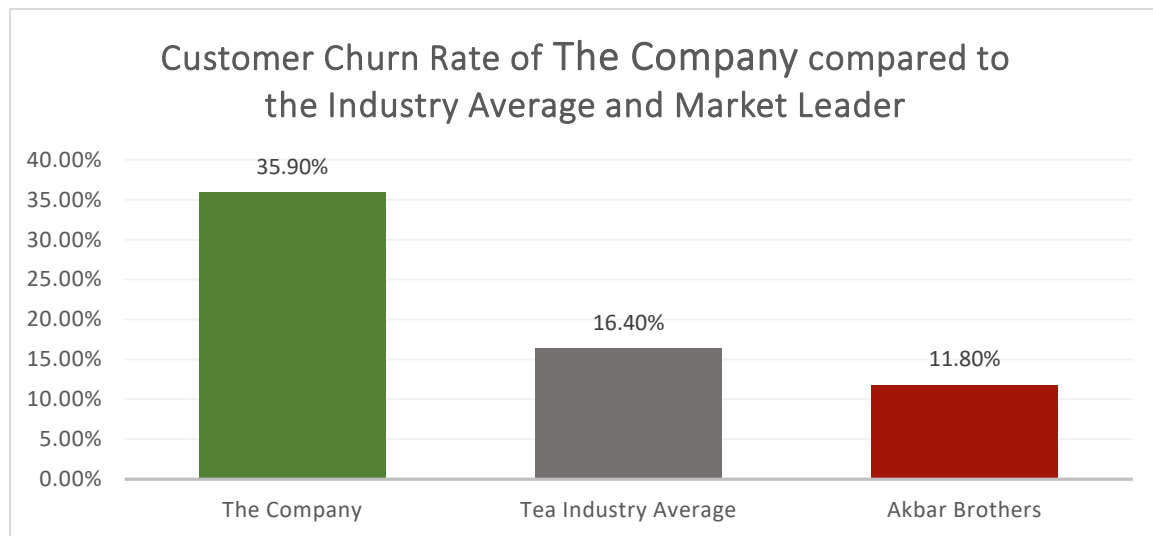
Customer Churn Rate of The Company compared to the Industry Average and Market Leader

Figure 3: Customer churn rate of The Company compared to industry and market leader (Bishri, 2023b)

2.0 PROJECT BACKGROUND

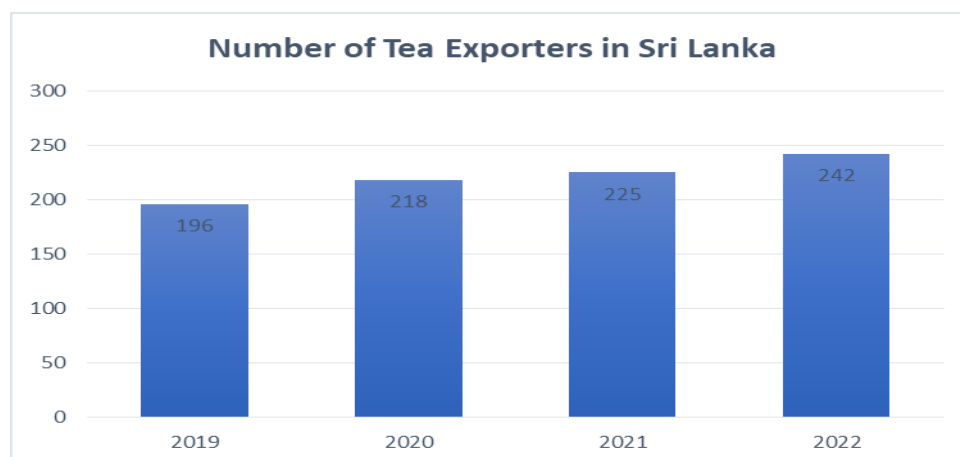Number of Tea Exporters in Sri Lanka

Figure 4: Number of registered tea companies in Sri Lanka (Bishri, 2023c)

The tea industry is very volatile now due to environmental factors such as the low yield in crops which has seen a steady decline since 2019 (Sidhakaran et al., 2022), the rise in the cost of production due to high labour costs in Sri Lanka (Gunatilaka and Chandrasiri, 2022) and the fluctuating exchange rates which has affected the cost of production inputs such as fuel (Gooneratne and Silva, 2022). Despite these negatives, the industry has evidenced a mushrooming of new tea exporters increasing the number of registered companies by 23.5% since 2019 (See Figure 4). This high intensity of competition has lowered the switching cost for customers who demand excellent service and consistent quality for their products afforded to them at the best price.

This has made Customer Retention (CR) the key success factor to sustain a business in the tea industry in Sri Lanka.

3.0 BUSINESS CASE

The following reasons outline why The Company needs to achieve CR to sustain itself in the market.

- It is cost-effective as acquiring a new customer is five times more expensive than retaining a current one (Jaffe, 2010).
- Loyal customers become active marketers for the business by providing positive feedback and promoting the business positively (Khan et al., 2020).
- There will be an increase in revenue as customers are more likely to repeat purchases (Hilal and Kaldeen, 2013).

Kotler (1994) claims that "the key to customer retention is customer satisfaction", with 89% of consumers re-purchasing after a positive service experience (Mulcahy, 2020). Oh and Kim (2017) claim that CL and trust mediate the relationship between CS and CL. Additionally, fair pricing in B2B markets improves repurchase intention and post-purchase satisfaction.

In Sri Lanka's tea industry, customers shift if a competitor quotes even a minimal change in price, indicating a low number of loyal customers as customers do not have the intention to repeat their purchases (Bishri, 2023a). Since the industry is highly competitive, this could lead to a company's permanent closure due to losses.

The Company has implemented retention strategies like regular market visits and breakeven pricing, but their churn rate (See Figure 4) surpasses the industry average, highlighting the need for improvement.

4.0 PROJECT OBJECTIVES AND RATIONALE

4.1 Research Objectives

1) To analyze the relationship between customer retention and customer satisfaction, switching costs, price perceptions, and perceived service quality.
2) To identify the most impactful element that increases customer retention.
3) To recommend how the most impactful strategy could increase The Company customer retention over time.

4.2 Research Hypothesis

H10	There is no relationship between Customer Satisfaction and Customer Retention
H1a	There is a relationship between Customer Satisfaction and Customer Retention
H20	There is no relationship between Switching Costs and Customer Retention
H2a	There is a relationship between Switching Costs and Customer Retention
H30	There is no relationship between Price Perceptions and Customer Retention
H3a	There is a relationship between Price Perceptions and Customer Retention
H40	There is no relationship between Perceived Service Quality and Customer Retention
H4a	There is a relationship between Perceived Service Quality and Customer Retention

Table 1: Developed Hypothesis

4.3 Project Rationale

There is a critical gap in research and information available on the tea industry in Sri Lanka on CR. While there are numerous articles examining CR in other industries, there is an obvious absence of studies on the unique methods of retaining customers in the tea sector. This gap is highlighted by the writings of Smith and Bolton (1998), Rust, Zahorik and Keiningham (2000), Gummesson (2002), and Verhoef, Franses and Hoekstra (2002) who mostly explore CR in the context of industries other than tea.

