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ADDIS ABABA UNIVERSITY
COLLEGE OF SOCIAL SCIENCE
FACULTY OF BUSINESS & ECONOMICS
MASTER OF BUSINESS ADMINISTRATION (REGULAR PROGRAM)

**Determinants of Customer Retention: In the case of Medical Device and Pharmaceutical
Import Companies Addis Ababa.**

**A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of Master of
Business Administration**

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Addis Ababa, Ethiopia

DECLARATION

I, the undersigned, declare that this thesis entitled “Determinants of Customer Retention: In the case of Medical Device and Pharmaceutical Import Companies Addis Ababa” acknowledged, and that this document has not been submitted for a degree in any other universities.

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This is to certify that Regebe Berhanu has completed her thesis entitled “Determinants of Customer Retention: In the case of Medical Device and Pharmaceutical Import Companies Addis Ababa” is her original work and is submitted for examination with my approval as thesis.

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ACRONYMS

EFDA	-	Ethiopian Food and Drug Administration
EIC	-	Ethiopian Investment Commission
EPSA	-	Ethiopian Pharmaceutical Supply Agency
FDA	-	United States Food and Drug Administration
MOH	-	Ministry of Health
WHO	-	World Health Organization

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ABSTRACT

The purpose of this research is to assess the factors that influence customer retention in Medical device and Pharmaceutical import companies in Addis Ababa. Customer retention has been little studied in this sector. The study assessed the effect of customer satisfaction, price, quality, switching barrier, and firm size effect on customer retention. The sample of the study consisted of 240 customers from six selected importers in Addis Ababa. Five point Likert scale questionnaire was developed and used for data collection.

Descriptive analysis, Pearson correlation analysis done and regression analysis was carried out using SPSS statistical tool. The response rate was 89.58%. The correlation between customer satisfaction, Price, Quality, Switching barrier and firm size with customer retention was positive and statistically significant (0.01).The findings of the study revealed the influence of customer satisfaction, price, quality, switching barrier and firm size on customer retention. These conclusions were made within the selected import companies. Based on these findings, a recommendation that stressed on customer retention in Medical device and pharmaceutical import companies has been forwarded.

Keywords: Customer retention, customer satisfaction, Price, Quality, Switching barrier, Firm Size.

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CHAPTER ONE

1. INTRODUCTION

This chapter presents background to the thesis topic and the problem statement which in turn will lead to the research questions, research objective, significance and limitation of the study.

1.1 BACKGROUND OF THE STUDY

Retaining customers in highly competitive business environment is critical for any company's survival because a lost customer represents more than the loss of the next sell (Motshedisi, 2015). According to Malvina (2020) 91% of consumers are more likely to shop from brands who recognize and remember; 65% of a company business comes from previous customers; 86% of the customers with great purchase experiences will likely buy from the same company again; 5% boost in customer retention increases profits with 25% to 95%; Business miss out on \$1.6 trillion from losing customers to a competitor. Customer profitability tends to increase over the life of a retained customer because they buy more as their trust increase; 80% of the company's future profits come from just 20% of its existing customers and 2% increase in customer retention has the same effect as decreasing costs by 10% (Murphy & Murphy, 2002). The customer retention practice enables firms to sustain from the intense competition and appreciate significant savings from retaining customers (Gengeswari, 2013). All marketing activities directed towards establishing, developing, and retaining successful relational exchange (Muhammad, 2016). Customer retention has gained increasing attention from both practitioners and scholars in the field of marketing (Motshedisi, 2015). Saturated markets and high levels of competition within industries have necessitated the practice of customer retention strategies among firms (Singh, 2006; Honts & Hanson, 2011). The relationship between consumer and firm is built up on two parties engaged in a continuous process of exchange whereby both will benefit in the long term. The primary relational goal is the long-term continuity of exchange between two parties. The customer retention trend has emerged in order to increase organizations profits and minimize costs (Karantinou, 2005). Marketing, Loyalty, long-term relationship and customer retention are the key factors that determine the profitability of business (Kabu & Soniya, 2017)

Pharmaceutical and Medical Device sector is concerned with researching, designing, developing and marketing efficacious, safe and high-quality medicines and devices to treat and cure human and even animal diseases (Garrido, 2019). In doing so, they not only improve the quality of life and alleviate suffering, but also create employment, grow economies and return desirable profits to their shareholders (Frank, 2006). According to Batilazo and Holland (2000), organized pharmaceutical industry emerged in the late 19th century when dyestuffs were found to have antiseptic properties and first half of the 19th century for the Medical Device. Many of the early firms were however, family owned enterprises and never emphasized research and development until after the discovery of penicillin in the 1950s. With the post war economic expansion of the 1960's the industry boomed and issuance of patent rights to ensure companies research and development molecules from imitation began (Batilazo & Holland, 2000). Medical devices have become an essential part of healthcare and vital component of the numerous activities carried out by health-care providers in their efforts to diagnose and treat people with medical conditions, and to alleviate the problems faced by people with functional disabilities (WHO, 2010).

The annual pharmaceutical market in Ethiopia is estimated to be worth US\$ 400 to US\$ 500 million and growing at the rate of 25% per annum (MOH, 2015). The annual pharmaceutical market is expected to grow at 15% per year to reach nearly \$1 billion by 2020 (EIC, 2018). The pharmaceutical industry of Ethiopia contributes only 20% of the total market share while 80% of pharmaceutical products are imported. Medical Equipment / devices almost exclusively acquired through donation or through purchase. On average, Ethiopian Pharmaceutical Supply Agency (EPSA) has procured 2.9, 2.7- and 2.8- billion-birr worth of Medical Equipment's in 2006 EC, 2007 EC and 2008 EC respectively.

Government and private clinics and hospitals in the country are increasing, and the demand for medical devices and pharmaceutical products has increased. In order to meet this growing demand, a large amount of drugs and medical devices are imported by different actors i.e. Ministry of Health, Ethiopian Pharmaceutical and supply Agency (EPSA), Non-government organizations (NGOs) and Private importers (IOPSE, 2015 & PSAE 2017).

Ethiopian Pharmaceutical Supply Agency (EPSA) of the Ministry of Health is responsible for import and distribution to the public sector. The public procurement is done through international

and local tenders as well as by direct purchasing or negotiation. In the private sector private importers are responsible for both private and public markets.

There are 14 local pharmaceutical manufacturers, 328 Medicine and medical device importers, 285 Wholesalers, 5136 medicine retail outlets including 780 pharmacies, 1030 medicine shops and 3266 rural medicine vendors in the country (Heran, 2018). Medical and pharmaceutical import companies' customers are wholesalers, pharmacies, Hospitals, and Health Centers.

Customers are indeed an asset to firms (Hogan, 2002). Customer retention per se is not a new thing in the business world. Successful companies are constantly working in the field of customer retention, because without customer retention it isn't and wasn't possible to be successful in the long term. Only the systematic implementation of customer retention activities guarantees the maximum benefit (Gruber, 2009).

The customer retention is the process of engaging existing customers to continue buying products or services from your business (Haynes, 2019). Customer retention is not only a cost effective and profitable strategy, but in today's business world it is necessary.

This is especially true when you remember that 80% of sales come from 20% of customers and clients (Lake, 2008). Customer Retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace (Lake, 2008).

Today's companies are facing their toughest competition ever; the necessity for customer retention is becoming increasingly important. Furthermore, a large majority of companies are losing their existing customers at a significant rate. The key elements of customer satisfaction & delight are availability of service, responsiveness of service, reliability of service, completeness of service and professionalism of services (Farouq W. 2009).

The element of customer satisfaction is the nature of the relationship between the customer and the provider of the products and services. Thus, both product and service quality are commonly noted as a critical prerequisite for satisfying and retaining valued customers. The industry is

facing an ever-increasing level of competition around the world as the dynamics of the business change like technological advancement (Farouq, 2009).

1.2 PROBLEM STATEMENT

While most companies traditionally spend more money on customer acquisition because they view it as a quick and effective way of increasing revenue, customer retention often is faster and, on average, costs up to seven times less than customer acquisition. Selling to customers with whom you already have a relationship is often a more effective way of growing revenue because companies don't need to attract, educate, and convert new ones (Galletto, 2015).

Customer retention is more than giving the customer what they expect; it is about exceeding their expectations so that they become loyal advocates for the brand. Research by Fleming and Asplundh, (2009) indicates that engaged customers generate 1.7 times more revenue than normal customers, while having engaged employees and engaged customers returns a revenue gain of 3.4 times the norm (Fleming & Asplundh, 2009).

Customer retention refers to keeping a client's business rather than have the client use competitors' services or products. Businesses want to reduce customer defections to their competitors because a reduction in their market share and profits could result in a collapse of the company. Customer retention is a popular marketing strategy as it involves focusing on meeting or exceeding clients' expectations in order to maintain their loyalty. When people feel loyal to a certain brand or business, they are less likely to be persuaded by a competitor's adverts and offers (Emanuel, 2011)

Companies that shift their focus to customer retention often find it to be a more efficient process because they are marketing to customers who already have expressed an interest in the products and are engaged with the brand, making it easier to capitalize on their experiences with the company. In fact, retention is a more sustainable business model that is a key to sustainable growth. The proof is in the numbers: according to studies done by Bain & Company, increasing customer retention by 5% can lead to an increase in profits of 25% – 95%, and the likelihood of converting an existing customer into a repeat customer is 60% – 70%, while the probability of converting a new lead is 5% – 20%, at best (Molly G., 2015).

Many companies think that marketing is all about selling of products and how the company will increase its profitability in the market share and not considering after sales service to be able to know whether the customers are satisfied with the products are able to use it (Emanuel, 2011).

The phenomenon of customer retention needs more structure and a great amount of research to unveil its central features (Homburg & Rudolph 2000; Torbica & Stroh, 2001). This shortage of evidences makes pharmaceutical and Medical Device business players unsure about how to gain competitive advantages with regards to clients in this tough and challenging market.

When the industry players are unaware of the factors that affect customer retention, they are unable to get the financial benefits from the tenure lengths like increased purchase volumes by customers or increased referrals from customers (Ang & Buttle, 2006). Accordingly, this would lead to loss of customers, loss of market share, loss of contracts and loss of company's reputation.

In order to achieve the desired business outcomes, the pharmaceutical and Medical device companies need to be aware of the factors that make customers stay with them and develop strategies to enhance customer retention (Kotler & Armstrong, 2010).

From the extensive review of literature, it was found that studies on customer retention in medical field especially in Pharmaceutical and Medical device industry in Ethiopia are scarce giving a wide room to study the customer retention in Health service sector as the health service sector is a growing industry in Ethiopia.

Customer retention is important in any company's strategy, especially in the highly competitive Pharmaceutical and Medical device business. This study is motivated by the need to establish the factors which prevent and affect customer retention using these firms in Addis Ababa, Ethiopia.

