Developing Strategies for Customer Retention.
A Case Study on an Irish Car Dealership.

Lara-Jane Scarff

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MSc Marketing.

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Abstract

Title: Developing Strategies for Customer Retention. A Case Study on an Irish Car Dealership.

Author: Lara-Jane Scarff

This paper considers the development of strategies within a car dealership that effectively promote customer retention. The research seeks to explore the importance of customer retention, the challenges faced in retaining customers and current customer retention strategies being developed by an Irish car dealership to influence repurchase behaviour of existing customers.

The literature reviewed emphasises key areas to consider when engaging in strategies for customer retention. A qualitative approach was used for this research and conducted in the form of a case study. Data was gathered via observations, documentation review and interviews with a variety of departmental managers at the case study dealership. Analysis of the findings and literature provides a comprehensive insight into the role that customer retention plays in a car dealership. The results revealed a thoroughly customer-centric culture associated with the case study dealership.

This study highlights some best practices being applied by a franchised car brand dealership in Ireland which may prove useful for other dealerships looking to improve their competitive advantage and sustainability as a business. The case study research identified strategies developed around using customer feedback and CRM to optimise the lifetime value of the customer which is understood to positively influence the retention of the dealership's customers. The opportunity for further research on the phenomenon of customer retention within a car dealership is justified as a result of the investigation carried out in this study.

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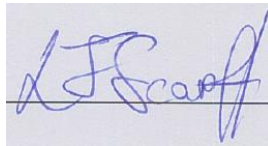
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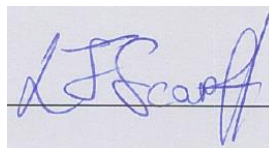**School:** School of Business **Course:** MSc Marketing

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Chapter 1. Introduction

1.1 Research Problem

Customer retention is a complex phenomenon having been topical across industries since the 1990's (Reichheld & Kenny, 1991; Kotler, 1992; Reichheld, 1996 & 2003). The increasing competitiveness of the motor industry has presented difficulties for dealerships to maintain market share and can be attributable to rapidly evolving technology advancement changing the needs of customers and their approach to car shopping (Huber & Herrman, 2001). There is a real danger of dealerships losing control of predictable revenues as this technology has handed the bargaining power to customers. The 'bucket theory' suggests that the lack of customer focus sees the customer base dwindling as existing customers are not actively recycled through retention efforts while the amount of new customers being fed into the customer base is at a much slower rate (Blythe, 2009). Stone et al. (2007) provides an interesting finding that customer retention is on the top of many companies' lists of priority, yet they lack the skill or knowledge to define or measure retention. This is echoed by Rigby et al. (2002) as automotive companies are engaging in CRM without a strategy for customer retention. While studies on the automotive industry look at the mediating effects of certain strategies and factors on customer satisfaction and repurchase intentions, there should be more focus on contemporary strategies employed by car dealerships today which are found to positively impact customer retention (Auh & Johnson, 1997).

1.2 Background and Need

The topic of customer retention particularly interests the researcher, who has a professional marketing background in the Irish motor industry. Customer retention is an outcome of well-executed strategies that directly relate to the practice of Customer Relationship Management (Dick & Basu, 1994). A strong relationship with the customer supplemented by customer-centric standards and a frictionless customer experience has proved to enhance loyalty and competitive advantage (Verhoef et al., 2007; Roberts-Lombard & Nyadzayo, 2014). While the competitiveness of the industry has highlighted the importance of customer retention, the dealership's ability to future-proof itself

through prioritising the loyalty of the customer has positive implications for the profitability and sustainability.

1.3 Aim of the Study

This study aims to explore the strategies developed for retaining existing customers specifically in a car dealership. The main research question asks, *How does a car dealership implement strategies that effectively promote customer retention?* The outcome of the research is broken down into three main objectives that look to inform the research question:

1) Assess the importance of customer retention within a car dealership.
2) Understand the challenges faced by a car dealership in retaining its customers.
3) Identify the strategies used by a car dealership that encourage repurchase behaviour of existing customers.

The importance of customer retention emphasises the need for a greater commitment and investment from dealerships. The challenges reveal the problem areas within a dealership and the wider motor industry hindering effective retention and an awareness of these challenges will help to understand what needs to be done to improve the dealership's approach to customers. A look at the strategies directly affecting the propensity for customers to repurchase will also inform the most efficient approach when the importance and challenges of retention are established.

The research is conducted qualitatively using a case study design that is expected to contribute to understanding the phenomenon. This research approach is justified due to similar research methods utilised in previous research (Oder & Bayon, 1997; Hwang et al., 2004; Chan, 2008; Shang & Lin, 2010). The findings will be analysed and interpreted for discussion with relation to the current literature on customer retention and car dealerships from which marketing practitioners, researchers and key stakeholders in car dealerships can benefit. The study will highlight the growing importance of customer retention in the highly competitive industry of car retailing. Time and thesis length restrictions limited the research to discussions on a selected number of aspects as most commonly cited by the literature and case study findings.

1.4 Scope of the Study

The scope of the study helps to refine the investigation and specify the outcome. The case study focused on a single car dealership of which five members of management staff within the dealership participated. The small sample size facilitated an in-depth analysis allowing time to appreciate the variety and value of the insights that informed the research question.

1.5 Organisation of the Study

In order to elaborate on the importance of customer retention as a research field and as a business strategy, the following review of existing literature will critically analyse academic theory and studies leading to an outline of the research question and objectives. The methodology will be discussed and justified to answer the main research question and meet the research objectives. The findings of the data will be analysed for insights into the study and a discussion will follow that explores the relationship between the case study and the literature in order to establish conclusions. Limitations of the study are explicitly acknowledged in order to justify the scope and intentions of the research. Recommendations for further research are also discussed prior to the end of the paper.

Chapter 2. Literature Review

2.1 Introduction

Customer retention is a popular topic of discussion among academics and businesses alike due to the discovery of its overall effects on firm performance and profitability (Vavra, 1992; Parida & Baksi, 2011). Extant marketing literature explores the role of CRM in customer retention with some research proposing ways to develop a customer retention model (Schmittlein et al., 1987; Schmittlein & Peterson, 1994; Reinartz & Kumar, 2003), while other authors have studied the antecedents to customer retention (Bolton, 1998; Rust et al., 2004). CRM was introduced as a fundamentally new element of marketing theory in the early 1990's and the automotive industry has received some attention from the application of CRM in empirical studies (Kotler, 1992; Vavra, 1992; Miller, 1993; Dick & Basu, 1994; Gronroos, 1994). Academics maintain that success can be achieved by retaining customers through nurturing relationships and service quality (Vavra, 1992; Kumar, 2010, Roberts-Lombard & Nyadzayo, 2014). The highly competitive nature of the automotive industry sees retaining the business of customers within the dealership as a challenge but one which can be effective in gaining advantage over competitors (Von Tonder et al., 2017).