Additionally, the existing literature on CR often contains opposing viewpoints that lead to confusion and misunderstanding. Therefore, context-specific research is needed to provide actionable insights for The Company. Examples of these inconsistencies can be seen in the works of Jones and Sasser (1995) who suggest that consumer defection could be advantageous for businesses, but Reichheld (1996) argues that CR is a key component of business success. Heskett et al.'s (1990) study states that there is no relationship between CR and Profitability because they suggest that factors such as cost structure, competitive pressures, and market dynamics, can offset the benefits of retaining customers. But on the contrary, Buchanan and Gillies (1990) claim there is a relationship between CR and Profitability.

Furthermore, the majority of existing research on CR was conducted before digital technology became mainstream and generated immense changes in consumer involvement and relationships. This includes the notable writings of Jones and Sasser (1995), Oliver (1999), Heskett et al. (1990), Bolton, Kannan and Bramlett (2000), Blattberg and Deighton (1996), Reichheld and Sasser (1990), Bolton and Drew (1991), Hart, Heskett and Sasser (1990), Zeithmal, Berry and Parasuraman (1996), and Reinartz and Kumar (2000). All of this research was conducted before the 2000s and may not fully capture the complexities of CR in today's world.
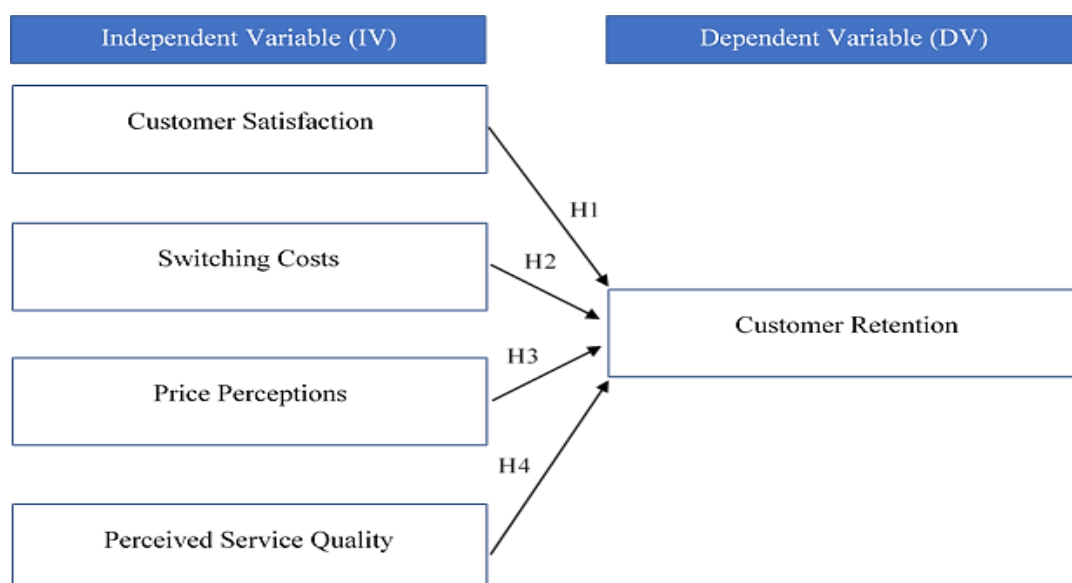
4.4 Conceptual Framework

Figure 5: Conceptual Framework

5.0 LITERATURE REVIEW

5.1 Customer Retention (CR)

Customer retention is a crucial part of business strategy, directly influencing profitability and sustained growth (Gupta and Zeithaml, 2006). Aspinall, Nancarrow, and Stone (2001) define CR as "the future trend of customers to continue being in a business relationship with their vendors". Scholars have extensively explored this area, revealing various factors contributing to CR. One key factor is the quality of customer service, as emphasized by Haughey (1996, cited in Reichheld, 1996), who argued that building strong customer relationships through exceptional service can enhance retention rates and thereby reduce marketing costs and increase long-term revenue. In the tea industry in Sri Lanka, which exports a significant portion of its produce, building CL becomes imperative for consistent revenue generation (Bowen and Chen, 2001).

Furthermore, Relationship Marketing Theory (RMT), as proposed by Morgan and Hunt (1994) highlighted the significance of relational bonds in retaining customers. This theory emphasizes personalized interactions, effective communication, and consistently meeting or exceeding customer expectations. Such relationships not only engender CS but also enhance CR. Building enduring connections with customers increases their likelihood of returning, providing valuable feedback, and becoming brand advocates (Berry and Carbone, 2007). Hence, RMT is crucial for nurturing customer relationships that transcend transactional interactions, thereby enhancing the long-term sustainability and profitability of businesses (Bramulya et al., 2016). Marketing strategies and branding are two ways to achieve this (Keller, Parameswaran and Jacob, 2011). The Ceylon Tea brand has been globally recognized and marketed effectively (Hilal and Kaldeen, 2016). The promotion of the unique qualities and health benefits of Ceylon tea contributes to CR (Pattarakitham, 2015).

Berry (2002) emphasized the importance of customer experience in retention, stating that creating memorable and positive experiences is a powerful tool for retaining customers. Companies that place a high value on delivering exceptional experiences foster emotional connections with their clientele, resulting in increased loyalty and reduced churn rates (Rozell, Pettijohn and Parker, 2004). Creating personalized experiences for customers in the tea industry through direct interactions at tea estates and visitor centres has proven effective (Fernando, Rajapaksha and Kumari, 2016). These interactions enhance CS and CL.

Moreover, technological advancements and ethical practices have reshaped CR strategies. Keaveney (1995) highlighted the impact of information technology in facilitating personalized interactions with customers. Utilizing data analytics and AI-driven solutions, businesses can tailor their offerings to meet individual preferences, thereby increasing the likelihood of CR (O'Flaherty and Heavin, 2015). Moreover, customers are increasingly concerned about sustainability and ethical practices in the products they consume (Kotler et al., 2004). Sri Lankan tea companies have recognized this trend and are actively implementing sustainable and ethical practices (Kamalakkannan, Kulatunga and Kassel, 2020). Such initiatives resonate with environmentally and socially conscious consumers, contributing to CR.