Understanding the various factors that could influence these constructs is therefore critical to organizational success. Management must identify and improve upon factors that can limit customer defection. Clearly, there are compelling arguments for management to carefully consider the factors that might increase customer retention rates. Several studies have emphasized the significance of customer retention in the service industry like Banking, Telecommunication and Airlines. Several studies showed the impact of these measures on profitability and shareholder value, but there has been little effort to access the factors that might

lead to higher levels of retention (Craucamp, 2012). They also identified the impact of individual constructs, without attempting to assess the effect of Firm size on customer retention (Sharmeela-Banu, 2013). The study was undergone to understand the gap of the impact of firm size on affecting customer retention (Sharmeela-Banu, S.A, 2013). This research therefore is focused on dynamics of customer of pharmaceutical and Medical Device companies, exploring and understanding detailed patterns of customer needs and expectations.

1.3 RESEARCH QUESTION

- What factors influence customer retention among pharmaceutical and medical device businesses in Addis Ababa?
- What is the customer retention practice among pharmaceutical and medical device businesses in Addis Ababa?
- How firm size influence customer retention among pharmaceutical and medical device businesses in Addis Ababa?

1.4 RESEARCH OBJECTIVES

1.4.1 General Objectives

The broad objective of this research is to investigate the factors that lead to customer retention in pharmaceutical and Medical Device business companies.

1.4.2 Specific Objectives

The specific objectives are the following;

- To analyze factors influencing (Customer satisfaction, price, quality and Switching barriers) customer retention among selected pharmaceutical and medical device businesses in Addis Ababa
- To assess the customer retention practice among the selected pharmaceutical and medical device businesses in Addis Ababa

- To relate the influence of firm size to customer retention among pharmaceutical and medical device businesses in Addis Ababa

1.5 HYPOTHESIS

- H1: There is a significant positive impact of customer satisfaction on customer retention
- H2: There is a significant positive impact of quality on Customer retention
- H3: There is a significant positive impact of price on Customer retention
- H4: There is a significant positive impact of switching barrier on Customer retention
- H5: There is a significant positive impact of Firm size on Customer retention

1.6 SIGNIFICANCE OF THE STUDY

The result of this study is expected to benefit organizations to implement the right customer retention strategies in order to increase the product and/or service quality in health-care industry. Ultimately, the research is aimed to help the pharmaceutical and Medical Device companies be more aware and responsive to customer needs, prevent the fallout from disputes, and reap the benefits that are achievable from customer retention, including revenue, market share and customer loyalty.

1.7 SCOPE OF THE STUDY

There might be abundant factors that might influence customer retention in Pharmaceutical and Medical device import business. This research addressed these independent variables Customer satisfaction, product quality, price, switching barriers and firm size influence on the dependent variable customer retention.

The geographical scope of this study is the six human Medical device and / or pharmaceutical key importers in Addis Ababa.

1.8 LIMITATION OF THE STUDY

This study was undergone in customers of purposely selected medical device and pharmaceutical importers in Addis Ababa. Hence, by no means the conclusions of the study can be generalized

for the medical device and pharmaceutical industry. The conclusions were made within the selected import companies. From different factors that could affect customer retention in medical device and pharmaceutical import companies only customer satisfaction, quality, price, switching barriers and firm size were discussed.

1.9 OPERATIONAL DEFINATION OF TERMS

Medical Device: Is an instrument, apparatus, implement, machine, contrivance, implant, in vitro reagent, or other similar or related article, including a component part or accessory intended for use in the diagnosis of disease or other conditions, or in the cure, mitigation, treatment, or prevention of disease in man (FDA, 2019).

Pharmaceutical: is drug or medicine that is prepared for dispenses and used in medical treatment.

Importer: is an organization that brings Medical device and pharmaceuticals products into country from abroad for sale.

Customer Retention: aims at repeat purchase behavior that is triggered by the marketer's activities. It is the number of customers an organization is able to maintain over time (Terminus, 2020). It is the future propensity of the customers to stay with their service / Product provider.

1.10 ORGANIZATION OF THE STUDY

To deliver a pure and concise understanding to the reader, this study is folded up as follows. The Chapter began with research background and discusses statement of the problem, basic research questions, objectives, Hypothesis, significance of the study and in the end, scope, Limitation and organization of the research report are presented. The second chapter deal with different studies reviewed and presented conceptual framework of the study.

The third chapter was dedicated for the methodological part. It explained about the nature of the study, the sampling design and techniques applied; the sources of data collection and the means of analysis applied to execute the study. The fourth chapter presented the analysis part of the study like the correlation and regression analysis with major findings and discussion as well as

the testing of the hypothesis proposed in chapter one. Finally, the fifth chapter summarized the whole journey by concluding, recommending and giving some directions for future research.

CHAPTER TWO

2. LITERATURE REVIEW

This chapter reviews literatures relevant to the study. As marketing experts Don Peppers and Martha Rogers (2004) have stated that the only value your company will ever create is the value that comes from customers; the ones you have now and the ones you will have in the future. Businesses succeed by getting, keeping, and growing customers. Customers are the only reason you build factories, hire employees, schedule meetings, or engage in any business activity. Without customers, you don't have a business. With the rise of digital technologies such as the Internet, increasingly informed consumers today expect companies to do more than connect with them, more than satisfy them, and even more than delight them. They expect companies to listen and respond to them.

Every organization needs to succeed in the market. The worldwide competitive market provides today's customers with choices never gotten before. Companies do not only want to get new customers but they also try to retain their customers as the customers have a great choice to choose and change their preferences if they are not satisfy with their seller. The marketer thinks about new trends to satisfy their customers and improve their relationship with them.

The market shows competition that is practicing between the medical and pharmaceutical companies. Companies are trying to attract and retain customers by satisfying them and to gain their loyalty.

The increasing numbers of medical and pharmaceutical companies increase the market competition. This issue leads to loss of customers as a result of dissatisfaction and so it cost the medical and pharmaceutical companies many things such as; customers complaining behaviors, brand switching, and negative word-of-mouth. Medical and pharmaceutical companies spend

much money to attract customers and sometime less benefit have been generated. Companies try to switch from selling and taking orders to more effective ways that create value to their customers.

2.1 CUSTOMER RETENTION

Customer retention is considered as a very important goal and a competitive component in any business environment (Oliver, 1999). Customer retention can be defined as how companies or organizations are able to maintain the existing customers' base on establishing good relations with all who buy the company's product (Kotler, 2008). Customer retention marketing is a tactically driven approach based on customer behavior. Customer retention involves the steps taken by a selling organization in order to reduce customer attrition. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. Many studies have conducted that show how significant customer retention is for firms and what factors affect it (Reichheld & Sasser, 1990).

As globalization proceeded in the world economy, the products & services changed and the competition between the firms started to increase and be more complicated. The firms started to lose their customers and they were spending a lot of money for attracting new customers; thus the interest in customer retention started to increase since then (Goyles & Gokey, 2005). Hence, different companies transformed from obtaining new clients to retaining existing ones and in adding and attracting clients apart from competitors (Goyles & Gokey, 2005).

Retaining your customers can be expensive, but it is a small cost in comparison to trying to convert new ones. Depending on your industry and which research you put your faith into, customer acquisition can cost between five and twenty-five times more than retention. Retention, comparatively, is far easier, and failing to use that to your advantage costs money (Perceptive, 2017).

According to Bain and Co (2017), companies lose out on a 95% profit increase due to customer defection. A mere 5 per cent additional retention can boost your profits by a quarter. Other businesses could see up to a 95 per cent increase in addition increase customer retention levels boost company value; A 10 per cent increase in customer retention levels can result in a 30 per cent increase in a company's value. Not a sum to sniff at, and certainly worth implementing a simple (at the very least) strategy focused around customer retention. And if you're still not sold

yet, Gartner Group states that as much as 80 per cent of your company's future revenue will come from just 20 per cent of your existing customers (Perceptive, 2017).

According to this study, an outcome of a number of factors relating to the time the customer spends with the organization which includes the higher initial costs of introducing and attracting a new customer, increases in both the value and number of purchases, the customer's better understanding of the organization, and positive word-of mouth promotion (Havaladar, 2012). In addition, retaining customers saves the effort and cost of gaining new ones. Rust and Zahorik (1993) argue the financial implications of attracting new customers may be five times as costly as keeping existing customers.

In addition, longer-term customers buy more and if satisfied may generate positive word-of-mouth promotion for the company. Additionally, long-term customers also take less of the company time and are less sensitive to price changes (Srivastava & Lurie, 2001). These findings highlight the opportunity for management to acquire referral business, as it is often of superior quality and inexpensive to obtain. Thus, it is believed that reducing customer attrition by as little as five percent can double the profits (Srivastava & Lurie, 2001). Customer retention only focuses on developing marketing strategies that cause repeat-purchasing behavior and ignores factors that influence such behavior (Hennigthrau & Klee, 1997). Currently, although the concept of customer retention is applicable to all types of businesses, the Medical device and pharmaceutical business sector seems to be in the forefront of studying the impact of retention on profits. This makes customer retention as one of the priorities of strategic management. But retaining customers is not an easy task. Many factors are making retention a difficult task for managers.

2.2 FACTORS INFLUENCING CUSTOMER RETENTION

Customer retention is affected by certain factors, such as satisfaction, quality, price, Firm Size and switching barrier. These are discussed in this study in detail.

2.2.1 Customer Satisfaction

Competitiveness has a significant place for the betterment of customer's satisfaction and quality. Customer satisfaction is of a great importance as it gives business owners and marketers with a

structure that they use to organize and refine their business. Customer satisfaction is conceptualized as the evaluation of an emotion and proclaims that the higher is the satisfaction, the higher is the level of retention (Ranaweera & Prabhu, 2003). Customer satisfaction is a measure of how products or services provided by the supplier meet the customer expectation. We usually describe a product or service in terms of several dimensions or characteristics. For example, after receiving a service, we might describe the service provider as fast, always available when needed, and polite. These descriptions represent three different aspects of the service: responsiveness, availability, and professionalism, respectively. The composite of all possible dimensions describes the entire product or service. Professional relationship is developed successively as a result of gradual dependence on the relationship resulting from mutual dependence on the relationship resulting from mutual adaptation to other party's needs (IBID, 2006). In the consumer-brand domain, trust is described as the willingness of the consumers to rely on the capability of the brand to act on the promises it has claimed to fulfill (Chaudhuri & Holbrook, 2001). Customer trust holds the key mediating role in successful relationship marketing (Morgan & Hunt, 1994).

Several published works consistently cite customer satisfaction as an important antecedent of customer retention. Customer satisfaction is regarded as the key to customer retention (Kotler, 1994) and has been taken as a fundamental determinant of long-term customer behavior and customer retention (Oliver, 1980; Yi, 1990). Customer satisfaction has a significant impact on repurchase intentions in a range of services (Cronin & Taylor, 1992; Patterson, Johnson & Spreng, 1997). Hence, firms have devoted lots of efforts on managing and increasing customer satisfaction (Ranaweera & Prabhu, 2003).