This chapter includes both theoretical and empirical research on the phenomenon of customer retention and the automotive industry. A critical perspective will be presented on the conclusions developed by the authors. The aim of this chapter is to offer a scholarly background to customer retention and its application in the automotive industry. CRM theory will be established with a broad view on the rationale for retaining customers, leading to the benefits and challenges of retaining customers and then narrowing down more specifically to informed strategies for customer retention within the automotive industry.

2.2 The Bucket Theory of Marketing

Figure 1. Leaky Bucket
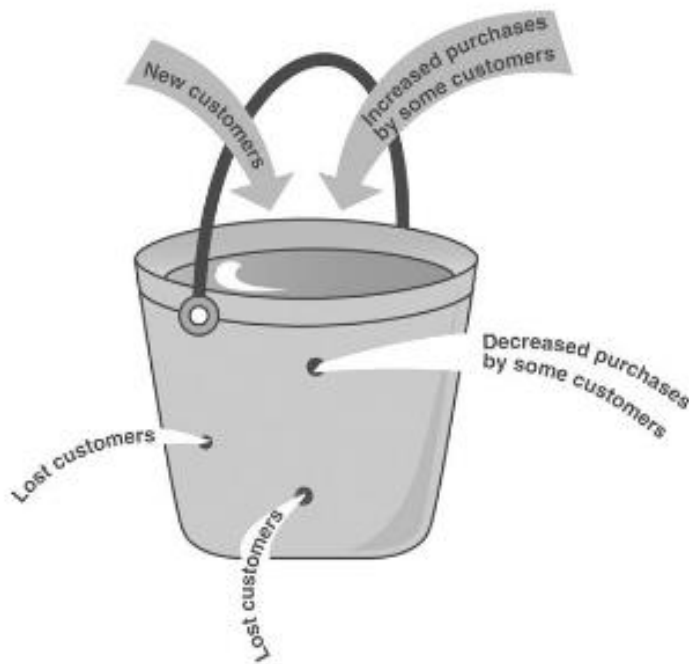
Source: Blythe, 2009.

The bucket theory, introduced by former VP of Holiday Inn, James L. Schorr, is a simple idea emphasising the strategic requirement for customer retention to develop a sustainable business (Cosic & Djuric, 2010). Figure 1 illustrates the theory which represents the customer base being filled with new customers and new purchases by both new and existing customers (Bitner et al, 2016). The bucket is 'leaking' customers who are lost over time as they find alternatives that effectively suit their needs. It highlights the importance of keeping a consistent base of customers for a business to operate at a profitable level and strategies are required to continually meet the needs of customers. Authors refer to the bucket theory in emphasis of how a relationship strategy makes sense to the overall strategy of the business, relevant to both B2C and B2B industries (Rosenfield, 1994; Gummesson, 2004, Kassing, 2005; Cosic & Djuric, 2010; Bitner et al, 2016).

It is claimed that a shift in strategy from acquiring customers to retaining them requires a change in organisational mindset and culture (Cosic & Djuric, 2010). While many organisations are found to be practicing retention activities, many are not well-equipped internally for it to take great effect, the barrier being that its systems do not support

implementation (Stone et al., 2007). Other businesses believe themselves to be immune to the effects of customer churn, believing that as long as they are gaining more new customers than losing existing ones, they are operating sufficiently (Kotler & Armstrong, 2001). These findings imply that many organisations are unaware of how many customers are being lost over a defined period versus the amount of new or returning business. Since the rise in popularity of customer retention, marketers are recognising the value of developing relationships with customers which have a long-term positive impact on the customer base (Getz et al., 2001).

2.3 Customer Relationship Management (CRM)

CRM is derived from the term, 'relationship marketing' which was given considerable attention by well-regarded academics including Kotler. The contemporary definition of CRM by Rababah et al. (2011, p. 22) explains holistically how customer retention fits into CRM:

> *"CRM is the building of a customer-oriented culture by which a strategy is created for acquiring, enhancing the profitability of, and retaining customers, that is enabled by an IT application; for achieving mutual benefits for both the organization and the customers."*

Others define CRM simply as a relationship building strategy for adding value to the firm and sustaining competitive advantage (Kumar, 2010; Datta, 2012). Each definition implies a long-term goal in applying CRM to grow the customer base.

Nurturing customer relationships is found to have positive effects on customer retention (Bhat & Darzi, 2006; Chan, 2008; Kumar, 2010). Bhat and Darzi (2006) propose a conceptual model of four CRM dimensions which focus on nurturing customer relationships for increased customer loyalty: Customer Empowerment, Complaint Resolution, Customer Knowledge and Customer Orientation. They imply that integration of each dimension has the potential to influence retention which can be applied to any business practicing CRM.

Mandina (2014, p. 71) claims that the motor industry are implementing CRM strategies due to reasons such as *"market leadership, profits and cost effectiveness."* In a highly

competitive market, dealerships are led by the strong buying power of their customers. They adopt CRM technology to address the preferences of customers, define processes and build relationships in order to differentiate themselves and gain competitive advantage (Bauer et al., 1997; Huber & Herrman, 2001). CRM systems have the ability to store customer data and interpret information for targeting customers with a personalised message that is engaging, timely and relevant (Tsiptsis & Chorianopoulos, 2010). Marketing automation is a strategy of mass personalisation in what Linton (2012, p. 12) calls *'actionable intelligence.'* While engagement in CRM is widespread in the industry, it is the intelligence extracted from the system that will provide the real advantage. Reminders for recurring transactions such as car service reminders are sure to increase revenue through timely communications that encourage the customer to return regularly to the dealership (Business Wire, 2000; Reynolds & Reynolds Company, 2002). The success of this initiative saw a rapid increase in dealership adoption worldwide of CRM platforms specific to the motor industry since the early 2000's. These CRM systems considerably increase the ability of a dealership to effectively enhance the value of and retain customers.

The application of CRM programmes has shown substantial cost effectiveness for retaining customers (Ginn et al., 2010). However, Peltier et al. (2013, p. 35) warns that data quality is crucial for effective execution of CRM activities: *"A CRM strategy based on quality data requires companies to organize and analyze every touch point so that the customer's value to the firm can be readily determined."* It is critical that the CRM systems are used to support retention strategies but it is important to note that the system is not a strategy in itself as it requires effective activation.

2.4 The Concept of Customer Retention

Customer Retention has been broadly defined as the ability of a business to get existing customers to repurchase from them which is reflected in the definition by Ginn et al. (2010, p. 115): *"customers' declared continuation of a business relationship with the firm."* There is conflicting literature about the context of what warrants customer retention. Auh and Johnson (1997) do not consider dissatisfied or lost customers part of a strategy for customer retention in the automotive industry, implying a focus only on

existing customers as an opportunity to retain (Ettlie, 1998). However, it can be derived from the bucket theory that lost customers are a result of customer relationship management issues which directly affects retention. Gallo (2014) takes the perspective of the term *'customer churn'* in defining retention, implying the need to prevent losing existing customers to competitors or alternatives. Dick and Basu's (1994, p. 100) definition of customer loyalty also offers a perspective on retention: *"The strength of the relationship between an individual's relative attitude and repeat patronage."* This definition suggests a direct need for relationship building that influences the likelihood of an existing customer to repurchase.