5.2 Customer Satisfaction (CS)

Customer satisfaction described by Fornell (1992) is the "attitude shaped by the customer after purchasing a product or service based on their experience". It is the cornerstone of business success, as it not only leads to CL but also positive word-of-mouth and repeat purchases (Anderson, Fornell and Lehmann, 1994). A key factor influencing CS is the excellence of quality of products and services provided (Zeithaml, Parasuraman, and Berry, 1990). CS is often tied to their perception of receiving greater value than they initially expected (Anderson and Sullivan, 1993). This demonstrates the importance of consistently delivering superior goods and services that meet or exceed customer expectations (Fredericks and Salter, 1995). A long tradition of manufacturing high-quality tea exists in Sri Lanka (Gunasekare, 2012, cited in Chen, Apostolides and Chen, 2012). Thus, long-term success for the business depends on prioritizing the demands of its clients.

Furthermore, according to Takemura (2019), communication plays an important part in determining consumer happiness. Effective communication, as suggested by Spreng and Mackoy (1996), plays a vital role in understanding and addressing customer concerns. Timely responses to inquiries, active listening, and clear explanations can significantly enhance CS, demonstrating the importance of communication skills in various industries (Min, Jung and Ryu, 2021).

The concept of CS has evolved to encompass the entire customer journey, spanning from pre-purchase expectations to post-purchase experiences (Oliver, 1997). The holistic approach acknowledges that satisfaction is not solely determined by product quality but also by the entire brand interaction. Businesses that provide consistent, positive experiences at every touchpoint tend to foster higher CS and CL (Yi and La, 2004).

According to Guido (2015), Leninkumar (2017) and Gustafsson, Johnson and Roos (2005), there is a positive and direct relationship between CS and CR.

H10	There is no relationship between Customer Satisfaction and Customer Retention
H1a	There is a relationship between Customer Satisfaction and Customer Retention

5.3 Switching Cost (SC)

Switching costs refer to the financial and non-financial expenditures incurred when transitioning from one product, service, or brand to another (Anderson and Narus, 1990). Financial SCs are evident in the tea industry when consumers contemplate changing their preferred tea brand. For instance, terminating long-term contracts with a tea supplier may result in financial penalties, such as contract termination fees (Perera, Bialkowski and Bohl, 2020). Additionally, the expense of acquiring new tea products can be a substantial financial burden (Jones and Sasser, 1995). This financial commitment often discourages customers from switching brands, particularly when considering the economic implications.

Research by Geyskens, Steenkamp and Kumar (1998) underscores the role of personal connections in creating SCs. In Sri Lanka's tea market, where trust and relationships between consumers and tea producers are paramount, the reluctance to break these ties can significantly impact consumer behaviour (Kasturiratne and Poole, 2006). These social connections foster brand loyalty and influence decisions to stick with a particular tea brand or supplier.

Psychological SCs are equally significant, as cognitive effort is required to adapt to a new tea brand or type. Ganesh, Arnold and Reynolds (2000) introduced the concept of cognitive SCs, which is crucial in the context of tea in Sri Lanka. Consumers invest significant time and effort in learning about the unique flavours and characteristics of different tea varieties (Xie et al., 2023). Switching to a new brand entails the mental effort of adapting to new taste profiles, brewing methods, and preferences, making it a considerable hurdle (Shams, 2016).

Technological advancements have also influenced SCs in the tea industry as consumers now have access to online comparison tools that ease the process of gathering information about different tea brands and their attributes (Hoffman and Novak, 1997). As a result, businesses in Sri Lanka's tea sector must focus on delivering exceptional tea experiences to counter the reduced information-based SCs. This involves ensuring that their online presence and customer engagement strategies are effective in retaining loyal customers (Butz and Goodstein, 1996).

According to Milan, Eberle and Bebber (2015), Edward and Sahadev (2011) and Moenardy, Arifin and Kumadji (2016), SCs have a significant positive influence on customer turnover as it stimulates the customer's desire to continue business with the provider.

H20	There is no relationship between Switching Costs and Customer Retention
H2a	There is a relationship between Switching Costs and Customer Retention

5.4 Price Perception (PP)

Zeithaml (1988) defines PP as "the perceived value of money (monetary) and sacrifice (non-monetary) given by a customer to get a product". One key determinant of PPs is the reference price. As proposed by Monroe (1979), customers evaluate the price of tea by comparing it to an internal reference point. In the Sri Lankan tea market, consumer's reference points may be influenced by the prices of traditional Ceylon teas. When the actual price of a tea product is lower than this reference price, customers see it as a good deal which thereby enhances CS and attracts more buyers (Li and Liao, 2009).

Another dimension of PP is price fairness, which has implications for the tea industry's marketing and business communication strategies. Zeithaml (1988) highlights that customers assess the fairness of tea prices based on their perceptions of equity and justice. In Sri Lanka's tea sector, pricing decisions should consider not only profitability but also the perceived fairness of tea prices (Kukar-Kinney, 2005). Ensuring that tea prices align with customer expectations of fairness helps maintain trust and satisfaction among tea enthusiasts.

Furthermore, Dodds, Monroe and Grewal (1991) proposed that PPs in Sri Lanka's tea market are influenced by the perceived value that customers derive from a tea product. A tea brand that emphasizes the unique qualities and health benefits of Ceylon tea can justify its price points and enhance perceptions of affordability and worth, contributing to increased sales and satisfaction (Bandara, Gayathri and Lankapura, 2021).

Price-quality perceptions also have a significant impact on pricing strategy as suggested by Rao and Monroe (1989) who claim that consumers often associate higher prices with higher

product quality. Therefore, pricing strategies should consider how consumers perceive the relationship between price and tea quality.

According to Dawes (2009), Anuwichanont (2011) and Wahjoedi, Harjanti and Rahayu (2022), there is a significant positive relationship between PP and CR.

H30	There is no relationship between Price Perceptions and Customer Retention
H3a	There is a relationship between Price Perceptions and Customer Retention

5.5 Perceived Service Quality (PSQ)

Customer-perceived quality is a major aspect of evaluating services, and Parasuraman, Zeithaml, and Berry's (1988) SERVQUAL model has found extensive application in understanding and measuring it.

One of the central dimensions of the SERVQUAL model is tangibles, which encompass the physical attributes of the service environment. In the tea industry of Sri Lanka, this is presented by the condition of tea estates and the appearance of the personnel involved in tea production and service (Chang and Tu, 2005). Research by Zeithaml, Parasuraman, and Berry (1990) states that well-maintained facilities and a professional appearance impacts customers' perceptions of service quality significantly. In marketing Sri Lankan tea, presenting visually appealing packaging and providing an inviting atmosphere can enhance customers' initial impressions and contribute to their overall perceived quality (Shen, 2016).

Reliability, another crucial dimension, pertains to the consistency and dependability of service delivery. Spreng and Mackoy (1996) emphasize the role of reliability in building customer confidence and trust. Ensuring that every batch of Ceylon tea maintains its quality standards is imperative for building a loyal customer base, particularly in the global tea market (Dhanakumar, 2001).

Responsiveness, the third dimension of SERVQUAL, is where customer inquiries and requests for information are common. Parasuraman, Zeithaml, and Malhotra (2005) highlight the importance of quick and efficient responses in satisfying customer expectations. Promptly addressing customer inquiries can significantly enhance perceived quality, particularly in the marketing and customer service of Sri Lanka's tea sector (Mubarak and Mufeeth, 2020).