In medical device and pharmaceutical business, the customers mostly the health professionals are obliged to ensure that the best medical devices or pharmaceuticals is transmitted to the patient. Health professionals have an obligation to seek and get the most accurate, up-to-date, evidence-based, and balanced sources of information about the products that they contemplate using.

Several studies have recognized that even though firms manage to properly satisfy customers, they may be unable to retain them. Therefore, satisfaction alone is inadequate to ensure long-term customer commitment to a single provider. Due to cost related to the termination of the

relationship, once trust has been built the probability of each party ending the relationship decrease (Ranaweera & Prabhu, 2003).

Although customer satisfaction is a good base to start with when retaining customers, it is not the only influencing factor. Richards (1996) argues that some customers even though they are satisfied will leave the firm while others who are dissatisfied will remain.

Patterson, Johnson and Spreng (1997) argue that satisfied customers are perceived as indispensable means of creating sustainable advantage in competitive environments. If some hardship temporarily befalls the firm, customers will be more likely to remain loyal (Anderson & Sullivan, 1993). Customer dissatisfaction is the difference between an individual's pre-purchase expectations and post-purchase performance of the product or service (Patterson, 1997). Cognitive & affective evaluation between the product standard and the actually perceived performance . Customer will be satisfied if the perceived performance is higher than the standards and the customer will be dissatisfied if the perceived performance is less than standards (Mostaghel, 2006).

2.2.2 Quality

Quality is a standout amongst the most principal research subjects for the past few decades (Gallifa & Batalle, 2010).

Product and services delivered to each client in professional service firms are highly distinctive. This means that the firm will to a large extent come up with new solutions for new client. The higher is the degree of tailoring to each individual customer unique requirements. The more extreme the firm will be in terms of its inability to replicate and routinize its solutions (Lowendahl, 1997).

Quality and customer trust in a firm is the principal mediator between product or service attributes and customer retention (Garbarino & Johnson, 1999). Customer trust significantly contributes to sales growth through customer acquisition and retention (Fournier & Yao, 1997; Urban, 2000; Papadopoulou, 2001).

We can regard customer requirements as those characteristics of the product or service that represent important dimensions. They are the dimensions on which customers base their opinion about the product or service. The purpose of determining customer requirements is to establish a comprehensive list of all the important quality dimensions that describe the service or product. It is important to understand the quality dimensions so that we will know how customers define the quality of the service or product. Only by understanding the quality dimensions will we be able to develop measures to assess these quality dimensions. Although there may be some standard quality dimensions that generalize across many products or services, some dimensions will apply only to specific types of products or services. Quality dimensions applicable to many service organizations include availability, responsiveness, convenience, and timeliness.

Two differing quality concepts can be derived from classic business management teachings. The first covers product-based quality terms which can be developed and measured according to tangible characteristics of products. The second involves customer-based quality terms, whereby the extent of quality reflects its usefulness or the value of a product observed by the consumer (Wolfram & Claus-Dieter, 2017). Ultimately, quality will be evaluated by the comparison between the usefulness and the price/sacrifice by the customer. Health Professionals can certainly identify with this in terms of medical products for the Hospital.

A successful definition of quality in medicine was offered by the Institute of Medicine in 1990: Quality of care is the degree to which health services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current professional knowledge (Wolfram & Claus-Dieter, 2017). This definition describes the quality of health provision from the viewpoint of the patient and correlates it with the status of research or evidence-based medicine or medical device. The quality of the health care system should hereby fulfill the six aspects Safety, Effectiveness, Patient Oriented, Timely, Efficient and Equitable (Wolfram K. & Claus-Dieter, 2017).

It is important that each company identify all quality dimensions to ensure understanding of the definition of quality for its products or services. Analyzing the services or products will provide a comprehensive picture of these dimensions (Mohsan, 2011). Researchers Parasuraman, Zeithaml, and Berry have concluded that service quality can be described on the basis of 10 dimensions. They are Safe, effective, patient-centered, timely tangibles, reliability,

responsiveness, competence, courtesy, credibility, security, access, communication, and understanding the customer. Attempts to measure these 10 dimensions, however, reveal that customers can only distinguish between five dimensions because the original 10 dimensions overlap each other considerably (Li 2002).

In Ethiopia all imported Medical and Pharmaceutical products need to be registered through the local regulatory authority Ethiopian Food and Drug Administration (EFDA). EFDA is mandated, in the proclamation 661/2009, to ensure the safety, quality and efficacy of Medicines and Medical devices.

Service quality can be explained as how well the services are delivered to the consumer's expectations. Perceived Service quality can be characterized as the client's view of the overall quality or prevalence of an item or services regarding its expected reason. So, it is concluded that if perceived service is equal to expected services customer will be satisfied and if the perceived services are less than expected services customer will be dissatisfied. Service providers, regularly evaluate the given to their consumers, with a specific objective to improve their quality, to rapidly recognize draw backs, and to enhance customer fulfillment in better way. The idea of service quality was proposed in 1980s at the point when the organization comprehend that just quality item can keep up the focused edge (Boshoff & Gray, 2004). A quality service not only plays an important role in consumer loyalty and retention but also creates benefits for firms (Karim & Chowdhury, 2014). It is specified by many researches that Customer satisfaction plays a very important role in retention and consumer loyalty however this is not surety of repeat purchase.

2.2.3 Price

Price may be one of the most important determinants of customer decisions (Srivastava & Lurie, 2001). Managers could utilize price matching to stimulate repeat purchase behavior, because price matching may indicate a commitment to protect customers in order to keep customers happy so they would come back and buy again.

Nevertheless, research findings suggest that existing customers focus less on price savings than new customers do (Reichheld & Sasser, 1990). Understanding long-term price matching effects

on customers is important in order to determine whether price matching has a lasting impact on customer behavior that is evaluating the effectiveness of these policies in stimulating customer retention (Kukar, 2006). On the other hand, customers' perceptions of value describe a trade-off between the benefits they gain from a product / service relative to the sacrifice they perceive by paying the price (Margee, 2008).

2.2.4 Switching Barriers

The perceived switching barriers are conceptualized as the consumers' evaluation of the resources and opportunities needed to perform the act of switching as well as the constraints preventing it (Ranaweera & Prabhu, 2003). Perceived switching barriers is the consumer's assessment of the resources and opportunities needed to perform the switching act, or alternatively, the constraints that prevent the switching act (Bansal & Taylor, 1999; Ranaweera & Prabhu, 2003).

Study showed that while you invest in time, money and your effort, all of these items define switching costs which in result make your perception as difficulty to switch. Researches also show that switching barriers may have both main and interaction effects on customer retention (Gremler & Brown, 1996; Bansal & Taylor, 1999; Lee, 2001). As a consequence, when switching barriers are high, firms may continue to retain customers even if they are not highly satisfied. The switching costs deemed as the investment of time, money and effort. As in the customers' perception, these switching costs make difficult for buyers to switch and change from one importer to others (Gremler & Brown, 1996). Therefore, this research would like to evaluate the relationship between switching barriers and customer Retention.

2.2.5 Firm Size

A firm may use different methods and diverse analysis/indicators in order to evaluate its business success. Firm size is related to profitability, the theoretical base for this can be found in the traditional neoclassical view of the firm and the concept known as economies of scale. Economies of scale may occur for various reasons such as financial (a large firm can get a better interest rate and also a better discount rate due to a large quantity that it buys); organizational reason (specialization and division of labor); technical reason (division of high fixed costs across

large number of units) etc. There are two general approaches to the size definition – total sales of a firm as expressed in monetary units and the number of employees (Kitov, 2001).

2.3 EMPIRICAL REVIEW

Despite of the limitation studies related with the study subject, the results of the following study suggested the most important factors for retention includes customer satisfaction, quality, Price, Switching barriers and firm size.

2.3.1 Relationship between Customer Satisfaction and Retention

Research has shown that customer satisfaction also has a significant affective component, which is created through repeated product or service usage. Customer satisfaction is defined as a customer's overall evaluation of the performance of an offering to date. Customer satisfaction is commonly considered a prerequisite of customer retention and loyalty, as well as increased profitability and market share. Customer satisfaction has been operationalized as both a single item and a multiple item scale. Customer satisfaction is a one-item scale that asks for the customer's overall feeling towards an organization. (Cronine et al, 2000)

There are many researches that are conducted to test the relationship of customer satisfaction and retention. Nam et al (2007) found out that a 10% customer satisfaction leads to a 7% increase in customer lifetime value.

A good relationship with the customer enhances customer satisfaction. Soetanto, Proverbs and Holt (2001) recognize that the satisfactory performance of participants is a prerequisite to maintaining harmonious working relationships. Additionally, Ireland (1992) emphasizes that the manager's role is vital for mutual, trusting relationships and customer satisfaction.

However, Reichheld (1996) suggests that unsatisfied customers may choose not to switch, because they do not expect to receive better service elsewhere. Additionally, satisfied customers may look for other providers because they believe they might receive better service elsewhere. This is the only research so far that this researcher has found to be in contradiction to the largely acclaimed thought of satisfaction leading to retention.

H1: There is a significant positive impact of customer satisfaction on customer retention

2.3.2 Relationship between Quality and Customer Retention

Quality has been considered as one of the most important and competitive factors as the individual survival depend on it. Scholars identify quality as an effective tool to enhance the firm's position in the market place and a major factor in achieving client satisfaction (Al-Momani, 2000; Baron & Harris, 2003; Ling & Chong, 2005). It should be seen as the prime cause of client satisfaction and the appropriate way to create or sustain a competitive advantage, and building a strong and lasting relationship with clients (Preece & Moodley 1996, Preece & Tarawneh 1996). The dominating perspective in literature has been to assume that quality has a positive correlation with satisfaction, which in turn will lead to increased customer retention. Perceptions of product and service quality have a direct linear relationship with customer retention (Ranaveer, 2003). Havaladar et al (2012) also show that organizations providing superior basic customer service had a higher rate of customer retention (51.08%) than organizations delivering inferior basic customer service (33.18%). Rust and Zahorik (1993) address the chain of impact of quality on satisfaction and satisfaction on customer retention, and further customer retention on profitability. There are two types of perceived quality, which are product quality and service quality (Grönroos (1984) and Fornell et al. (1996). In pharmaceutical and Medical Device firm perceived product quality could be regarded as how the health professional perceives technical quality of the product while perceived service quality could be treated as how the customer perceived the credibility, delivery, training, after sales service and sustainable product availability of products.

Kirmani and Baumgartner (2000) have pointed out that a product's quality is the extrinsic and intrinsic cue that is taken into consideration by consumers in evaluating its performance. Consumers' assessment of quality has also been considered an attitudinal judgment based on which consumers evaluate the extent to which brands fulfill their expectations (Rafi et.al, 2012). Wang C.L et.al (2000) have pointed out that quality resembles the functional value of a product, which in turn motivates consumers in making their choices.