2.4.1 Customer Defection

Customer churn or defection is defined as the amount of existing customers that leave the brand or company for a competitor due to better alternatives (Ginn et al., 2010). A case study by Hwang et al. (2004) states that defection is highly volatile and limits the accuracy of calculating Customer Lifetime Value (CLV). Ahmad & Buttle (2001) suggest six reasons for defection: price, product, service, market, technology and organisation. Dillard & Bates (2010) state customer dissatisfaction and service recovery failure as the main reasons for defection in the automotive industry. Both Ginn et al (2010) and Reichheld (1996) have paid considerable attention to managing service failure and complaints as retention strategies to help organisations learn from customer defections. Reichheld (1996) states that regular customers tend to have a lower defection rate than new customers due to the strength of the relationship. Therefore, rectifying the issues that cause loyal customers to defect should improve customer retention overall.

2.5 Advantages of Customer Retention

2.5.1 Customer Advocates

Repeat customers with a strong relationship with the business are more likely to recommend to others in comparison to new customers and are considered valuable advocates of the brand or company (Mousavi, 2012). As a result, they are more forgiving when they have a less than satisfactory experience and are more likely to provide constructive feedback on areas that the company can improve on (Oh, 2009). They are also more engaged with the brand and the company and are more likely to respond to promotions positively. Miller (1993) warns that the abuse of a customer's loyalty reduces the impact on their intention to repurchase.

2.5.2 Profitability and Cost Efficiency

It is widely agreed by researchers that the investment required for customer acquisition is significantly higher than for customer retention (Miller, 1993; Ahmad & Buttle, 2002). Furthermore, Gronroos (1994) and Jobber (2004) reported that acquisition marketing is six times more expensive than that of retention. According to DeSouza (1992), customer retention has gained more attention among firms as a result of CRM activities being more cost effective and predictably profitable. Many authors have vouched for the significant effects on profits quoting that when retention rates are improved by 5%, company profits are increased by between 25% and 85% (Jones, 1996; Reichheld et al., 2000; Ginn et al., 2010; Gallo, 2014). Hwang et al. (2004) states that retention is an efficient practice due to the organisation's knowledge of their customers and the ability for customised market targeting.

Kiff (2000) highlights that dealership customers generate increased profits for each year that they are retained, enhanced by customer loyalty which in turn reduces the cost of acquisition. As a result, businesses in the automotive industry are shifting the priority to retaining customers (Mandina, 2014). While customer acquisition remains an important marketing strategy in business, its short-term, transactional-based approach is ineffective in building loyalty.

2.5.3 Customer Lifetime Value (CLV)

The Pareto principle refers to a general pattern of sales concentration in which 20% of a firm's customers account for 80% of the firm's profits (Storbacka, 1997). It suggests that a firm's most valuable and loyal customers are the 20%. Understanding why they are the most valuable will help to shape strategies that maximise the value of less profitable customers. CRM systems allow businesses to determine which customers hold the greatest opportunity to be retained (Miller, 1993; Gronroos, 1994; Ahmad & Buttle, 2002; Jobber, 2004; Mandina, 2014). Analysing the customer lifecycle involves identifying customer touch points that have the potential to increase the value of the customer to the firm (Rigby, 2004). Researchers claim that tactical activities including up-selling and cross-selling increase CLV (Verhoef, 2003; Linoff & Berry, 2011). However, it could be argued that these activities take a short-term perspective on obtaining revenue and could potentially cannibalise long-term revenue.

Many of the studies on CLV provide formulas and models including defining the cost of acquisition and retention against the revenue generated from a customer (Berger & Nasr, 1998; Jain & Singh, 2002; Hwang et al., 2004). It is important to segment the customer base and identify exactly how to appropriately generate value from each segment (Robinson, 2003). Hwang et al. (2004) presents a CLV model through case study research and defines three ways to determine CLV through calculating past, current and potential value. The CLV model suggests that the strength of customer relationships varies by the stage of the customer lifecycle. The history of interactions and subsequent transactions is an important area of analysis that can help to understand how dealerships have developed their offerings from experience with customer preferences.

The areas of Sales and Aftersales within dealerships will have different levels of purchase frequency due to the nature of the service; a car purchase will generally not be as often as a car service. Savoie (2014, p. 21) presents a CRM activity matrix (Table 1) that maps out customer touch points over the course of vehicle ownership. The matrix is useful for dealerships to identify opportunities that enhance CLV.

Table 1: CRM Activity Matrix Example

Period	Status	Actions
1-3 months (R=5)	Recent & active	Send post service surveys
4-6 months (R=5)	Active	Send interval service reminder
7-9 Months (R=4)	Semi active	Send second service reminder
10-12 Months (R=3)	Semi active	Send personalized message or phone call
13 -18 Months (R=2)	Potential lost customer	Contact customer to determine status
19 – 24 Months (R=1)	Last chance to retain	Special offer for last chance retention
25 + Months (R=1)	Lost customer	Customer has defected remove from activity list

Source: Savoie, 2014, p21.

2.6 Challenges of Customer Retention

The unpredictability of human interaction is a significant challenge in retaining customers (Bitner et al., 2016). The challenges of retaining customers have implications on the bucket theory mentioned. This section will focus on two main challenges found in the literature which will contribute to understanding customer retention and developing strategies around it.

2.6.1 Competitive Environment

Franchised car brand dealerships have successfully differentiated themselves from independent car dealers. However, the competition between the franchised dealerships of different brands remains at a high level, not to mention between the franchised retailers of the same car manufacturing brand. Roberts-Lombard and Nyadzayo (2014) suggest that car dealerships operate in a volatile environment as competition within the industry is fierce and customer needs are changing at a rapid rate. Mandina (2014) posits that this is driven by technological advances, globalisation and increased mobility as consumers

have more choice than ever before with greater access to information, products and services. These have caused a significant reduction in dealership footfall as customers browse information online which leads them further down the decision-making path before stepping foot in a dealership. He suggests that customers are less loyal as a result. Therefore, online presence and making the online journey for the customer as easy as possible is an emerging strategy that is critical to evoking satisfaction and loyalty (Gallo, 2014). With the rise in the selection of brands and models available to meet the needs of an abundance of segments as technology has expanded the use of mass customisation, both car manufacturers and dealers are finding the cost of gaining new customers rapidly increasing (Müller-Ötvös & Diederichs, 1997).