Assurance, the fourth dimension, relates to the competence and politeness of tea company representatives and their ability to instil trust and confidence in customers (Parasuraman, Zeithaml, and Berry, 1988). Effective assurance through clear and respectful communication is vital for enhancing perceived quality (Ulaga and Chacour, 2001).

Empathy, the fifth dimension, is pivotal in understanding and addressing the individual needs and concerns of tea consumers (Ulaga, 2003). Tailoring services to meet customer preferences and offering personalized recommendations can enhance perceived quality thereby building stronger relationships and improving the overall quality perception of their products and services (Berry, 2002).

According to Guido (2015), Johnson and Fornell (1991) and Oh and Kim (2017), PSQ has a direct positive impact on CR.

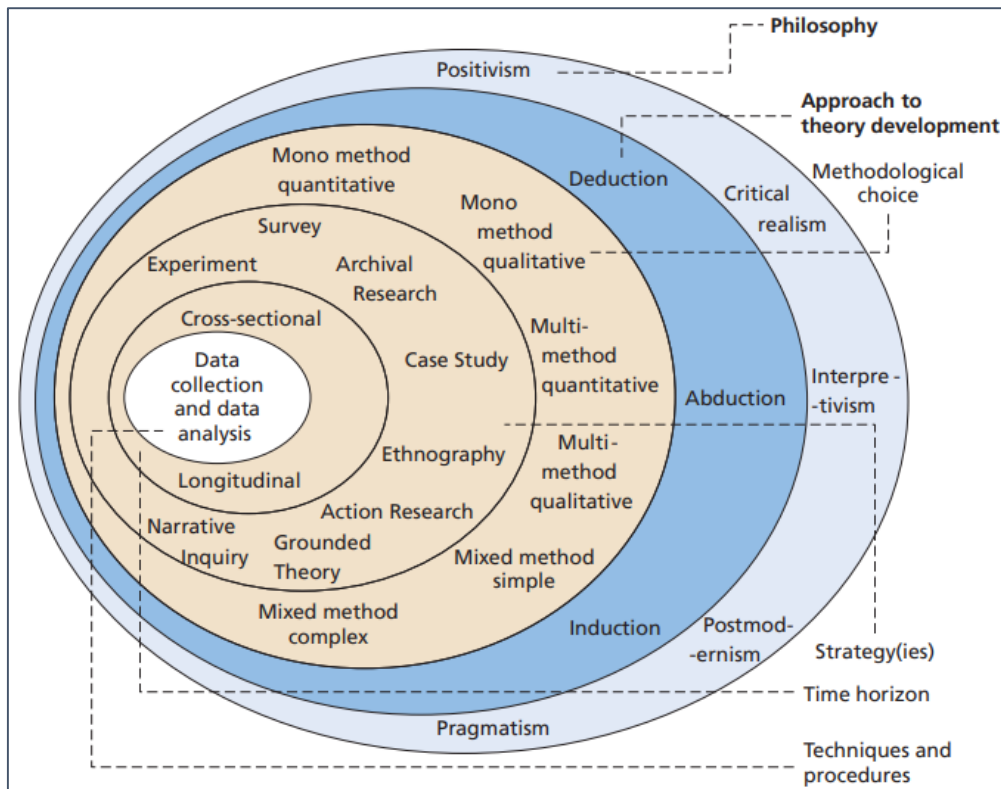| H40	There is no relationship between Perceived Service Quality and Customer Retention
H4a	There is a relationship between Perceived Service Quality and Customer Retention

6.0 METHODOLOGY

Figure 6: Research Onion (Saunders, Lewis and Thornhill, 2019)

6.1 Research Philosophy and Approach

Research Philosophy defined by Saunders, Lewis and Thornhill (2019) is a set of fundamental beliefs about how knowledge is developed that guides the designing and implementation of a research study. This research has adopted a Positivist Philosophy and Deductive Approach. Positivism emphasizes the use of empirical evidence through the collection of quantifiable data to create relationships between factors and outcomes, and a deductive approach entails testing the relationship between variables by the formulation of hypotheses, followed by quantitative hypothesis testing to validate theories relevant to the research context (Saunders, Lewis and Thornhill, 2019).

6.2 Research Method

The research method is Quantitative and this involves collecting and analyzing numerical data through interviews or questionnaires. Mono-method quantitative study is adopted in this research. The data will be collected through a Google Forms Questionnaire form comprising a mix of multiple-choice questions and Likert scale questions to operationalize and measure the variables to achieve objective 2 (Kothari, 2004). A questionnaire defined by Roopa and Rani (2012) is a "means of collecting quantitative primary data in a standardized way so that the data are internally consistent and coherent for analysis". The Likert scale questions have been adapted from the research conducted by Almohaimmeed (2019), Mujtaba, Mokhtar and Aliyu (2013), Chuah et al. (2017), Lichtenstein, Ridgway and Netemeyer (1993), and Cronin and Taylor (1992) to ensure data reliability.

6.3 Population, Sampling Technique and Sample Size

The population is a group of people that share similar characteristics (Majid, 2018). The population of this research would be 108 buyers/customers of The Company.

A sampling technique refers to the procedure of choosing a subset from the overall population for the purpose of gathering research data (Som, 1996). The two types of sampling techniques are random sampling am non-random sampling. Random Sampling ensures that each individual in the population possesses an equal opportunity of being chosen as part of the sample, whereas non-random sampling is purposive and implicates selecting specific individuals or groups intentionally (Som, 1996). The sampling technique utilized is convenience sampling, a non-random sampling method. This method involves using respondents who are "conveniently" available so that it makes data collection easy for the researcher (Etikan, 2016).

A sample is a portion of the population that is chosen for the purpose of gathering data (Majid, 2018). A sample size of 85 was arrived at by applying the Anderson Table comprising of 95% confidence level and 5% margin for error (Research Advisors, 2022). These participants include customers of The Company from around the globe who have varying degrees of experience with the brand, including first-time buyers and long-term customers.

6.4 Time Horizon

6.4.1 Cross-sectional

The time horizon for this research is cross-sectional because the data is collected at one point in time from different individuals (Creswell and Clark, 2017).