One aspect of quality to a firm is reflected in its brand strength and image quality. Harwood (2002) argued that branding, as a tool to build image, is critical in the firms. Hence, it is critical that pharmaceutical and medical device have a comprehensive knowledge of customers' values,

attitudes, needs and perceptions of products and various services offered and the image which customers have of the provider itself (Kaynak, 1983). Bharadwaj et al. (1993) argue that services are highly intangible and are, therefore, high in experience and credence qualities. As a consequence, brand reputation is important as a potential competitive advantage.

H2: There is a significant positive impact of quality on Customer retention

2.3.3 Relationship between Price and Customer Retention

Emphasis on price as an important factor of customer perceived value is widely advocated (Anderson, Fornell & Lehmann, 1994; Athanassopoulos, 2000; Cronin, Brady & Hult, 2000; Fornell, 1992; Zeithaml, 1988). Abundant empirical surveys reported in the marketing area indicated that both objective price and perceived price are crucial factors for consumers to evaluate value (Zeithaml, 1988). According to Anderson, Fornell and Lehmann, 1994) from customer's cognitive conception, price is something that must be given up or sacrificed to obtain certain kind of products or services. The monetary price is not equal to the target price in customer's mind (Zeithaml, 1988) and for customers; perceived price is more meaningful than monetary price (Bei & Chiao, 2001).

Today, customers are more value oriented in their consumption of product & services because they have alternative choices (Slater, 1997; Woodruff, 1997). Ranaveer et al. (2003) showed that price perceptions and customer indifference were found to have a direct linear effect on customer retention. Customer value is a dynamic that must be managed. Customer satisfaction is merely a response to the value proposition offered in specific products/markets (Reidenbach, 1995).

It is argued that lower monetary price does not necessary contribute to high perceived value. Consumers usually judge price and service quality by the concept of 'equity', and then generate their satisfaction or dissatisfaction level (Oliver, 2010). Recent marketing literature shows that researchers' inclination towards price fairness in relation with perceived value and satisfaction (Hermann et al., 2007; Kukar-Kinney, Xia & Monroe, 2007; Martin-Consuegra, Molina and Esteban, 2007). Price fairness refers to consumers' assessments of whether a seller's price is reasonable, acceptable or justifiable (Xia, Monroe & Cox 2004; Kukar-Kinney, Xia & Monroe 2007).

Perceived price fairness has positive effects; both direct and indirect effect on consumer loyalty (Bei & Chiao, 2001). From customer's perspective, price is what is given up or sacrificed to obtain a product. It is possible to display the intention of repeat purchase behavior. On the other hand, if customers do not feel that their sacrifices are worthwhile, they may not choose to purchase again, even when they are satisfied with the quality of a product.

By this view, medical firms must determine how customers define value in order to provide added-value services.

H3: There is a significant positive impact of price on Customer retention

2.3.4 Relationship between Switching Barriers and Retention

Switching barriers have been used as a marketing strategy to make it costly for customers to switch to another organization. High switching costs are an important factor binding the customer to organizations. Even with relatively low levels of satisfaction, the customer continues to patronize the service provider because repurchasing is easier and more cost effective than searching for a new provider or sampling the services of an unknown provider (Curasi & Kennedy, 2002).

In a qualitative research conducted on the effect of switching barriers on customer retention in the service sector, Suryani & Chaniago (2008) conclude that switching barriers have a positive impact in keeping customers with their current supplier.

With the ever increasing trend of competition, customer attrition will continue to be one of the headaches of organizational managers. Customers are becoming aware of their decisions and with easiness of access to information; there is a little chance of making decisions without being informed first. This makes customer retention one of the most important priorities of firms.

Storbacka, Strandvik and Grönroos (1994) argue about the importance of enhancing the relationship with the customers in order to retain them. They believe that the bonds between the customer and the provider and the commitment to this relationship function as switching barriers.

H4: There is a significant positive impact of switching barrier on Customer retention

2.4 CUSTOMER RETENTION MEASURE

Customer retention rate determines the percentage of customers that the company retained over a given period. Different industries have their own good and bad retention rates that are updated almost every year. Keeping track of retention rate is as important as tracking your growth in revenue at every financial period (TADA, 2019). Measuring retention rate is important for several reasons, predicting retention lies at the heart of any attempt to calculate life time value and customer equity, retention drives from profitability and value. A 1% increase in retention rate produces nearly a 5% increase in customer Equity (Gupta et. Al, 2004) measuring retention rates overtime can provide a metric of the firm's health. There are several dimensions to consider when measuring retention; the most common measure of retention is the retention rate, quantified as Zero-one indicator at the individual level and the percentage of customers retained at the aggregate level (Ascarza E. et.al, 2017).

The customers who stay in touch with the organization for a longer period are called "retained customers". Accordingly, there are three methods to evaluate the retention rate of the customers; compound method, behavioral method and attitudinal method. The behavioral method of retention rate shows the repetitive and constant buying behavior of the customers (Anderson, 1994). The attitudinal method describes the emotional attachment of the customer towards the product or the brand. These customers are considered to be the authentic customers. These are the customers who always show a positive attitude towards the brand or the product. These customers convince others to buy the product or the brand for which the new customers are not ready to purchase because of the higher prices (Berry, 1995).

The last method is the composite method, as the composite method is the combination of both behavioral method as well as the attitudinal method. These customers are loyal and retain customers towards the organization. They continue to make purchases and always hold favorable and auspicious attitudes towards the organization. Composite method is considered to be the greatest tool for implementing the retention rate of the customer. The loyal customers also have an ability to compromise with the new prices in order to receive the best quality of services from the organization (Reichheld, 1990). Generally according to Bowen J.A, new customers have so many complaints regarding the organization or the products or the service provided by those organizations, but the usually retained customers have fewer complaints regarding the products or services provided by the organizations (2001).

2.5 CONSTRUCTION OF THE RESEARCH AND PROPOSED FRAMEWORK

A research model was built based on the extensive review of the past studies. Different studies have pointed out the factors that influence customer retention. Ahmed Abdulla (2015) studied determinants of customer retention in the construction industry. The study pointed out that customer relationship, corporate image quality, Project management and price have an impact on customer retention. Research done by Patricia W. Chuani (2017) on determinants of customer retention in Banks showed that customers perceived service quality have enhanced the customer retention rates. The cost of service is also a major significant influencing factor of customer retention and the study also revealed that the higher the customer service quality levels the higher customer retention rate. Another study done on insurance company assessed customer satisfaction, switching barrier including premium price and trust as determinants of the customer retention. The result revealed that customer satisfaction found to have a strong impact on customer retention.

A conceptual framework is defined by as ‘something that explains either graphically or in narrative form, the main things to be studied - the key factors, constructs or variables - and the presumed relationship among them (Miles and Huberman, 1994). The understanding gained from reviewing of the preceding literature is used to develop the conceptual framework of the study. This study considers for the dependent variable (Customer retention) the influencing factors (independent variables) are Customer Satisfaction, Quality, Price, Switching barriers and Firm Size. The following figure shows the conceptual research model showing the relation between customer retention and the influencing factors.

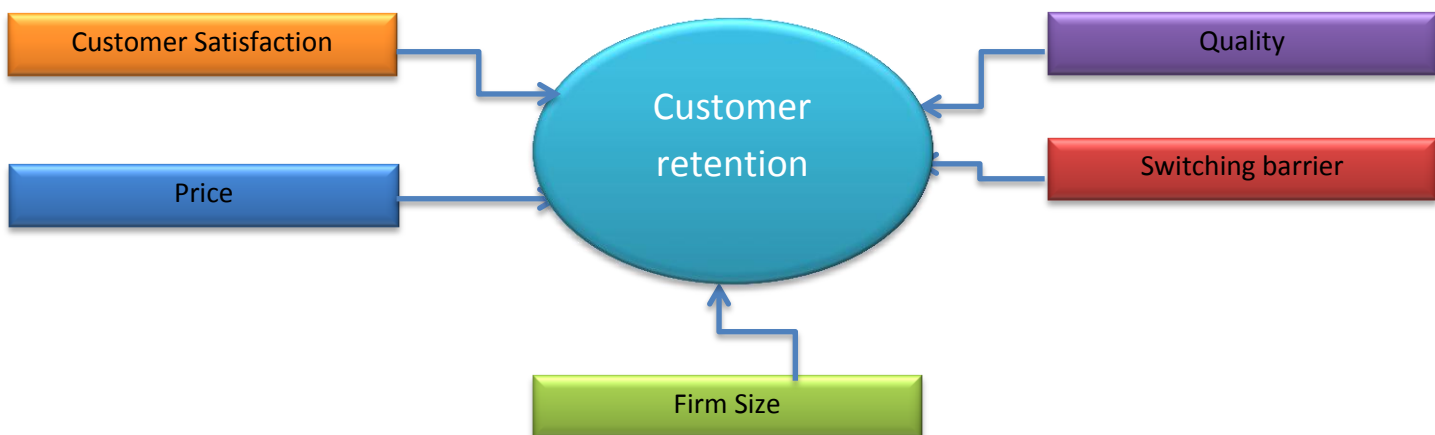


Figure 2. 1 Conceptual Framework of the study

CHAPTER THREE

3. METHODOLOGY

This chapter described how the study was conducted. It outlined the approach and strategy that used in undertaking the study, the sample that were used to conduct the study, including the statistical techniques used to analyze the data.

3.1 RESEARCH APPROACH

A research design is a plan, structure and strategy of investigation so conceived as to obtain answers to research problem. The plan is the complete scheme or program of the research. It includes an outline of what the investigator will do from writing the hypotheses and their operational implications to the final analysis of data (Kumar, 2011).

A research can be either of qualitative or quantitative in nature. Quantitative research designs are specific, well structured, have been tested for their validity and reliability, and can be defined and recognized to generate numerical data using statistics (Ranjit, 2011 ; Leddy,2005) while qualitative designs main focus is to understand, explain, explore, discover, and clarify situations feelings, perceptions, attitudes, values, beliefs and experiences of a group of people.

Qualitative study designs are often based on deductive rather than inductive logic, are flexible and emergent in nature, and are often non-linear and non-sequential in their operationalization. The study design mainly entails the selection of people from whom the information, through an open frame enquiry, is explored and gathered. The parameters of the scope of a study, and information gathering methods and processes are often flexible and evolving (Kumar, 2011).

This research used a quantitative design. This is due to the nature of the research and the research question. In addition, the objective of the research is to quantify the magnitude of the impact of each independent variable on dependent variable. Using quantitative design, the research quantified the correlation type and strength between the independent variables and its dependent variable.

As explained by Robson (2002), there are three possible forms of research design: exploratory, descriptive and explanatory. The base of classification relies on the purpose of the research area as each design serves a different end purpose.