According to Jones & Sasser (1995), the level of switching costs to customers depends on the competitiveness of the industry so the cost of switching between car dealers is low, making access to competitors easy for customers, in turn having an adverse effect on retention. Applying Porter's (2008) five competitive forces to the automotive industry reveals the link between switching costs and customer loyalty. When the bargaining power of buyers is high, switching costs are low, which is a threat to customer retention. However, it is important for luxury car brands not to fall into the instinctive trap of reacting by slashing prices, which has the potential to compromise long-term brand loyalty (Andronikidis, 2009). A strategy that introduces an organic switching barrier by building rapport between front-line staff, management and customers will raise the non-financial switching cost which can be highly effective for customer retention and loyalty (Tokman et al., 2007). It highlights the need to invest in a customer-focused relationship-building strategy that increases the competitive advantage of the dealership.

2.6.2 Customer Complaints

Complaints by customer have a correlation to their repurchase intentions and their propensity to recommend to others. Word-of-mouth both on and offline are considered one of the strongest marketing influences on consumer behaviour due to the opinion being independent of the firm's biased pitch (Rust & Chung, 2006). Complaints seem inevitable but their power to affect the reputation of a business is significant so a process seems critical for reducing the effects. Ahmad and Buttle (2001) identify complaint handling as

a strategy for managing customer retention. Fornell and Wernerfelt (1987) present a defensive marketing strategy claiming that complaint management effectively maximises customer retention in low growth, highly competitive industries such as the motor industry. A number of academics have found success in service recovery as a strategy to prevent customer defection (Myhal et al., 2008; Kruger & Mostert, 2014; Bitner et al., 2016). Academics suggest that companies should facilitate or even encourage complaints as an opportunity to improve service and retain customers (Bitner et al, 2016).

By exploring some of the challenges faced by automotive marketers in retaining customers, opportunities come to light which can shape retention strategies. The following section will explore the strategies of customer retention including those within the motor industry.

2.7 Strategies for Customer Retention

Customer retention is most successful in organisations that are customer-focused (Reichheld & Kenny, 1991). This orientation is crucial for dealerships because they are customer-facing retailers of automotive products and services. Oder and Bayon (1997) cite customer satisfaction as a key factor of customer retention in the automotive industry. Their case study on luxury car brands reveals a distinct awareness that retention is an all encompassing activity significant across more than just the aftersales sector. A case study by Shang and Lin (2010) interviewed both management and experienced employees of luxury car brand dealerships and highlighted the different perspectives on the use of product orientation, including CRM systems, and on customer-orientation. They suggest that the overall strategy for customer retention should examine CRM activities in order to maximise the value of the customer to the firm.

The attribution of repeat business is an important element in forming strategies that enhance retention. Seldom does repeat business occur organically without the intervention of some factors, particularly regarding high involvement products and services which generally require the development of a relationship. The following strategies are explored in the literature with the aim of retaining customers in mind.

2.7.1 Optimise the lifetime value of the customer

Reichheld et al. (2000) find that satisfaction represents a small portion of the retention opportunity mainly due to the fact that most customers expect a certain standard so it's difficult to exceed that level. There are a number of viewpoints on determining the value of the customer for improving retention. Chan (2008) applied the RFM (Recency, Frequency, Monetary) and LTV (Life Time Value) models to a study on the automotive industry for evaluating segmented customers. He found that cross-selling and up-selling are both strategies that look to maximise the customer's LTV. Nacif (2003) posits that strategies to identify downward migration in spending behaviour will prevent defection. CRM intelligence is critical for recording interactions, identifying the value of a customer and prioritising customers based on the size of the retention opportunity (Coyles & Gokey, 2005). In most cases, CRM technology should not entirely substitute human interaction particularly when relationship-building and customer service are both significant elements of retention.

2.7.2 Customer Satisfaction and Service Quality

Bloemer and Lemmink's study (1992) on a dealership correlates customer satisfaction with loyalty. Kotler (1992) attributes successful customer retention to setting standards for customer service that have an impact on the dealership's reputation and customer focus. Research carried out by Fisher et al. (2002) describes a comprehensive list of variables pertaining to service quality specific to a dealership modelled by the five SERVQUAL dimensions from an evaluation of service quality by customers via a survey. The dimensions are: tangibles, reliability, responsiveness, assurance and empathy (Berry et al., 1988). Applying standards across these dimensions and measuring each of the standards will ultimately contribute to consistent performance. An example of this may be defining responsiveness as replying to customer queries within a specified and acceptable timeframe. If the business is consistently satisfying the standards set out to meet customer expectations, it leaves little reason for the customer to defect elsewhere and gives more reason to be loyal (Bitner et al., 2016).

According to Verhoef et al. (2007), car brand positioning plays a role in defining customer expectations for service quality in the new car market. They claim that a high standard of

service quality is particularly important for dealers of prestigious brands as it has a positive effect on customer loyalty. Genuine brand products and services prevent customers defecting to non-brand alternatives which have a perceived negative effect on the quality (Devaraj et al., 2001).

A study on the practice of Total Quality Management (TQM) by new car dealerships in Australia revealed a strong focus on managing quality for competitive advantage with 74% of dealerships justifying the resource for a dedicated member of staff to manage the processes of TQM (Fraser et al., 2013). In the study, Evans and Lindsay's (1999; 2002) work was quoted, in which quality and customer satisfaction are closely related to customer retention and finds that two thirds of customers are lost from bad customer service. Therefore, developing policies for managing service quality within dealerships are effective in presenting a positive result for retention. However, this study took the perspective of management personnel of the service department only and pointed out the requirement for future research to explore the perspectives of other departments within dealerships for a more comprehensive understanding. The case study to be presented in later chapters explores the phenomenon from the perspectives of management in each significant customer-facing department within the dealership.

Researchers warn that measuring satisfaction alone is not a direct indicator of retention (Reichheld et al. 2000; Mittal & Kamakura, 2001; Reichheld, 2003; Gupta & Zeithaml, 2006). Reichheld et al. (2000, p. 134) argue that satisfaction is *"inherently unstable"* as customer attitudes shift multiple times during the ownership of the car. A staggering figure sees only 45% of customers returning to dealerships even though more than 90% of them stated their satisfaction (ibid). This deviation could be attributed to internal adaptations that manipulate satisfaction rates but don't transfer effectively to repurchase rates. The effort to exceed expectations becomes more difficult when satisfaction rates are consistently high (Gupta & Zeithaml, 2006). This has caused dealers to refine their satisfaction measures to predict the likelihood of customer retention.

2.7.3 Use Customer Feedback

Developing effective programs for retaining customers involves a company culture that is open and transparent to customer feedback and one that actively solicits feedback through surveys and responding to complaints (Reichheld, 1991; Ang & Buttle, 2006). It is difficult to justify a strategy that encourages feedback without making effective use of comments which are opportune to reducing friction with customers. Aligning the goals of the business with its staff will contribute to successful relationship development for retention.