Project Timescale
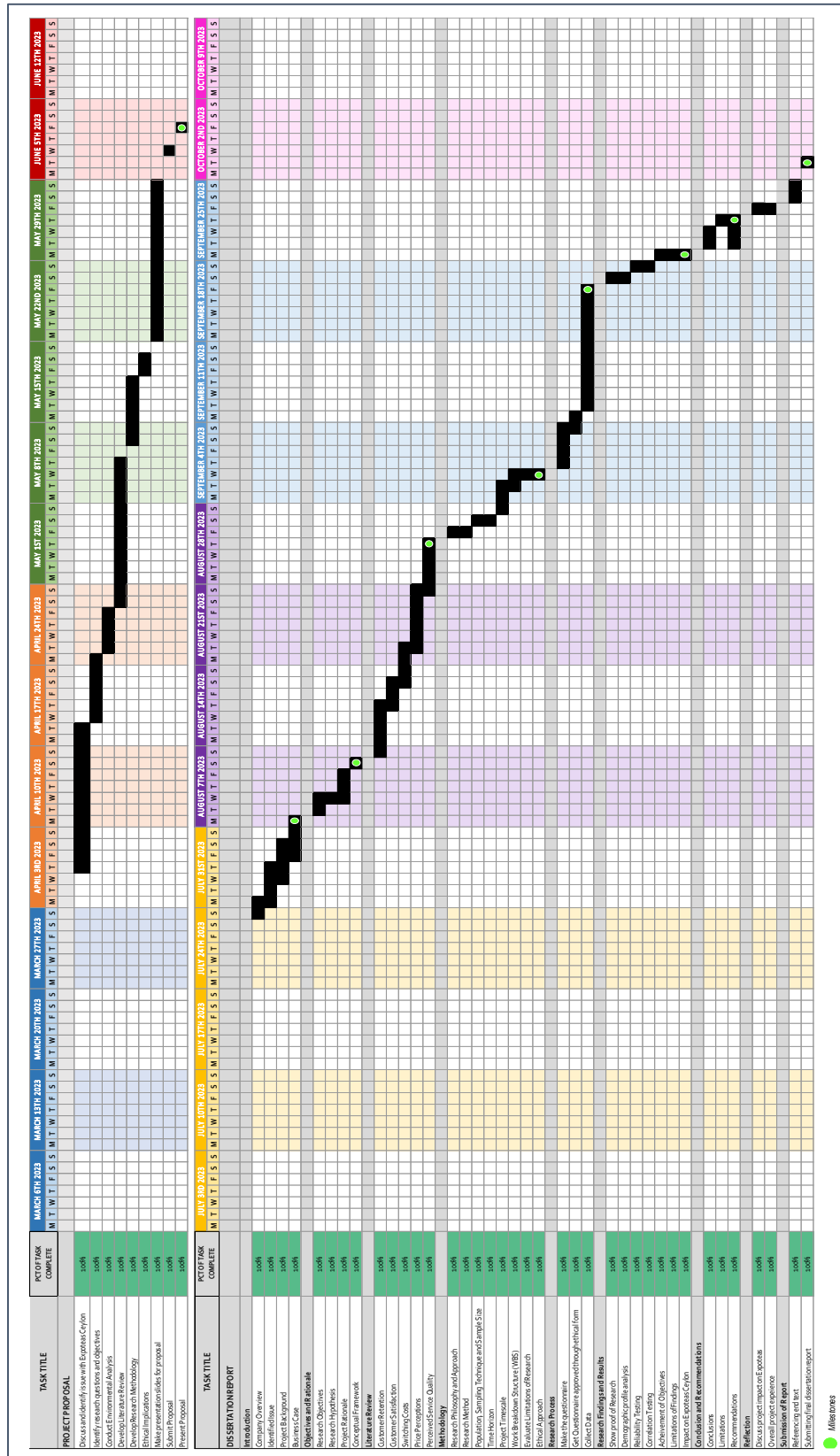
Work Breakdown Struct

A Project to Improve Customer Retention Strategies at The Company

- **Project Proposal**
  - Discuss and identify issue with The Company
  - Identify research questions and objectives
  - Conduct Environmental Analysis
  - Develop Literature Review
  - Develop Research Methodology
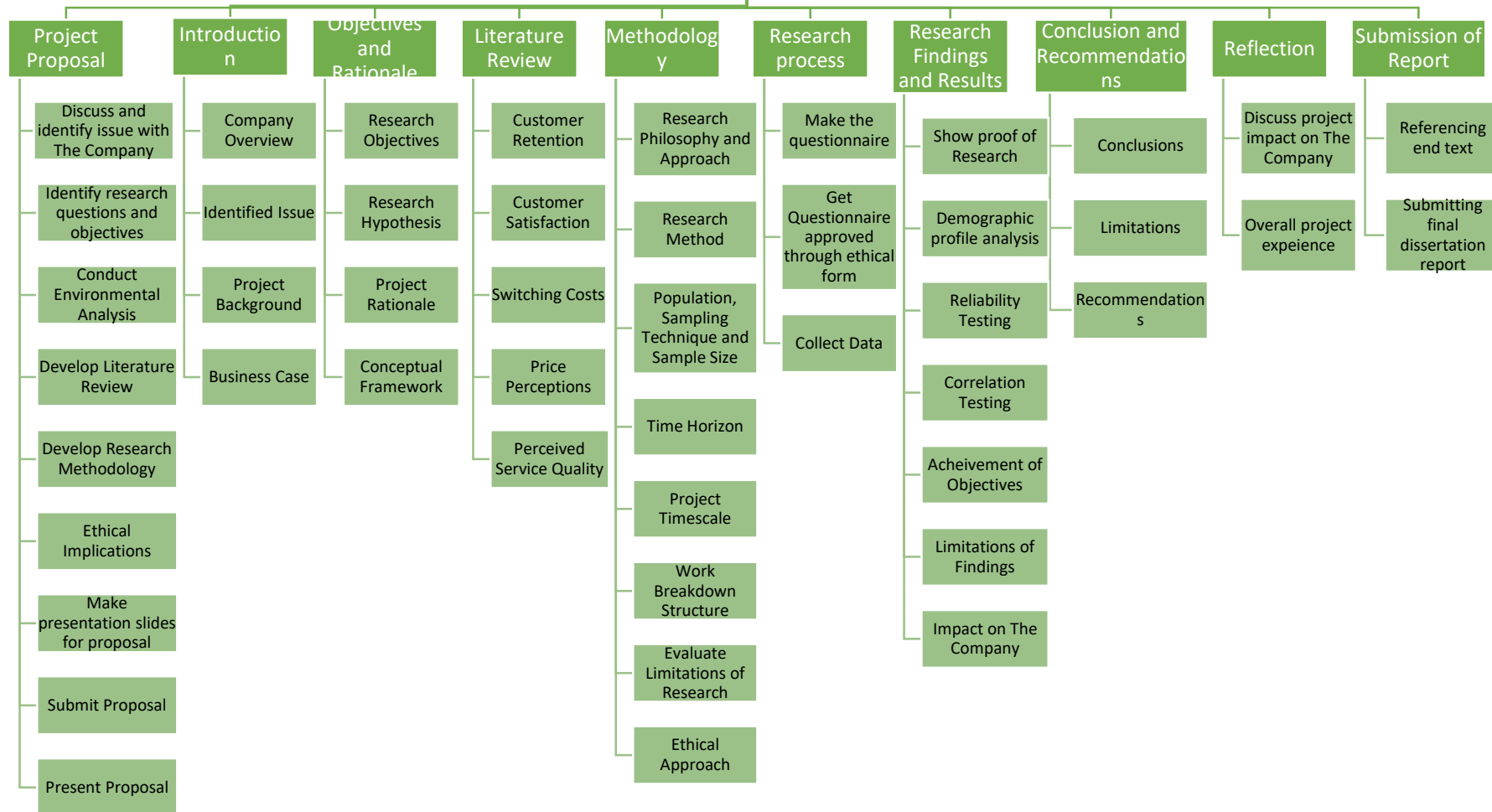 - Ethical Implications
  - Make presentation slides for proposal
  - Submit Proposal
  - Present Proposal