Exploratory research is conducted when enough is not known about a phenomenon and a problem that has not been clearly defined (Saunders et al., 2007). It does not aim to provide the final and conclusive answers to the research questions, but merely explores the research topic with varying levels of depth. Therefore, its theme is to tackle new problems on which little or no previous research has been done (Brown, 2006). Even in the extreme case, exploratory research forms the basis for more conclusive research and determines the initial research design, sampling methodology and data collection method (Singh, 2007).

The purpose of a descriptive study is to provide a picture of a situation, person or event or show how things are related to each other and as it naturally occurs (Blumberg, 2005). However, descriptive studies cannot explain why an event has occurred and is much suitable for a relatively new or unexplored research area (Punch, 2005). Therefore, in situation of abundant descriptive information, alternative research designs such as explanatory or exploratory approach is advisable.

Even though all of these research types have their own features and differences, they are inseparable in many ways. One cannot explain the relation of two things without first describing them. Similarly, it is almost impossible to explore new things without explaining the current situation and relationships. Therefore, a research might be one of the above three types primarily but it inevitably encompasses many features of the other two types of researches. This study is descriptive in nature as it is aimed at finding out “what is,” and the study is aimed at finding out the factors that affect customer retention in Pharmaceutical and medical device firm (Borg & Gall, 1989; Creswell, 2013) research because it aimed at examining the relationship between customer retention as a dependent variable and customer satisfaction, Quality, price, and switching barrier as independent variables.

3.2 TARGET POPULATION

Target population is said to be a specific group of people for which questions can be asked or observed made to develop required data structure and information (Hair et al, 2010). The study population for this study was executives of different health institutions that are directly involved in the day-to-day business interaction with their suppliers, i.e. selected importers of pharmaceuticals and medical equipment in Addis Ababa City.

The importers at Addis Ababa city are selected by the researcher because they are easily accessible and convenient for data collection. To quantify the impact of the independent variables on the dependent variable an appropriate population should be determined. Accordingly, the total population size of the research is the number of customers of the 328 Medicine and Medical import Companies that is the executives of wholesalers, pharmacies, medicine retail outlets including hospitals, clinics, Medical centers, health posts and private hospital executives. The target population of the research was the customers of six key import companies which are randomly selected based on market experience and current activity on the market. Each importer has on average one hundred customers recorded in the capital city.

3.3. SAMPLING AND SAMPLING TECHNIQUE

Sample size was 240 respondents selected from six importers in Addis Ababa. Convenience sampling technique was used to gather data from respondents who were available at the time of the data collection.

To determine sample size with finite population size with 95% confidence level the below calculation by Yemane (1967) is used.

$$n = \frac{N}{1+N(e)^2} = \frac{600}{1+600(0.05)^2} = 240$$

Where: n= number of sample taken (sample size)

N= population size

E=sampling error/level precision (usually its 0.05 since the preferred confidence level in sampling is 95%)

Sampling technique is a technique used to select suitable sample so as to represent the whole population. There are two common sampling techniques; probability and non-probability sampling. Probability sampling is where the population has an equal opportunity of being selected but in non-probability sampling method, the probability of being selected is unknown (Bhattacharjee, 2012).

According to Dornyei (2007), convenience sampling is a type of non-probability sampling where members of the target population that meet certain practical criteria, such as easy accessibility, geographical proximity, availability at a given time, or the willingness to participate are included for the purpose of the study. The main theory associated with convenience sampling is that the members of the target population are homogeneous; there would no difference in the research results obtained from a random sample, nearby sample, a co-operative sample, or a sample gathered in some inaccessible part of the population (Leiner, 2014).

The sampling technique employed in this research was a non-probability sampling of convenience sampling technique because of:

1. The target populations of the study are geographically scattered
2. The difficulty to get complete list of target population; as there will be no formal sampling frame.
3. This sampling technique gives a better result within a small budget (Farhana & Islam, 2012).
4. The customers do not come in to the importer office in any order. Anyone moves in any time and since the researcher will be in the importer office at certain hours of the day to get as many as possible customers.

3.4 DATA SOURCE AND TYPES

Primary data source is information source that need to be gathered from the original source and secondary data source is the one used from already available or from source that has been collected for another purpose. Primary sources of data were the source for this study .The primary data was collected from sample respondents using questionnaire.

3.5. DATA COLLECTION INSTRUMENT

Questionnaire was the data collection instrument for this study. Questionnaire is effective to collect data about “facts, activities, level of knowledge, opinions, expectations and aspirations and attitudes and perceptions” (Siniscalco & Auriat, 2007).

The questionnaire was comprised of close-ended questions which was developed in accordance with the quantitative data needs to address the research questions. The close-ended questions are easy to manage, respond and code (Siniscalco & Auriat, 2007). Hence, they offer an opportunity to present many questions to respondents without exhausting their time.

3.6 VALIDITY AND RELIABILITY

Validity and reliability are measures used in quantitative research to assess the accuracy of the measurement tool and its consistency. Validity refers to the degree to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure. While reliability is concerned with the accuracy of the actual measuring instrument or procedure, validity is concerned with the study's success at measuring what the researcher set out to measure. Reliability is the extent to which an experiment, test, or any measuring procedure yields the same result on repeated trials (Muller, 2011). Both types of measures are important tools to reach at a valid research result. To achieve this, the researcher pilot tested the questionnaire and scored Cronbachs Alpha test of 0.767.

3.7 DATA ANALYSIS METHOD

After the required data collected, the data was analyzed using statistical package for Social Science (SPSS) Version 20. Descriptive statistics such as proportions was used to summarize the variables. Correlation and Multiple Linear regression analysis was used to analyze the collective impact of all independent variables identified to associate it with retention.

3.8 ASSUMPTIONS FOR REGRESSION ANALYSIS

The regression analysis of 215 samples collected for this study is being explored in the following sub-sections for factors influencing customer retention. Assumptions for regression analysis used in this study were discussed such us multicollinearity, heroscedasticity, autocorrelation, linearity and Normality assumptions. Meeting the assumptions of regression analysis is necessary to confirm that the obtained data truly represented the sample and that researcher has obtained the best results (Hair et al., 1998).

3.8.1 Normality Test

This assumption test tests whether the data is well modeled by normal distribution or not (Gujarati, 2004). The assumption was tested by using normal probability plot (NPP). The decision rule is, if the fitted line in the NPP is approximately a straight line, one can conclude that the variables of interest are normally distributed (Gujarati, 2004). From the result residuals of the model were approximately normally distributed.

3.8.2 Linearity

The linearity of the relationship between the dependent and independent variable represented the degree to which the change in the dependent variable is associated with the independent variable (Hair et al., 1998). Linear models predict values falling in a straight line by having a constant unit change of the dependent variable for a constant unit change of the independent variable (Hair et al., 1998). The scatter plots of standardized residuals versus the fitted values for the regression models were visually inspected. So that the dots at the P-P Plot are closer to the diagonal line, indicating that assumption of normality was met as we can draw straight line to approximate the observations for all independent variables against the dependent variable.

3.8.3 Multicollinearity Test

According to Hill et al. (2003), multicollinearity is not a violation of the assumptions of regression but it may cause serious difficulties.

Table 4. 1 Multi-Collinearity test for VIF and tolerance

Variable	Tolerance	VIF
Customer retention	0.361	2.767
Satisfaction	0.483	2.070
Quality	0.428	2.335
Price	0.390	2.563
Switching Barrier	0.541	1.849
Firm Size	0.696	1.436

Source: survey data, 2021

From the table 4.16 the assumption tested the VIF values for all variables became less than the tolerable value, i.e., 10. Tolerance value of all variables also became above 0.1 which indicates that this model is free from multicollinearity.

The VIF is a measure of the reciprocal of the complement of the inter-correlation among the predictors. The decision rule is a variable whose VIF value is greater than 10 indicates the possible existence of multicollinearity problem. Tolerance (TOL) defined as $1/VIF$, it also used by many researchers to check on the degree of collinearity. The decision rule for tolerance is a variable whose TOL value is less than 0.1 shows the possible existence of multicollinearity problem (Gujarati, 2004).

3.8.4 Autocorrelation Test

Table 4.17 shows the autocorrelation test analysis, Durbin-Watson (1.574) which means there is a highly positive correlation and there is no autocorrelation of regression errors. Multiple linear regression models assume the residuals are independent of one another. The Durbin-Watson statistic is used to test for the presence of serial correlation among the residuals. The residuals are not correlated if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50. From the result DW was within the range of 1.50-2.50, as a result the assumption of independence of residuals was satisfied.

Table 4. 2 Durbin-Watson test

Model Summary	
Model	Durbin-Watson
1	1.574 ^a

a. Predictors: (Constant) satisfaction, quality, price, switching barriers, Firm Size

b. Dependent Variable: Customer retention

Source: survey data, 2021

3.9 ETHICAL CONSIDERATION

The necessary precaution was taken to make the study ethical. Before commencing data collection ethical approval was obtained and Importers were communicated with formal letter from the University. Respondents were informed ahead about the purpose of the data they provide will only be used for academic study and will remain confidential.

CHAPTER FOUR

4. RESULT AND DISCUSSION

4.1 INTRODUCTION

4.1.1 Data presentation

To study the factors influencing customer retention in Medical Device and pharmaceutical import companies in the cases of six importers in Addis Ababa , a questioner was developed with a five point Likert scale and value was assigned to express the extent to which a respondent agree or disagree with the specific statements given in the questioner. Henceforth a value of 5 was assigned to state strong agreement, 4 to agree with the specific statement, 3 for neutral statement, 2 for their disagreement and 1 for strong disagreement. Two hundred forty (240) questionnaires were distributed to the importers customer. The data was collected using structures questionnaire. The response rate for the questionnaire was as shown in table 4.1

Table 4. 3 Response rate

Number of Questionnaires	Frequency	Percentage
Filled questionnaire	215	89.58%
Unfilled Questionnaire	25	10.42%
Total	240	100

Source: survey data, 2021

Out of the distributed questioner two hundred fifteen 215 (89.58%) were filled and 25 (10.42%) were not attended by the respondents representing a non-response rate of 25 (10.42%). A response rate of 50% is sufficient for analysis and 60% is good (Mugenda & Mugenda, 2003). Thus this response rate was considered appropriate for the study.

4.2 RELIABILITYTEST

In this study, Cronbach alpha coefficient was used to examine the internal consistency. The measurement scale would be considered as reliable if the Cronbach alpha is 0.70 or higher (Nunnally 1978).

To ensure the reliability and consistency of the questions, a scale reliability analysis was conducted by utilizing SPSS tool, by using Cronbach's alpha measurement method. There are two type of scale reliability analysis conducted for this research; the whole scale of the questionnaire reliability and individual variables questions reliability.

Table 4. 4 Reliability test result

Variables	Cronbach's Alpha
All Variables	0.767
Satisfaction	0.819
Quality	0.891
Price	0.726
Switching Barrier	0.701
Firm Size	0.710
Customer retention	0.755

Source: survey data, 2021

Dependent Variable

As per table 4.2, the dependent variable, customer retention indicated Cronbach's alpha score of 0.767. The variable has high internal consistency and is acceptable.