A new form of satisfaction measure, Net Promoter Score (NPS), provides an insight into customer repurchase intentions particularly among high satisfaction rate performing dealerships (Babayeva & Aliyev, 2016). The propensity to recommend to a friend has shown real scope for improving retention for those businesses that have become complacent with sufficient satisfaction scores (Reichheld, 2003). The facility for customers to provide open feedback is crucial as poor satisfaction measures have seen customer feedback being ignored, possibly having an effect on retention (Dillard & Bates, 2010). As the business develops its processes towards the changing needs of customers using feedback, this will contribute to sustainable customer relationships.

2.8 Conclusion

Academics agree that the car retailing industry sees major relevance in nurturing relationships to retain customers for competitive advantage (Chan, 2008; Roberts-Lombard & Nyadzayo, 2014). Similarly, experts in the automotive industry have carried out studies on dealerships to identify ways of enhancing the value of a customer to a car dealership (Rechtin, 2014; Mandina, 2014; Skutta, 2015). While the literature emphasised the need for retention strategies with the current challenges within the motor industry discussed, the literature lacked up-to-date applications of strategies for retention within that industry.

The current study will look to explore activities that are currently executed by an Irish car dealership and identify how they are optimised for the business' retention goals.

Chapter 3. Research Question & Objectives

3.1 Research Question

A review of the literature revealed a common theme that highlights the need for strategies within car dealerships that are shaped around customer retention in order to gain competitive advantage and maximise profitability. Led by the literature, this study aims to investigate how a franchised car brand dealership implements strategies for customer retention. The main research question asks:

How does a car dealership implement strategies that effectively promote customer retention?

3.2 Research Objectives

Outlined below are the sub-objectives which will support the investigation into the research question;

1) Assess the importance of customer retention within a car dealership.

With the literature indicating a focus on customer retention in the motor industry driven by its successes, the purpose of this objective is to understand the importance that a car dealership places on keeping its customers loyal and to explore why they engage in such activity. Much of the empirical research carried out in the motor industry on customer retention has studied the perspective of the customer. This study aims to use the perspectives from within the dealership to understand how they are motivated towards a focus on retention.

2) Understand the challenges faced by a car dealership in retaining its customers.

There are many complex challenges facing dealerships in the highly competitive environment that is the motor industry in Ireland today. It highlights the power of the customer and the importance of generating an exceptional customer experience at every touch point. Understanding more about the challenges of retaining customers in a car dealership will be a crucial step to shaping solutions for improving retention with an impact on long-term effectiveness.

3) Identify the strategies used by a car dealership that encourage repurchase behaviour of existing customers.

Car dealerships increasingly appreciate the value of their loyal customers. A shift in resource is required to nurture relationships with existing customers that pay greater dividends than investing only in acquiring new customers. An investigation into what strategies are applied by the case study dealership to maintain their customer base will reveal an insight into their performance as a business overall.

The following chapter guides the methods of research with these objectives in mind.

Chapter 4. Methodology

4.1 Introduction

Having reviewed the literature relevant to the research topic, this chapter will define how primary research will be conducted. Saunders et al. (2015) state that this chapter is about

justifying the theory behind the research. Blaikie (2000) defines the design of the research as the planning element in a thesis while the strategy for the research provides the logic for enquiry, leading into the methods of research referring to the execution of enquiry. In preparing to execute methods in line with the objectives presented, the 'Research Onion' (Figure 2) illustrates the elements within the methodology (Saunders et al., 2015). It portrays the motivations behind the research. This chapter explores the process that facilitates a logical construction of research methodology.

The aim of the methodology is to guide the research; identifying the appropriate data collection techniques pertaining to their research topic (Fisher & Buglear, 2010). Kahlke (2014) believes that qualitative researchers are interested in understanding how people interpret their experiences and what meaning they attribute to their experiences. The reliability on human experience is a strong feature of qualitative research (Silverman, 2013). A qualitative method in the form of a case study is adopted for this research and an overview of data collection methods is presented along with sampling and analysis techniques. Research limitations and ethical considerations are discussed towards the end of the chapter.

Figure 2. The Research 'Onion'
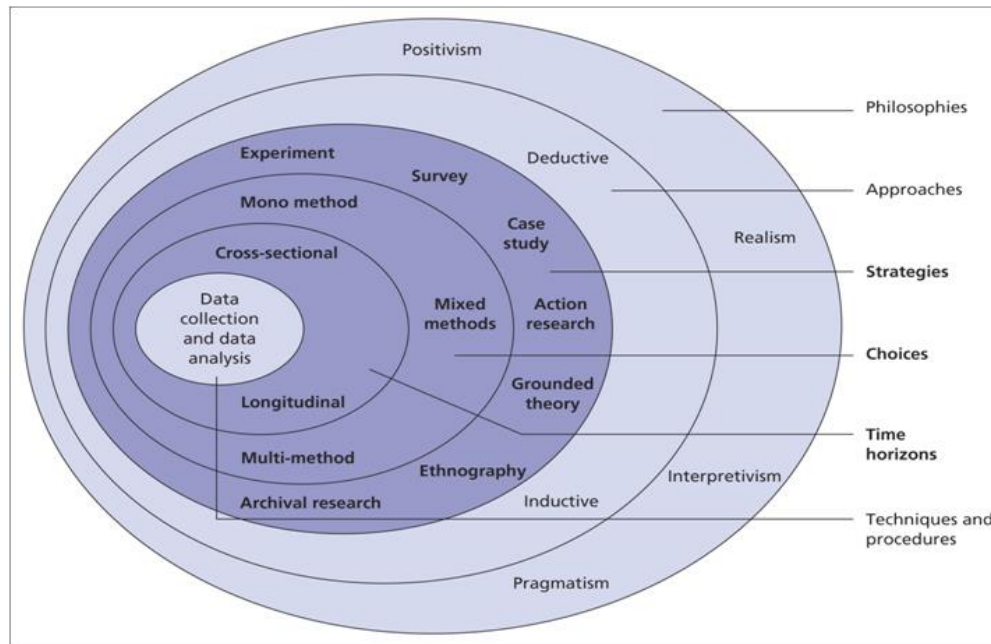
Source: Saunders, Lewis & Thornhill, 2015.

4.2 Research Philosophy

Research Philosophy is defined as the beliefs about how knowledge can be developed (Saunders et al., 2012). The outermost layer of the 'Research Onion' identifies five philosophies relevant to business and management research. The aim of this study is to understand experiences and perspectives on the phenomenon of customer retention within a car dealership. To obtain this insight, data collected from various departments in the dealership needs to be interpreted in order to identify what strategies are effective in retaining customers for informing best practices in customer retention.

Lin (1998) posits that interpretivist methodology is supportive of qualitative data collection and relies on naturalistic methods including interviewing, observing and analysing existing texts (Saunders et al., 2015). Interpretivism is one philosophy which is considered the most appropriate for this study due to its subjective standpoint (Bryman, 2014). In contrast to the positivistic approach, which involves adopting a scientific method of generating accurate information on a physical reality, the interpretivist approach argues that human information offers meaning (Saunders et al, 2012).