- **Introduction**
  - Company Overview
  - Identified Issue
  - Project Background
  - Business Case

- **Objectives and Rationale**
  - Research Objectives
  - Research Hypothesis
  - Project Rationale
  - Conceptual Framework

- **Literature Review**
  - Customer Retention
  - Customer Satisfaction
  - Switching Costs
  - Price Perceptions
  - Perceived Service Quality

- **Methodology**
  - Research Philosophy and Approach
  - Research Method
  - Population, Sampling Technique and Sample Size
  - Time Horizon
  - Project Timescale
  - Work Breakdown Structure
  - Evaluate Limitations of Research
  - Ethical Approach

- **Research process**
  - Make the questionnaire
  - Get Questionnaire approved through ethical form
  - Collect Data

- **Research Findings and Results**
  - Show proof of Research
  - Demographic profile analysis
  - Reliability Testing
  - Correlation Testing
  - Acheivement of Objectives
  - Limitations of Findings
  - Impact on The Company

- **Conclusion and Recommendations**
  - Conclusions
  - Limitations
  - Recommendations

- **Reflection**
  - Discuss project impact on The Company
  - Overall project expeience

- **Submission of Report**
  - Referencing end text
  - Submitting final dissertation report

6.5 Ethical Approach

According to Sekaran and Bougie (2016), ethics in the realm of business research refers to a set of principles or the anticipated societal norms guiding acceptable behavior

This research adheres to the Staffordshire University ethical guidelines. There are no sensitive or controversial content posed in the research questionnaire. All participants will provide their electric consent before answering the questionnaire. Additionally, participation in the research is entirely voluntary, and participants have the right to withdraw from the questionnaire at any point, with their choice being respected. Participants' identities will be kept confidential, and all collected data will be used solely for this research, after which it will be securely deleted and not be misused.. This practice adheres to the provisions highlighted in the Data Protection Act 2018 under the General Data Protection Regulation (The National Archives, 2018). Lastly, any authors used for secondary research purposes will be credited in accordance with academic standards.

6.6 Limitations of Research

- There will be bias in convenience sampling because participants are not chosen randomly (Andrade, 2020).
- In the context of convenience sampling, there will also be researcher bias as the researcher will be more prone to selecting people who would offer the most data, thereby leading to the collection of data from a specific subgroup of the population (Lewis-Beck, Bryman and Liao, 2004).
- The adoption of positivism relies on experiences that are criticized as being only descriptive. Therefore, knowledge captured is low, and there is a lack of insight into in-depth issues (Rahman, 2016).
- This research also has a strict timeline of only 3 months, therefore extensive research and in-depth analysis of the issue and findings cannot be carried out perfectly.

7.0 PROJECT RESULTS AND FINDINGS

The following results have been analyzed using SPSS version 29.
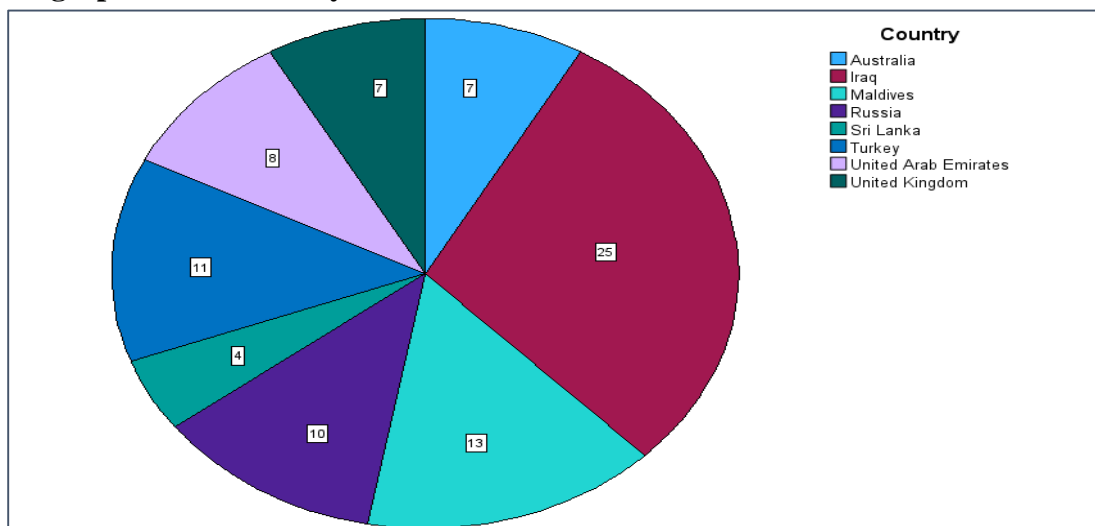
7.1 Demographic Profile Analysis

Figure 9: Location of Customers

The majority of the participants are based in Iraq (31%) and Maldives (15%). This is because The Company's top 2 markets are Iraq and Maldives (Volza, 2023). This was followed by Turkey (13%), Russia (12%), UAE (9%), UK (8%), Australia (8%) and lastly Sri Lanka (5%).
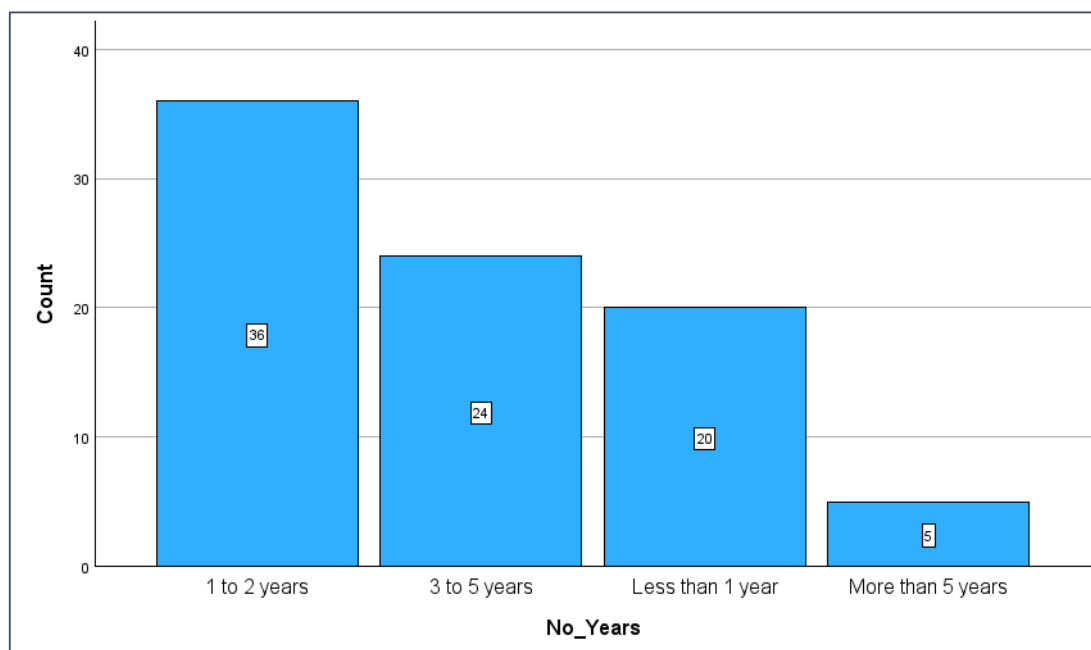