Independent Variable

The independent variables chosen for this study are Satisfaction, Quality, Price, Switching barriers and Firm Size. The five independent variables have been measured on five point Likert type scale. Based on the reliability test, Cronbach's alpha score for Satisfaction is 0.819 indicating high reliability. The cronbach alpha scope for the variable quality is 0.891 representing strong reliability. For the third variable, Price, the score indicated 0.726, which is above the threshold. The variables Switching barrier and Firm size scores are 0.701 and 0.710 respectively as above the threshold. The overall reliability test score was found to be 0.767 indicating a good level of internal consistency among the measurement items used in the study.

4.3 DESCRIPTIVE ANALYSIS

4.3.1 Demographic profile of respondents

Demographic analysis included in the study were Gender, Age, Position, Institution type, Organization type, purchase of interest and Year of Business relationship. These variables help to identify the background of the respondents.

Table 4. 5 Gender and Age composition of respondents

		Frequency	Percent
Gender	Male	156	72.6
	Female	59	27.4
	Total	215	100.0
Age	Less than 25 years	7	3.3
	25-35 years	111	51.6
	36-50 Years	91	42.3
	Above 51 years	6	2.8
	Total	215	100.0

Source: survey data, 2021

As enumerated in the above table 4.3, Most of the respondents 72.6% are found to be male and the remaining 27.4% are female. The respondents age was divided in to four age interval categories 51.6% ,the majority of the respondents, are from 25-35 Year, 42.3% of are in 36-50 Year interval category, 3.3% of the are less than 25 Year and 2.8% of are above 51year old.

Table 4. 6 Position composition of respondents

		Frequency	Percent
Position	Owner	12	5.6
	Management member	139	64.7
	Procurement Head	64	29.8
	Total	215	100.0

Source: survey data, 2021

Table 4.4 shows that the majority of the respondents 64.7% are member of management team, 29.8% have procurement head position the remaining 5.6% are owners.

As indicated on the below table (4.5) fifty three (53.5%) are from private institution and the remaining 46.5% are from the public that is 83.3% are from Hospital, 11.2% from Pharmacy and the 5.6% are from Wholesale.

Table 4.7 Institution and Organization type

		Frequency	Percent
Type of Institution	Public	100	46.5
	Private	115	53.5
	Total	215	100.0
Your Organization	Hospital	179	83.3
	Pharmacy	24	11.2
	Wholesale	12	5.6
	Total	215	100.0
	New	41	19.1
	Total	215	100.0

Source: survey data, 2021

The purchase of interest for 72.1% of the respondents were Medical device, for 17.2% of them were pharmaceutical and 23% of them were for both Medical device and pharmaceuticals as presented on table 4.6.

Table 4.8 Purchase interest composition of the respondents

		Frequency	Percent
Purchase of Interest	Pharmaceutical	37	17.2
	Medical Device	155	72.1
	Both	23	10.7
	Total	215	100

Source: survey data, 2021

As presented on the table 4.7 the year of practice in their respective institution 50.7% of the respondents have 10 year and above experience, 29.3% have 6-10 year experience and the 20% them have 5 and less years of experience.

Table 4.9 Year of experience of the respondents

		Frequency	Percent
Year of Service	Less than 5 Years	43	20.0
	6-10 Years	63	29.3
	Above 10 years	109	50.7
	Total	215	100.0

Source: survey data, 2021

The year of business relationship with the importer is presented on Table 4.8. the result shows most of the respondents,34.4% of them have more than four years relationship with the importer, 27.4% have one to two years relationship, 19.1% of them have three to four years of relationship and the remaining 19.1% of them are new to the distributor.

Table 4. 10 Year of business relationships distribution of respondents

		Frequency	Percent
Year of Business relationship	1-2 Years	59	27.4
	3-4 Years	41	19.1
	Above 4 Years	74	34.4
	New	41	19.1
	Total	215	100.0

Source: survey data, 2021

4.3.2 Factors influencing customer retention

The result of proposed individual factors that influence the customer retention in Pharmaceutical and Medical device import business in selected imported in Addis Ababa are presented under the following

4.3.2.1 Customer retention

This section assessed the result of customer satisfaction level in medical device and pharmaceutical import business. To assess the level of the respondent's satisfaction thirteen statements were presented for the respondents to rate on Likert scale.

Table 4. 11 Customer satisfaction

Indicators of Satisfaction	N	Mean	Std. Dev
I am satisfied with the product supplied by the importer	215	4.16	0.699
I am satisfied with the service offered by the importer	215	4.36	0.709
I am satisfied with the sustainable supply of product by the importer	215	3.15	0.971
I am satisfied with the delivery service provided by the importer	215	4.08	0.505
I am satisfied with the aftersales service provided by the importer	215	4.14	0.927
I am satisfied with the product knowledge of the Medical representative's	215	3.83	0.621
I am satisfied with the product storage facility of the importer	215	4.07	0.483
I am satisfied with the credit policy of the importer	215	3.75	0.705
The employees of the importer are highly dependable.	215	3.80	0.592
I am satisfied with the ordering system installed by the importer	215	4.05	0.500
I am satisfied with the reputation of the importer.	215	3.78	0.569
I am satisfied with the importer's location for convenience.	215	3.74	0.559
Overall, I am satisfied with product and service offered by the importer	215	3.93	0.447

Source: survey data, 2021

Table 4.9 shows the findings on the customer satisfaction; the responses were collected using likert scale of five units. According to the scale, 1 stands for "Strongly Disagree", 2 for "Disagree", 3 for neither "Neither Agree nor Disagree, 4 for "Agree" and 5 for "Strongly Agree" The responses were analyzed using descriptive statistics i.e. mean and standard deviation.

Conferring to the scale, those variables with a mean close to 4.0 were agreed by the respondents, the respondents were neutral to those variables with a mean close to 3.0. The respondents disagreed with those variables with a mean close to 2.0. Meanwhile standard deviation was used to indicate the level of dispersion of the responses.

From the findings, customers are satisfied with the products supplied by the importer (M=4.16), service provided by the importer (M=4.36), delivery service (M=4.08), Aftersales Service (M=4.14), the sales representative product knowledge (M=3.83), storage facility (M=4.07), Credit service (M=3.75), Dependability (M=3.80), Ordering System (M=4.05), Reputation (M=3.78), Location convenience (M=3.74). The respondents response were close to neutral for the sustainable product supply (M=3.15). The overall weighted mean for customer satisfaction is

3.9 with standard deviation of 0.64. The mean of 3.9 the respondents on average agreed with the measurement indicators. The SD suggest acceptable central tendency of the data.

4.3.2.2 Quality

The study collected data on the customer’s perception on value and the findings are presented on table 4.10. Conferring to the scale, those variables with a mean close to 4.0 were agreed by the respondents, the respondents were neutral to those variables with a mean close to 3.0. The respondents disagreed with those variables with a mean close to 2.0. Meanwhile standard deviation was used to indicate the level of dispersion of the responses.

Table 4. 12 Responses related to quality

Indicators of Quality	N	Mean	Std. Dev
The medical equipment of the importer is of a desired quality.	215	3.93	0.788
The Pharmaceutical products supply of an importer is of a desired quality	215	3.93	0.755
The Medical equipment supply made by the importer contains the required Product feature and benefit that meets the Health professional expectation	215	4.28	0.814
The Pharmaceutical products supplied by the importer is effective	215	4.37	0.717
The Medical equipment supplied by the importer is reliable.	215	4.29	0.934
The delivery service offered by the importer is of a desired quality.	215	4.09	0.508
The aftersales service provided by the importer is of a desired quality.	215	3.93	1.029
The professional competence of the Medical representative’s over the products sold is very satisfying.	215	4.22	0.789
The service quality provided by the importer meets my expectation and perception	215	3.98	0.730
The training provided by the medical representative for the products sold are of a desired quality	215	3.87	0.671
Overall, The product and service Quality provided by the importer meets our need	215	3.96	0.651

Source: survey data, 2021

As indicated on the above table 4.10, Quality in medical and pharmaceutical business was characterized by product desired quality which as a mean score of 3.93 with SD (0.788), product feature and benefit has a mean score of 4.28 with SD 0.814, effectiveness and reliability have mean score of 4.37 and 4.29 respectively with SD (0.717 and 0.934). Delivery service quality and aftersales service have mean score of 4.09 and 3.93 with SD of 0.508 and 1.029 respectively. Medical representative competence has mean score of 4.22 with 0.789 SD followed by training quality which have mean score of 3.87 with 0.671 SD. The mean score for overall, the product and service quality is 3.96 with SD 0.651. The respondents mean values for the quality scale

items range from 3.87 to 4.37, indicating that the customers agree with product and service quality. The standard deviations for all quality indicators range from 0.508 to 1.029 which indicates large variability. In other words, respondents differ in terms of how they perceive quality in import companies.

4.3.2.3 Responses related to Price

The study collected data on the customer's response on price and the findings are presented on table 4.11. Conferring to the scale, those variables with a mean close to 4.0 were agreed by the respondents, the respondents were neutral to those variables with a mean close to 3.0. The respondents disagreed with those variables with a mean close to 2.0. Product and/or service worthiness was the highest rate of dimension relative to the rest of seven with the mean value of 4.12 and with standard deviation of 0.758. The expensiveness of the product and / or service was the least related dimension with a mean score of 2.64 and standard deviation of 0.891. Affordability of the medical equipment and pharmaceutical has a mean score of 3.8 and 3.85 with a standard deviation of 0.676 and 0.588 respectively. Price competitiveness has a mean score of 3.92 with SD 0.621. The overall mean score for the variable was price 3.64 with SD of 0.75. The overall mean 3.64 indicates that the respondents on average agreed with the measurement indicators. The SD is neither high nor low suggesting acceptable central tendency.

Table 4. 13 Responses related to Price

Indicators of Price	N	Mean	Standard Deviation
The price paid to the medical equipment is affordable and reasonable as compared to competitor.	215	3.80	0.676
The price paid to the Pharmaceutical product is affordable and reasonable as compared to other import company.	215	3.85	0.588
The price paid for the service rendered is fair and reasonable as compared to competitors'.	215	3.87	0.768
I do not compare prices with others since I have a belief that the importer supplied quality product which is more important than price.	215	3.27	1.019
I believe that the product or service price offered by the importer is worthy	215	4.12	0.758
The price charged for the pharmaceutical and / or medical device is competitive	215	3.92	0.621
I believe that the product or service price is expensive as compared to competitors'	215	2.64	0.891
I believe that the prices charged by the importer is fair	215	3.65	0.708

Source: survey data, 2021

4.3.2.4 Responses related to Switching Barrier

As shown in table 4.12, regarding the switching barrier, the public image impressive status of the importer has a highest rate (M=3.67) relative to the remaining indicators with a standard deviation of 0.610. The least dimension of with a mean score of 3.15 and standard deviation 1.068 was the continual of same importer despite dissatisfaction in the quality of products and services. The overall mean 3.46 indicates that the respondents on average agreed with the measurement indicators.