4.3 Research Approach

The next layer in the Research Onion identifies two approaches to theory development. Saunders (2009) argues that theory is an observation of the cause and effect between two variables. Theory can be understood by deduction, as the testing of existing theories and induction as the building of new theories. A deductive approach is synonymous with quantitative methods of structured data collection requiring large samples for statistical testing to generalise conclusions that are objective to the researcher in proving or disproving the theory (Lin, 1998). Adopting an inductive approach is more commonly used in qualitative research (ibid). With respect to the research question, the most appropriate method to apply is believed to be an inductive approach as the research does not look to draw a hypothesis out of the research question, as in the case of deduction. Induction allows the researcher to draw conclusions interpreted from the research through the identification of themes that brings about a new theory (Bryman, 2011; Creswell, 2014). Table 2 illustrates the key differences among the research approaches.

Table 2. Fundamental differences between quantitative and qualitative research strategies

	Quantitative	Qualitative
Principal orientation to the role of theory in relation to research	Deductive; testing of theory	Induction; generation of theory
Epistemological Orientation	Natural science model; in particular positivism	Interpretivism
Ontological Orientation	Objectivism	Constructionism/ Subjectivism

Source: Bryman, 2011.

4.4 Research Strategy: Case Study

Qualitative methods of research such as case study provide data which is primarily descriptive as opposed to statistical and allows for interpretation to develop a deep understanding of the processes of the problem area and perceptions of a related sample (Wahyuni, 2012). Relying on the quality and depth of insight from qualitative data, the key events can be identified that result in specific outcomes which contribute to the development of explanations of behaviour (Miles & Huberman, 1994). Particularly for

complex situations, this approach facilitates exploration and organisation of ideas for creating models relevant to the topic (Baker, 2006).

A quantitative approach relies on numerical data representing outcomes with scales taken from a large sample of dissimilar informants with the aim of making broad generalisations (Stake, 1995). Scriven et al. (2010) argue that a statistical approach is not appropriate for evaluating programs due to their situational context. The current study aims to develop a detailed understanding from the informant's point of view which would not be possible using a quantitative approach. The outcomes will be represented by direct interpretation of narratives. While much literature has reported on general strategies for customer retention, the most appropriate follow-up is to understand the specific strategies that the sample believes are encouraging repeat patronage. A weakness of quantitative research methods is the risk of the reliability of the sample in providing actionable data. However, sampling for qualitative research is more targeted and means that there is a better chance of generating realistic data for experiential understanding (Boodhoo & Purmessur, 2009).

4.5 Research Design

The most applicable definition of a case study is an empirical investigation of a specific social phenomenon in a real world context using a number of different sources of evidence (Stake, 1995; Robson, 2011). Bryman (2014) claims that a qualitative case study would most likely take an inductive approach in theory generation. The main goal of the research approach is to develop themes and case studies have been commonly used in this field of research. Qualitative research values the uniqueness of individual cases which is important to developing an understanding (Stake, 2000). For the case study research to be valid, data needs to converge by triangulation of various sources of evidence (Yin, 2014). Data collected across various research sources is likely to overlap with the case study strategy but it will ultimately confirm the accuracy of data. Yin (2003 & 2014) suggests that the case study strategy favours research questions that look to explore the 'what,' 'why,' and 'how.' The research objectives reflect an explorative approach as this study attempts to understand:

1) Why customer retention is important to a car dealership.
2) What the current challenges are for a car dealership to retain its customers.

3) How strategies are implemented to influence repurchase behaviour of dealership customers.

In order to gain enough insight into how a car dealership retains its customer, this research will undertake a single organisation case study due to the lack of research from this perspective, providing an opportunity to further analyse the customer retention phenomenon.

4.5.1 Case Study Protocol (CSP)

There are a number of various protocols from different philosophical approaches set out by researchers who specialise in case study methodology (Stake, 1995; Yin, 2003). The following protocol is adapted from these approaches but more reliant on Stake's protocol as it corresponds to an interpretive nature:

- Select the case(s)
- Assess the sources of evidence
- Define techniques for data collection and role of the researcher
- Develop interview guide to structure investigation
- Carry out case investigation
- Analyse case details
- Provide validation for case study
- Address ethical concerns
- Write case study report relating to literature discussed

4.6 Data Collection

A single case study requires a number of data collection techniques for triangulation that enhances the validity of the research (Yin, 2014). Bryman (2014) states that some factors influence the choice of data collection which includes the commitment to a certain method and the outcome expectations of the reader. This study takes a multi-method approach within qualitative data collection in the form of interviews, documentation review and observations, recommended by Yin (2014). Converging each of these sources of evidence will provide a more robust investigation of the case.

4.6.1 Interviews

The primary data collection technique adopted for this case study is semi-structured in-depth interviews. The semi-structured element allows for consistency across the interviews using similar questions while being flexible to explore new issues from the perspectives of each participant (Saunders et al., 2009). Stake (1995, p. 64) claims that the two main *"uses of case study are to obtain the descriptions and interpretations of others."* Direct observations are limited by access and time so an insight into observations from others is an effective method of enquiry.

It is highlighted that developing the right interview questions and anticipating probes is crucial to eliciting the most insightful answers (Patton, 2002). The interview questions were constructed on the basis of key issues generated from the literature review and sectioned by the research objectives (see Appendix 1). The interview questions were structured to establish rapport from the outset beginning with simple fact-based questions on the background of the participant's role within the dealership. The questions were phrased in an open manner to avoid leading questions that may provoke short answers. The benefit of interviews is the value of its real-time engagement allowing the researcher to probe for clear answers to the questions, which is not possible with quantitative enquiry methods such as surveys. To ensure substantial and accurate answers, the participants were anonymised. Well-planned questions led to more valuable answers requiring less probing and allowing more time for listening and observing.

The selected participants were interviewed one-to-one and face-to-face, characterised by a non-standardised form due the interpretative nature of the study (King, 2004). Each interview lasted between 60 and 90 minutes. The participants were briefed on the rationale behind the study and why they were chosen to participate, which helped to establish the direction of the interview. They were assured of the ethical obligation for confidentiality of their responses. Answers were summarised with written notes during the interview while using an audio recorder and were analysed post-interview by transcription of the audio.

4.6.2 Documentation Review

Stake (1995, p. 68) posits that *"documents serves as substitutes for records of activity that the researcher could not observe directly"* which could be due to events from the past and limited time resources for a comprehensive overview of the case. A number of documents were made available for data collection and analysis including recent anonymised customer survey responses and presentation slides from directly observed staff briefings. Each element of the data gathered from documentation was evaluated for inclusion in the study on the basis of their value towards an insight into customer retention in the case study dealership. The documents could be related to the interpretations of interview data and observations, forming part of the triangulation.

4.6.3 Direct Observation

This source of data lends itself well to triangulation which has the potential to expose alternative interpretations of an event or confirm interpretations of the data from informants (Stake, 1995). A direct observation exercise took place over a week long period in the case study dealership, with the researcher as participant observer, facilitated by the Head of Business who oversees the main departments of each interviewee. The exercise involved observations made within the dealership premises including processes which gave a first-hand, independent description of their approach to customer retention.