Figure 10: CL in years

42% of the participants have been purchasing teas from The Company for 1-2 years. This was closely followed by customers of 3-5 years (28%) and less than 1 year (24%). Only 6% of customers have been with The Company for longer than 5 years.
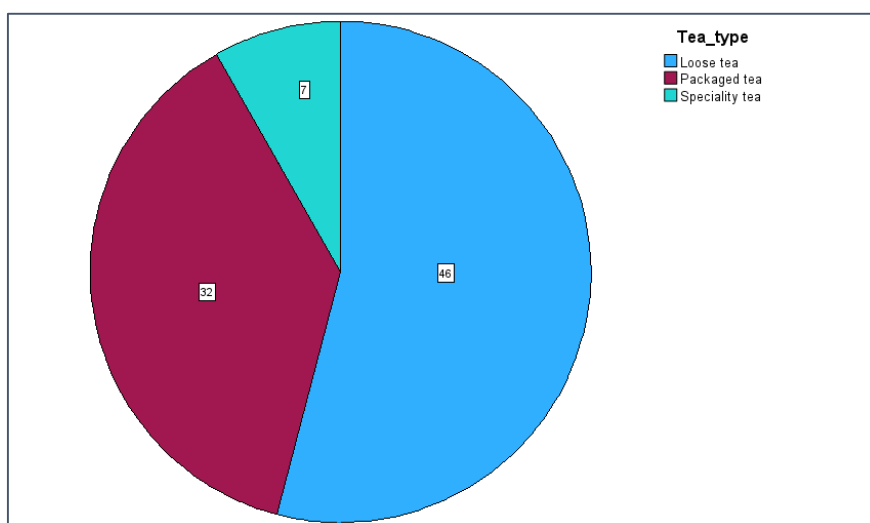

Figure 11: Types of tea purchased

54% of the participants purchase loose tea, and 38% purchase packaged tea. Only 8% buy specialty teas from The Company.

7.2 Reliability Testing

According to Cronbach (1947), Reliability Testing is the consistency of a measuring procedure in producing findings that are identical. The data is highly reliable if the data is more than 0.7, and moderately credible if the value is 0.6>a>0.7. It is unreliable if it is below 0.6 (Nguyen, 2010).

Reliability Statistics: Customer Retention

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.798	.792	4

Reliability Statistics: Customer Satisfaction

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.758	.755	6

Reliability Statistics: Switching Costs

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.701	.710	6

Reliability Statistics: Price Perception

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.791	.815	6

Reliability Statistics: Perceived Service Quality

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.859	.865	8

Reliability Statistics Summary		
Variable Name	**Cronbach's Alpha**	**Status of Reliability**
Customer Retention	0.798	Highly Reliable
Customer Satisfaction	0.758	Highly Reliable
Switching Costs	0.701	Highly Reliable
Price Perception	0.791	Highly Reliable
Perceived Service Quality	0.859	Highly Reliable

Table 2: Reliability Analysis

7.3 Correlation and Hypotheses Testing

Gravetter and Wallnau (2013) emphasize that hypothesis testing is a systematic approach used to assess whether research findings align with a specific theory related to a population. Pearson Correlation measures the strength and linear relationship between two variables (Boslaugh, 2012).

7.4 Customer Retention and Customer Satisfaction

Correlations		Customer Retention	Customer Satisfaction
Customer Retention	Pearson Correlation	1	.852**
	Sig. (2-tailed)		<.001
	N	85	85
Customer Satisfaction	Pearson Correlation	.852**	1
	Sig. (2-tailed)	<.001	
	N	85	85
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 3: Correlation of CR and CS

Significance is <0.001, which is below the significance level of 0.01, indicating a positive relationship between Customer Retention and Customer Satisfaction. Therefore, the null hypothesis is rejected, and alternate hypothesis is accepted. The Pearson correlation is 0.852, indicating a strong positive correlation. These findings align with the literature of Guido (2015), Leninkumar (2017) and Gustafsson, Johnson and Roos (2005).

7.5 Customer Retention and Switching Costs

Correlations		Customer Retention	Switching Costs
Customer Retention	Pearson Correlation	1	.702**
	Sig. (2-tailed)		.000
	N	85	85
Switching Costs	Pearson Correlation	.702**	1
	Sig. (2-tailed)	.000	
	N	85	85
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 4: Correlation of CR and SC

Significance is 0.000, which is below the significance level of 0.01, indicating a positive relationship between Customer Retention and Switching Costs. Therefore, the null hypothesis is rejected, and alternate hypothesis is accepted. The Pearson correlation is 0.702, indicating a strong positive correlation. These findings align with the literature of Milan, Eberle and Bebber (2015), Edward and Sahadev (2011) and Moenardy, Arifin and Kumadji (2016).

7.6 Customer Retention and Price Perception

Correlations

		Customer Retention	Price Perception
Customer Retention	Pearson Correlation	1	.801
	Sig. (2-tailed)		.000
	N	85	85
Price Perception	Pearson Correlation	.801	1
	Sig. (2-tailed)	<.001	
	N	85	85

**. Correlation is significant at the 0.01 level (2-tailed).

Table 5: Correlation of CR and PP

Significance is 0.000, which is below the significance level of 0.01, indicating a positive relationship between Customer Retention and Price Perception. Therefore, the null hypothesis is rejected, and the alternate hypothesis is accepted. The Pearson correlation is 0.801, indicating a strong positive correlation. These findings align with the literature of Dawes (2009), Anuwichanont (2011) and Wahjoedi, Harjanti and Rahayu (2022).