Table 4. 14 Responses related to Switching Barrier

Indicators of Switching Barrier	N	Mean	Standard Deviation
Once you develop a business relationship with importer, it is difficult to switch to another importer.	215	3.56	1.458
I will change my current importer if I will be dissatisfied with the product or service offered.	215	3.22	1.248
I would like to continue with my current importer despite the disappointment in the quality of its product and services rather than adapting new importer	215	3.15	1.068
The public image that the importer has is impressive.	215	3.67	0.610
The importer cares and provide individual attention to its customers	215	3.50	0.662
The switching cost of changing current customer over the new one is costly	215	3.66	1.368

Source: survey data, 2021

4.3.2.5 Responses related to Firm Size

Table 4.13 indicated that the size of physical premises of the importer compared to the competitor had the mean score of 3.73 with SD 0.555 followed by the availability of skilled staff had a mean score of 3.81 with SD of 0.535. The importance of overall performance in the market had a highest mean score 4.13 with SD of 0.661. Importer profitability and reputation had a mean score of 3.16 and 3.68 with SD of 0.805 and 0.532 respectively. The overall mean 3.702 indicates that the respondents on average agreed with the measurement indicators. The SD 0.6 is neither high nor low suggesting acceptable central tendency.

Table 4. 15 Responses related to Firm Size

Indicators of Firm Size	N	Mean	Standard Deviation
The physical premises and the facilities available are of adequate in size as compared to competitors.	215	3.73	0.555
The importer has adequate staff with the required skill to provide service to customers.	215	3.81	0.535
The importer's overall performance in providing service to its customers in the market is important to me	215	4.13	0.661
The profitability of the importer is an indicator of the quality product and service offered by it.	215	3.16	0.805
The importer has maintained a good reputation in the health sector	215	3.68	0.532

Source: survey data, 2021

4.3.2.6 Customer retention

The table 4.14 deals with the statistics of the dependent variable, customer retention. The continual of relationship with their respective importer in the future indicate highest mean score in relative to the other factors with a standard deviation of 0.662. The overall mean 3.696 indicates that the respondents on average agreed with the measurement indicators. The overall SD 0.5 is neither high nor low suggesting acceptable central tendency.

Table 4. 16 Responses related to Customer Retention

Indicators of Customer Retention	N	Mean	Standard Deviation
The importer is my first choice for the supply of medical device and pharmaceutical product I need.	215	3.56	0.823
I will continue my business relationship with the current importer in the future	215	3.77	0.662
I would recommend other institutions to purchase medical equipment and pharmaceutical product from this importer	215	3.76	0.709

Source: survey data, 2021

4.4 CORRELATION ANALYSIS

The data from the scale typed questionnaire were fed to the SPSS, to process the correlation analysis. Based on the questionnaires, the following correlation analysis was made. According to

a correlation analysis used to identify the direction and relationship between the variables. Correlation coefficient enables to quantify the strength of the linear relationship between two variables Saunders et al. (2009). The correlation coefficient value is from -1 to +1. The correlation strength $r = +/- (0.10 \text{ to } 0.29)$ is small, $r = +/- (0.30 \text{ to } 0.49)$ is medium strength and $r = +/- (0.50 \text{ to } 1.0)$ is a large strength (Cohen, 1998)

Table 4.17 Correlation Among the study Variables

		Correlations					
		S	Q	P	SB	FS	CR
Satisfaction	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	215					
Quality	Pearson Correlation	.645**	1				
	Sig. (2-tailed)	.000					
	N	215	215				
Price	Pearson Correlation	.477**	.483**	1			
	Sig. (2-tailed)	.000	.000				
	N	215	215	215			
Switching Barrier	Pearson Correlation	.279**	.117	.451**	1		
	Sig. (2-tailed)	.000	.087	.000			
	N	215	215	215	215		
Firm Size	Pearson Correlation	.344**	.128	.236**	.626**	1	
	Sig. (2-tailed)	.000	.062	.000	.000		
	N	215	215	215	215	215	
Customer Retention	Pearson Correlation	.552**	.571**	.386**	.380**	.365**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	215	215	215	215	215	215

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

Source: survey data, 2021

Table 4.15 illustrated the correlation between customer satisfaction, quality, price, switching barrier including firm size with customer retention. A high correlation strength is shown with product quality ($r=0.571$) and customer satisfaction (0.552) with customer retention. A medium correlation strength is seen in price($r=0.386$), switching barrier ($r=0.38$), Firm Size ($r=0.365$) with customer retention. In summary, the correlation between all independent variable including firm size with customer retention was positive and statistically significant (0.01).

4.7 REGRESSION ANALYSIS

Regression was used to understand the relationship between variables and to predict the value of one variable based on another variable. This also indicated in the model summary below. The statistical relation of satisfaction, quality, price, switching- barrier and firm size with customer retention.

4.7.1 Demographic variable Analysis

Table 4. 18 Demographic Variable Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.685	.382		9.638	.000
Gender	.003	.097	.002	.034	.973
Age	-.175	.077	-.161	-2.291	.023
Position	-.167	.049	-.230	-3.391	.001
Type of Institution	.213	.088	.161	2.410	.017
Your Organization	.031	.084	.025	.365	.716
Purchase of Interest	.074	.083	.059	.890	.374
Year of Service	.136	.057	.161	2.377	.018
Year of Business Relationship	-.013	.038	-.022	-.334	.739

Source: survey data, 2021

Table 4.18 Presented the influence of the demographic factors (Gender, Age, Position, Type of institution, Organization type, Purchase of interest, Year of service, Year of business relationship) on Customer retention. The coefficient of gender of respondents was ($t=0.034$), the respondents age ($t=-2.291$, $P<0.023$) which had inverse relationship with customer retention, respondents position ($t=-3.391$, $P<0.001$) was inversely related and statistically significant, the type of institution ($t=2.410$, $P<0.17$), the organization type coefficient ($t=0.365$, $P<0.716$), respondents purchase of interest ($t=0.89$, $P<0.374$), Respondents year of service in the field ($t=2.377$, $P<0.18$), Year of Business relationship ($t=-0.334$, $P<0.739$) had an inverse relationship

with Customer retention but was statistically insignificant. In conclusion, the t-coefficient of constant was positive and 3.685 indicating significant relationship with customer retention.

4.7.2 Regression model summery

Linear regression produces model summary which explains how good is the overall research model in achieving the desired output (Hair et al., 2010). Regression analysis predicted the impact of the independent variables on the dependent variable (customer retention) as per below Table 4.19.

Table 4. 19 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.382 ^a	.146	.113	.624
2	.928 ^b	.861	.826	.276

a. Predictors: (Constant), Gender, Age, Position, Type of institution, Organization type, Purchase of interest, Year of service, Year of business relationship

b. Predictors: (Constant), satisfaction, Quality, Price, Switching barrier, Firm Size

Source: Survey Data, 2021

In regarding the demographic characteristics the coefficient R (0.382) shows the presence of weak correlation between the demographic factors with the dependent variable. The R square was 0.146 indicating that 85.4% of the variation on customer retention of the dependent variable with unexplained factors.

The linear regression used for this study shows that coefficient of determination (R square) at 86.1% of the dependent variable (Customer retention) is being influenced by the independent variables used in this study (Satisfaction, Quality, Price, Switching barrier including Firm Size). This indicates that 13.9% is being described by factors which were not included in the study. The model summary table above the demographic characteristics statistically predicted customer retention.

4.7.3 Analysis of variance

This is a collective statistical models used to analyze differences among variables (Owen, 1991). This research has significance value (P-value) of 0.00 which is below 0.05. This shows that the regression model used for this study predicting the impact on customer retention is statistically significant. If the p-value is equal to or lower than 0.05, this shows their statistic difference in mean length (Hair et, al., 2010).

Table 4. 20 ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	80.823	43	1.880	24.706	.000 ^b
Residual	13.010	171	.076		
Total	93.833	214			

a. Dependent Variable: CR

b. Predictors: (Constant), FS, Q, P, SB, S, SB

Source: Survey Data, 2021

4.7.4 Analysis of the research Hypothesis

The following data were composed from the pulling out of the independent variables that have been tested through regression analysis, as per result for customer retention showed in Table 4.21

Table 4. 21 Coefficient analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.486	.461		1.054	.293
Satisfaction	.444	.100	.300	4.445	.000
Quality	.388	.067	.381	5.742	.000
Price	.473	.142	.420	3.342	.001
Switching Barrier	.183	.057	.183	3.218	.002
Firm Size	.358	.101	.289	3.546	.001

Source: Survey Data, 2021

H1: There is a significant positive impact of customer satisfaction on customer retention

The result showed in table 4 indicates that there is a significant positive impact of customer satisfaction on customer retention. The hypothesis I was not rejected as it was significant with β coefficient value of 0.444 at significant value of 1% ($P < 0.00$). This concludes that customer satisfaction have a direct impact on customer retention in pharmaceutical and medical device import business.

Hypothesis 2: There is a significant positive impact of quality on Customer retention

For the above hypothesis the result indicated that there is a significant impact of quality on customer retention β coefficient value of 0.388 value at a significant value of 1% ($P < 0.001$). This infers product and service quality have a direct impact on customer retention in pharmaceutical and medical device import business. This hypothesis will not be rejected.

H3: There is a significant positive impact of price on Customer retention

The result showed in Table 4 indicated that Price has a significant effect to affect the customer retention $P < .01$, $\beta = 0.473$. Therefore we do not reject H2 as it was significant at 1%. This implies that price has a direct impact on customer retention in pharmaceutical and medical device import business.

H4: There is a significant positive impact of switching barrier on Customer retention

This hypothesis test indicated that switching barrier had a significant effect on customer retention $P < .002$, $\beta = 0.183$. We do not reject this hypothesis as it was significant at 1%. This implies that switching barriers have a direct impact on customer retention in pharmaceutical and medical device import business.

H5: There is a significant positive impact of Firm size on Customer retention

This hypothesis test indicated that firm size had a significant effect on customer retention $P < .001$, $\beta = 0.358$. We do not reject this hypothesis as it was significant at 1%. This implies that firm size have a direct impact on customer retention in pharmaceutical and medical device import business.

4.8 CUSTOMER RETENTION PRACTICE

As indicated on the table 4.8 the majority of the respondents 34.4% had more than four years of business relationship with their respective supplier, 27.4 % of them have 1-2 years of business relationship, 19.1 % them have 3-4 years of business relationship and the remaining 19.1% of them are new. As explained in TADA Keeping track of retention rate has important as tracking your growth in revenue at every financial period (2019). Measuring retention rate is important for predicting retention lies at the heart of any attempt to calculate life time value and customer equity, retention drives from profitability and value. The six selected importers in the study record their customers on the data base developed by their own company. They update the customer information on need basis. The importers do not have experience of measuring their customer retention rate.