Key aspects were observed to gauge the orientation of the case study dealership towards its customers, including the actions and attitudes of front-line staff and management in engaging in CRM activities. Events observed were recorded and interpreted for reporting on the situational context.

4.7 Research Sample

Purposive non-probability sampling is the most appropriate and efficient method of sampling for this case study (Saunders et al., 2015). Sampling was carried out in two stages which required the recruitment of a case study dealership and also the participants within for interview. Two main factors led to the choice of dealership for the case study including access to relevant interview participants and dominance in the motor industry

as representative of a successful and well-resourced business claiming a strategic focus on the area of customer retention. Stake (1995) argues that cases are not studied to understand other cases so the representation is not as important because individual cases can uncover issues which would generally be overlooked in typical cases. He believes that variety is an important attribute of sampling which maximises the opportunity to learn from the data.

4.7.1 Sampling Technique

Limited by time and other factors, sampling techniques offer the ability to narrow down the sample using sub-groups of the population that are most relevant to answering the research question. Saunders et al. (2012) present two main types of sampling: probability and non-probability; probability being a representative sample and non-probability being the opposite which benefits from being less time-consuming, also reported by Baker (2006). Purposive is an element of non-probability sampling which allows the researcher to use own judgement for case selection.

Mandina (2014, p. 71) offers a relevant definition of CRM that suggests the type of participants that can be used for this research: *"CRM is a technology-based strategy that integrates the front office and back office functions with customer contact points."* The opinions of car dealership management staff who have executed strategies for retaining customers will provide relevant insight.

4.7.2 Sample Size

While the attention given to the topic by academics has grown over the last two decades, it is still lacking in a consistent practical application among Irish car dealerships. This is reflected in the small sample with sufficient knowledge of the topic relevant to their job. The small sample meant that more attention could be given to each participant which is beneficial for rich data and has implications for more accurate results (Hogan et al., 2009). Saunders et al. (2015) claims that semi-structured interviews require a sample size of at least five participants. In the case of non-probability sampling, Patton (2002) argues that there is no set rule on sample size which depends on the context of the study. To address external validity concerns, Bryman (2014) emphasises the need to access a wide range of

perspectives to the research problem which is particularly critical for case study research. To achieve this, informants were chosen based on their experience of the topic and occupation of varying roles within the case study dealership. Twelve potential participants were approached including non-management but after deliberation over their knowledge in the area of customer retention, the sample was reduced to five management participants who were more likely to offer meaningful insight. This process involved an initial introductory meeting with potential participants in the case study dealership. Five management employees from customer-facing departments of the selected car dealership were chosen (See Table 3). They were approached through professional contacts within the industry and agreed to an interview for the purpose of the study.

4.8 Data Analysis

Data analysis simply means making sense of the data collected in order to give meaning to the findings and discuss their relevance to the research question and objectives (Saunders et al., 2012). Qualitative data is known to be more complex and non-standardised than would be the case with quantitative statistical data. Therefore, the data requires time intensive analysis in the form of transcribing, categorising, codifying recurring themes and summarising for meaningful insights.

4.8.1 Case Study Analysis

Stake (1995) claims that the need for aggregation of instances in instrumental case studies is greater than in intrinsic case studies in which direct interpretation takes precedence. Discretion was used during the analysis of instances that supported a theme or contributed to the meaningfulness of the study. This is important in justifying the reliability of the data.

Yin (2003) lists relevant data analysis tools including pattern-matching which compares predicted trends against the empirically driven trends and explanation building which facilitates the development of ideas for further study, found to be relevant to exploratory case studies (Corbin & Strauss, 2007). According to Braun & Clarke (2006), interpretivists can work inductively - analysing the data, identifying themes in the data and referring the findings with reference to existing literature in order to provide a clear

line to theory and refine or extend theory. Many research authors agree that thematic analysis is a common form of analysis in qualitative research (Bendassolli, 2013; Namey et al., 2016). The data for this study will be analysed using a thematic approach. Trends and patterns will be identified for effective representation and accurate interpretation of the findings. The findings from the observations and documentation used were also analysed against the interview findings to further explore commonalities and discrepancies.

4.8.1.1 Interview analysis

Referring back to the 'Research Onion,' the timeline affords a cross-sectional analysis, in the form of various departments within the dealership, as opposed to a longitudinal study. Each interview was recorded on an iPhone audio recording app for later analysis through manual transcription. They were compared to identify recurring themes. As the case study dealership is anonymous, the interviewees' role details are used, but names anonymised, in order to provide some context to their perspectives. The participants are listed in Table 3 below:

Table 3. Interview Participants

Participant	Role	Relation to topic
1	Sales Manager	Sales customer retention
2	Aftersales Director	Service customer retention
3	Business Manager	Finance customer retention
4	Corporate Manager	B2B customer retention
5	Head of Business	Customer retention for overall business

4.8.1.2 Documentation review

The documents were analysed for processes set out to inform strategies for customer retention and customer feedback for interpreting their intention to repurchase. The documented data from the dealership was reviewed for its relevance to the interview findings. The analysis of the documents is supplementary to the interview findings in order to contribute to the case validity (Stake, 1995).

4.8.1.3 Observations analysis

Observations were analysed within 2 days of the dealership visit while findings were fresh in the mind of the researcher. The extended elements of the 7ps, which are people, processes and physical evidence, are considered useful tools to observe when developing strategies particularly for service-related organisations (Bitner et al., 2016). A description of the dealership servicescape, employee attitudes and the processes used from an independent perspective will contribute to the situational context. Key issues such as culture, efficiency and commitment were identified as common themes derived from observations.

4.9 Ethical Considerations

Ethical considerations played a significant role in the selection of the research methodology. Research ethics refers to the analysis of issues raised when human participants are involved (Saunders et al., 2009). The following two sections will explain the actions taken to ensure ethical compliance for this study. All data was collected and analysed exclusively by the researcher.

4.9.1 Data privacy

Privacy is a fundamental principal to protect participant identity (Collis & Hussey, 2008). Both the case study dealership and the participants who worked in the dealership were anonymised. The use of their job titles in the study raised no ethical concerns and this approach facilitated openness with information for valuable insights. The participation was completely voluntary and no incentives were used which reduces the risk of bias. Participants were assured of the confidentiality of the data collection process and were also offered the option to access, approve and withdraw themselves or any data from the study at any point. Explicit consent for being recorded and allowing use of the data for the purpose of this study in the form of a signed written agreement was obtained from each participant prior to data collection.

The interview questions did not pose any issues in being answered as they were sent to the participants prior to the interviews being conducted. The nature and use of the research

was fully briefed to each participant and the researcher practiced objective interview techniques with active listening to ensure comfortable interview sessions for each participant.