7.7 Customer Retention and Perceived Service Quality

Correlations

		Customer Retention	Perceived Service Quality
Customer Retention	Pearson Correlation	1	.893
	Sig. (2-tailed)		<.001
	N	85	85
Perceived Service Quality	Pearson Correlation	.893	1
	Sig. (2-tailed)	<.001	
	N	85	85

**. Correlation is significant at the 0.01 level (2-tailed).

Table 6: Correlation of CR and PSQ

Significance is <0.001, which is below the significance level of 0.01, indicating a positive relationship between Customer Retention and Perceived Service Quality. Therefore, the null hypothesis is rejected, and the alternate hypothesis is accepted. The Pearson correlation is 0.893, indicating a strong positive correlation. These findings align with the literature of Guido (2015), Johnson and Fornell (1991) and Oh and Kim (2017).

7.8 Impact on Organization

Through these findings, it is evident that all 4 variables have a positive correlation with Customer retention, and the most impactful variables are Perceived Service Quality and Price Perceptions. Therefore, The Company can primarily focus on these two factors to achieve customer retention to achieve objective 3.

7.8.1 Most Impactful Variable

To achieve Objective 2, it was revealed that the most impactful variable is Perceived Service Quality. This aligns with the findings of Guido (2015), Johnson and Fornell (1991), Oh and Kim (2017), and Cronin and Taylor (1992) who all state that there is a strong relationship between Perceived Service Quality and Customer Retention, making it the most impactful. This was closely followed by Price Perceptions, then Customer Satisfaction. "Relationship with the company, Relationships, and Supplier Relationships" were mentioned under the "Other" option which allowed respondents to input their response to this question. Switching Costs were the least impactful variable.
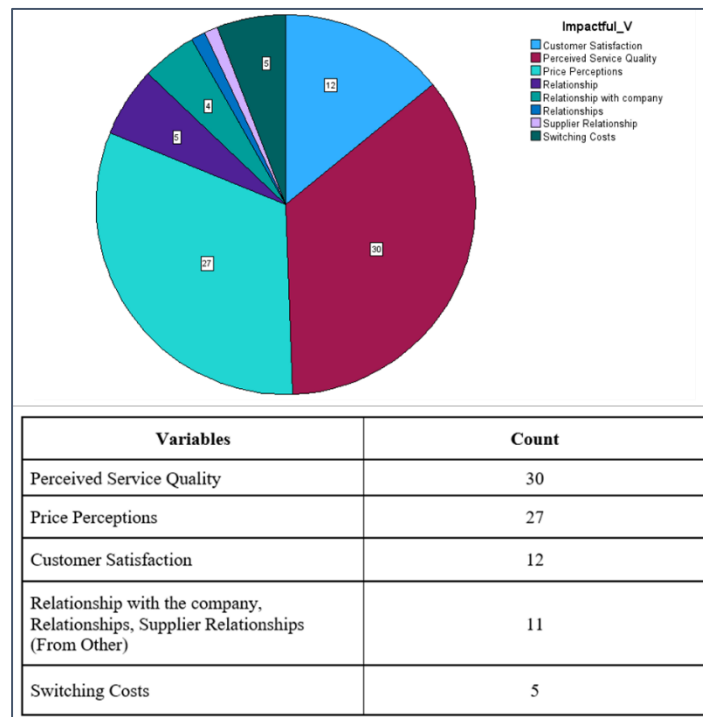

Variables	Count
Perceived Service Quality	30
Price Perceptions	27
Customer Satisfaction	12
Relationship with the company, Relationships, Supplier Relationships (From Other)	11
Switching Costs	5

Figure 12: Most Impactful Variable

7.8.2 Hypotheses Summary

	Hypothesis	Significance	Accepted or Rejected
H10	There is no relationship between Customer Satisfaction and Customer Retention	<0.001	**Rejected**
H1a	There is a relationship between Customer Satisfaction and Customer Retention		**Accepted**
H20	There is no relationship between Switching Costs and Customer Retention	0.000	**Rejected**
H2a	There is a relationship between Switching Costs and Customer Retention		**Accepted**
H30	There is no relationship between Price Perceptions and Customer Retention	0.000	**Rejected**
H3a	There is a relationship between Price Perceptions and Customer Retention		**Accepted**
H40	There is no relationship between Perceived Service Quality and Customer Retention	<0.001	**Rejected**
H4a	There is a relationship between Perceived Service Quality and Customer Retention		**Accepted**

8.0 CONCLUSION AND RECOMMENDATIONS

8.1 Recommendations to The Company

A few strategies can be implemented by The Company to increase their CR rates, thereby achieving objective 3. The two most impactful elements according to primary research were Perceived Service Quality (PSQ) and Price Perceptions (PP), hence the strategies will be drawn from the two variables.

The Company can enhance their PSQ by investing in staff training and development so that all employees are well-versed in tea knowledge, and customer service etiquette (Olorunniwo, Hsu and Udo, 2006). They could even obtain feedback from customers about their tea experiences and preferences through feedback mechanisms such as online reviews and surveys to collect their insights. This has been implemented by top tea companies in the world such as Yorkshire Tea who engage with customers through social media platforms, actively responding to feedback (Besley, 2016). The Company can consider hosting events as well such as tasting events or workshops to engage with customers more deeply and educate them about different tea types, and the rich history of tea in Sri Lanka to foster a sense of loyalty and connection (Ranaweera and Karjaluoto, 2017). Further, while The Company can focus more on their competitive pricing strategies that align with the quality of their teas, they should also consider loyalty discounts, bundle offers, or seasonal promotions to retain price-conscious customers (Rao and Monroe, 1989).

8.2 Research Methodological Recommendations

Future researchers can further focus on the following factors:

- More variables that have not been tested can be added to the research such as Customer Loyalty, Relationship Management, Customer Experience, or Trust and Transparency.
- Qualitative or mixed-method research can be undertaken to understand the issue and the customer's feelings, emotions, and attitudes more deeply.
- A different theory could be used to understand Customer Retention such as the Research Service Theory which assumes that CR depends on the assessment of service quality, satisfaction and value (Philippe and N'Goala, 2009).

8.3 Conclusion

The objectives which were analyzing the relationship between IVs and Customer Retention, identifying the most impactful IV, and proposing strategies for The Company based on the most impactful IVs were all fulfilled successfully through this research. Through the implementation of the proposed strategies, The Company can navigate and fortify its position as a tea industry leader, offering a compelling testament to the relationship between retaining customers and organizational prosperity.

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APPENDIX 1: COMPREHENSIVE CUSTOMER TURNOVER TABLE

The following table interprets the number of customer leaving The Company from the first quarter of 2019 to the first quarter of 2023 (The Company, 2023)

Year	Quarter	Number of Buyers	Movement
2019	1	140	▬
	2	144	⬆
	3	142	⬇
	4	142	▬
2020	1	139	⬇
	2	136	⬇
	3	131	⬇
	4	132	⬆
2021	1	134	⬆
	2	131	⬇
	3	129	⬇
	4	122	⬇
2022	1	117	⬇
	2	122	⬆
	3	113	⬇
	4	109	⬇
2023	1	103	⬇