4.9 FINDINGS AND DISCUSSION

The majority of the respondents in the study 72.6% were male. Most respondents were under age category from 25 – 35 year and 64.7% of them were members of the management team. Regarding the institution type in the study 53.5% of the respondents were from private institution and 83.3% of them were from hospital. At the time of the data collection 72.1% of them were interested to purchase medical device, 17.2% of them were for purchase of pharmaceuticals and the remaining were there for both. The majority of the respondents 50.7 % have more than 10 years of experience in the sector.

The quantitative data required for the study was gathered from 215 participants (customers of selected importers in Addis Ababa). Regression analysis was employed to measure the impact of the independent variable on dependent variable customer retention. The variables chosen for the study, both the dependent and independent variables have indicated Cronbach's alpha scoring of 0.735 indicating the variables have high internal consistency.

The descriptive analysis presented Mean score and standard deviation for all variables. The descriptive data analysis presented most respondents perceive the independent variables chosen for this study affects positively to the dependent variable. Inferential statistics; Pearson correlation and multiple regression analysis was presented to analyze the influence of the independent variables, customer satisfaction, quality, price, switching barrier and firm size on dependent variable ,customer retention. The regression analysis indicated independent variables

have significant impact on customer retention. The test result for the hypothesis I, the exist direct impact between customer satisfaction and customer retention, shows the beta coefficient shows 44.9% positive impact of the independent variable, customer satisfaction, on customer retention (dependent variable) with a significance value of 0.00. This indicated that customer satisfaction has a significant influence on customer retention in medical device and pharmaceutical import business in Addis Ababa. The researcher reviewed similar research conducted to further support the result and study done in Commercial banks Tanzania showed similar result (Auniel E. Obino S., 2018). In contradiction a study done in cellular industry in Pakistan showed the customer satisfaction does not make a significant contribution to customer retention (Usman Ahmad, 2014).

The second hypothesis H2 which stated there exist direct impact between quality and customer retention, the beta coefficient shows 38.8% positive impact of the independent variable (quality) on dependent variable (customer retention) with a significant level of 0.00. This indicates that quality products and service had a significant impact on customer retention in medical device and pharmaceutical import business in Addis Ababa. Other study done in Maldivian construction industry showed similar result showing positive impact of quality on customer retention (Ismail Nizam, 2015)

Hypothesis H3 stated that there exists direct impact between price and customer retention, the beta coefficient for the independent variable price on dependent variable customer retention presented 47.3% which showed positive influence of price on customer retention at 0.01 significance level. This indicates that price places a significant influence on customer retention in medical device and pharmaceutical import business in Addis Ababa. Similar result was presented in cellular industry in Pakistan and in study done in Banks in Madrid, Surigao del Sur in and in construction industry in Maldivian (Michelle p. et.al, 2017, Usman Ahmad, 2014, Ismail Nizam, 2015).

The beta coefficient for the fourth hypothesis H4 which was stated as there exist a direct impact between switching barrier and customer retention was 18.3%. This shows a very small positive impact of the independent variable (Switching barrier) on the dependent variable (customer retention) with significance level of 0.002. This indicated that switching barrier had a significant influence on customer retention in Medical device and pharmaceutical import business in Addis

Ababa. The study in Pakistan cellular industry showed the switching cost had a positive effect on customer retention (Usman Ahmad, 2014).

This study included firm size as one of the independent factors that could influence customer retention in Medical device and pharmaceutical import business and tested the Hypothesis H5 which was stated as there exist direct impact between firm size and customer retention. The beta coefficient for this variable 35.8 disclosed the positive impact of firm size on the dependent variable customer retention. This indicates that firm size had a significant influence on customer retention at 0.001 significance level. Demographic factors such as Gender, age, position, institution and organization type, purchase of interest and year of service including year of business relationship was assessed.

Retaining customers has never been more important. By developing and enabling customer retention programs companies can effectively encourage customers to buy again. Without proper customer retention recording and measuring programs in place business will struggle to establish a strong customer base, which determines the overall success of business (Demac M. 2020). In regarding with the customer retention practice in Medical device and pharmaceutical import business in the study participants all have their own way of keeping track of their customers and that needs a strong database and a measuring system to help them keep track, update and follow their respective customers.

CHAPTER FIVE

5.1 CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

The study aids to continuously at par with the growing competition in pharmaceutical and Medical device industry. The study tested the different hypothesis to assess the different factors that influence customer retention in medical device and pharmaceutical import business in selected importers in Addis Ababa. It evaluated the impact of customer satisfaction, quality, price, switching barrier including Firm size on customer retention. Based on the result attained, it can be concluded that all of the factors considered do have influence on customer retention. It also assessed the importers practice on customer retention. This indicated that the customers of the medical device and pharmaceutical import companies highly value the tested independent variables to continue their relationship with the importer.

5.2 RECOMMENDATION

The following recommendations concerning customer retention in Medical device and pharmaceutical import companies are presented as follows

- To increase the customer retention level, importers need to continuously assess their customers need emphasizing on the studied variables and assess their customer retention level to develop strategy to keep their customers from falling out.
- This research data was focused on selected importers in Addis Ababa and the results generated were driven by this. Hence, it is encouraged to include different variables and incorporate representative samples in the sector in the future studies so that a much more holistic result might be generated.
- Pharmaceutical and medical device industry is the key in the improvement of quality health care service. Therefore, different studies to identify clients (Hospitals, clinics, health centers, diagnostic centers and laboratory needs) needs need to be assessed to improve quality of the health service in the country.

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APPENDIX A: QUESTIONNAIRE

Instruction

Please read each statement carefully and encircle your choice or write your opinion on the blank space

PART I – General Information

1	Gender	A) Female	B) Male		
2	Age	A) Less than 25years	B) 25-35years	C) 36-50years	D) Above 51years
3	Position	A) Manager	B) Owner	C) procurement Head D. Other_____	
4	Type of Institution	A) Public	B) Private	Other _____	
5	Your Organization	A) Hospital pay	B) Pharmacy	C) Wholesale	D) Retail E) Others, Please specify----
6	Purchase of Interest	A) Pharmaceutical	B) Medical Device	C) Both	
7	Year of Service	A) Less than 5 years	B) 6- 10 years	C) Above 10 years	
8	Year of Business Relationship with importer	A) New	B) 1 – 2 Years	C) 3 – 4 Years	D) Above 4 years

PART II – Factors that affect customer retention

These parts kindly require you to express your view on the issue being asked by putting a tick mark (✓) on the space provided. With the 5 points liker scale ranging from strongly Disagree (1), Disagree(2) , Neutral (3), Agree (4) and strongly agree(5)

S.N	Dimension & Items	Rate				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1	Satisfaction					
1.1	I am satisfied with the product supplied by the importer					
1.2	I am satisfied with the service offered by the importer					
1.3	I am satisfied with the sustainable supply of product by the importer					
1.4	I am satisfied with the delivery service provided by the importer					
1.5	I am satisfied with the aftersales service					

	provided by the importer					
1.6	I am satisfied with the product knowledge of the Medical representative's					
1.7	I am satisfied with the product storage facility of the importer					
1.8	I am satisfied with the credit policy of the importer					
1.9	The employees of the importer are highly dependable.					
1.10	I am satisfied with the ordering system installed by the importer					
1.11	I am satisfied with the reputation of the importer.					
1.12	I am satisfied with the importer's location for convenience.					
1.13	Overall, I am satisfied with product and service offered by the importer					
2	Quality	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
2.1	The medical equipment of the importer is of a desired quality.					
2.2	The Pharmaceutical products supply of an importer is of a desired quality					
2.3	The Medical equipment supply made by the importer contains the required Product feature and benefit that meets the Health professional expectation					
2.4	The Pharmaceutical products supplied by the importer is effective					
2.5	The Medical equipment supplied by the importer is reliable.					
2.6	The delivery service offered by the importer is of a desired quality.					
2.7	The aftersales service provided by the importer is of a desired quality.					
2.8	The professional competence of the Medical representative's over the products sold is very satisfying.					
2.9	The service quality provided by the importer meets my expectation and perception					
2.10	The training provided by the medical representative for the products sold are of a desired quality					
2.11	Overall, The product and service Quality provided by the importer meets our need					
3	Price	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree

3.1	The price paid to the medical equipment is affordable and reasonable as compared to competitor.					
3.2	The price paid to the Pharmaceutical product is affordable and reasonable as compared to other import company.					
3.3	The price paid for the service rendered is fair and reasonable as compared to competitors'.					
3.4	I do not compare prices with others since I have a belief that the importer supplied quality product which is more important than price.					
3.5	I believe that the product or service price offered by the importer is worthy					
3.6	The price charged for the pharmaceutical and / or medical device is competitive					
3.7	I believe that the product or service price is expensive as compared to competitors'					
3.8	Overall, I believe that the prices charged by the importer is fair					
4	Switching Barrier	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
4.1	Once you develop a business relationship with importer, it is difficult to switch to other importer.					
4.2	I will change my current importer if I will be dissatisfied with the product or service offered.					
4.3	I would like to continue with my current importer despite the disappointment in the quality of its product and services rather than adapting new importer					
4.4	The public image that the importer has is impressive.					
4.5	The importer cares and provide individual attention to its customers					
4.6	The switching cost of changing current customer over the new one is costly					
5	Firm Size	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
5.1	The physical premises and the facilities available are of adequate in size as compared to competitors.					
5.2	The importer has adequate staff with the required skill to provide service to customers.					
5.3	The importer's overall performance in					

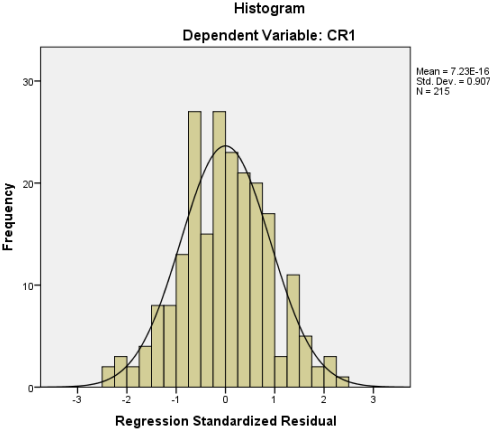
	providing service to its customers in the market is important to me					
5.4	The profitability of the importer is an indicator of the quality product and service offered by it.					
5.5	The importer has maintained a good reputation in the health sector					

PART – III Customer Retention

6	Customer Retention	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
6.1	The importer is my first choice for the supply of medical device and pharmaceutical product I need.					
6.2	I will continue my business relationship with the current importer in the future					
6.3	I would recommend other institutions to purchase medical equipment and pharmaceutical product from this importer					

ANNEX B: REGRESSION ASSUMPTIONS

Normality Test



Linearity