4.9.2 Data storage

All data in relation to this study was kept in password-protected folder on a cloud file requiring login. All interview files were transferred to this folder as soon as they were complete and permanently deleted from the recording device. Any requests by participants to access interview recordings or transcriptions were granted via sharing to their email address.

4.10 Research Limitations

According to Yin (2014), a case study lacks a systematic procedure and its subjective nature values opinions over factual information which raises questions about the credibility of the study. Generalisability is also restricted according to Holloway & Galvin (2017). However, Crouch & McKenzie (2006) claim that it is not a priority given the in-depth nature of enquiry and Flyvberg (2006) defends its interpretive nature as a positive explorative approach. The case study dealership is considered somewhat representative of how a successful dealership retains its customers due to its dominance in the market. Furthermore, there were ethical considerations that favoured the single case study approach.

While samples were small in the case study, the in-depth enquiry required lengthy interviews with transcription of each interview being a long process in order to effectively analyse the data (Bryman & Bell, 2007).

4.10.1 Research Quality

Quality in the conduct of case study research is an ongoing challenge as it does not have pre-defined measures like many quantitative methodologies. The concepts of validity and reliability come into play when endeavouring to enhance the quality of the research.

Reliability is defined by Neuman (2014, p. 212) as the *"dependability or consistency of the measure of a variable."* It implies that the research procedures can be replicated under

the same conditions to produce the same results. Controls that were used to ensure reliability of the data collected included a practical Case Study Protocol (CSP) and an interview guide with sets of questions that were developed and sectioned based on the research objectives to guide the conversation.

Validity represents ensuring confidence in the findings and accurate interpretation of the reality (Pervan & Maimbo, 2005). The convergence of multiple evidence sources contribute to triangulation of case study research, supporting the findings for accurate interpretation. External validity refers to whether the findings of the study can be generalised for other contexts. Miles & Huberman (1994) question the credibility of results when small samples are used but small samples are typical of qualitative research in which the depth of insight makes up for it. To mitigate against this concern, the criteria for the sample is rigorous for obtaining the most useful insights from a variety of perspectives of experienced professionals. Internal validity looks to confirm causal relationships and is considered less relevant to descriptive studies so this study does not attempt to test this.

The awareness of the limitations of case study research has required a particular focus on ways to reduce their effect on findings and interpretation in order to maintain the study's integrity. The stated limitations present an opportunity for further research on the topic to enhance the robustness of results.

4.11 Conclusion

The aim of this chapter was to set out and justify the rationale for case study design and the sources of data which include in-depth semi-structured interviews, documentation review and observations. The case study is characterised by a qualitative strategy with an interpretive perspective which is primarily subjective and draws on an inductive approach. Limitations to the case study method were discussed. The main data collection method was the interviews with the reasons outlined for a sample selection of five

participants within one case study dealership. Data analysis was discussed as taking a thematic approach for effective interpretation in drawing conclusions. Informed by the methodology, the data collected and analysed will now be discussed with relevance to the research objectives in the following two chapters under Findings and Discussion.

Chapter 5. Findings & Analysis

5.1 Introduction

This chapter will summarise the data gathered from the case study sources including interview quotes, observations made and documents supplied by the dealership. Recurring themes were identified under each research objective which illustrates the main

findings. The interview participants will be referred to by their titles in order to contextualise their statements.

5.1.1 Themes

Table 4: Customer Retention Themes

Objectives	1.Retention Importance	2.Retention Challenges	3.Retention Strategies
Theme 1:	Customer Lifetime Value	Consistency	Customer-Oriented Culture
Theme 2:	Referrals	Competition	CRM System Intelligence
Theme 3:	Cost Efficiency	Customer Satisfaction	Acting on Customer Feedback

5.2. Objective 1

Assess the importance of customer retention within a car dealership.

Each interview participant was asked about how customer retention fits into their role and how important it is to the case study dealership. Themes emerged from the responses that identified a considerable focus on customer retention in the dealership with a variety of perspectives on how it is crucial for sustainable business. The themes are Customer Lifetime Value, Referrals and Cost Efficiency.

5.2.1 Theme 1: Customer Lifetime Value

Participants provided detail on the orientation of the dealership which focuses on the value of long-term relationships with their customers.

The Corporate Manager highlighted the potential value of a customer as he states that,

"developing a relationship with the guy who just bought his first car for his start up company, there is potential for him to expand his business and we may get more purchases as his business grows."

The Aftersales Director emphasises the effect of a customer relationship between departments: *"when we retain the customer in Aftersales, we expect that the sales department will keep the customers in the loop through further sales."* The Sales Manager sees every customer as valuable to the business: *"It doesn't matter what type of car a customer has, if they're in an older model car, there is always an opportunity to change them into a newer model."* The Business Manager adds: *"Retaining the customer is the main goal for the finance department, whether it's for insurance products or financing the car."* The Head of Business takes a similar view in focusing on not just those who are spending the most:

"There is the 80:20 rule where a section of your customers are bringing in the greatest level of revenue and it's important that those people are retained but there's a whole bank of customers who are going to be those customers in the future if they are treated with the same potential."

The Aftersales Director implies that up sell tactics are not a genuine way of maximising the value of the customer:

"There has been a shift in customers' perception in the last couple of years where they see everything as being 'up sell', a word I hate, and I've moved away from it...What we do is give best advice from a safety perspective, which tends to fall back on us if we don't pinpoint issues before things go wrong. We've got the customer's best intentions in mind."

The dealership appreciates the customer's perspective and the potential value of a customer over a long period of time with retention as the primary goal.

5.2.2 Theme 2: Referrals

Without a growing and loyal customer base, participants argue that it is difficult to otherwise gain new business. The Business Manager gives the negative consequences of defected customers:

> *"When customers have a bad experience, it effects all the departments and they tend to tell others so there's a knock-on effect which compromises the number of new prospects."*

Loyal customers have a strong influence on their peers as the Corporate Manager claims that, *"word-of-mouth is hugely important, particularly in the B2B sense...as the consequences in referring are much higher."* The Sales Manager describes referral behaviour as a goal for growing the base: *"We need to exceed customers' expectations so that they'll go off and tell their friends."* The Aftersales Director mentions the importance of referrals between departments: *"The service advisor is rewarded for referring them to the Sales department by a bonus on the basis that retained sales customers will require aftersales work."* The Head of Business believes that the intention to recommend indicates the likelihood of retention, *"Satisfaction as a measure has become outdated. I think recommendation is far more accurate...if somebody's willing to recommend you, it means they trust you."*

Access to the dealership's customer feedback reporting system while attending one of the monthly 'customer board' meetings provides an interesting insight into their most recent scoring from their sales customers who recently purchased a car. Figure 3 below displays their current Net Promoter Score of a perfect 100. The score is benchmarked against the dealer network average of 76 and shows a positive improvement in the score over a three month period illustrated by the trend line. This visibility offers a good indication of the likelihood that those customers will return to the dealership as a result of their experience.

Figure 3. NPS Report
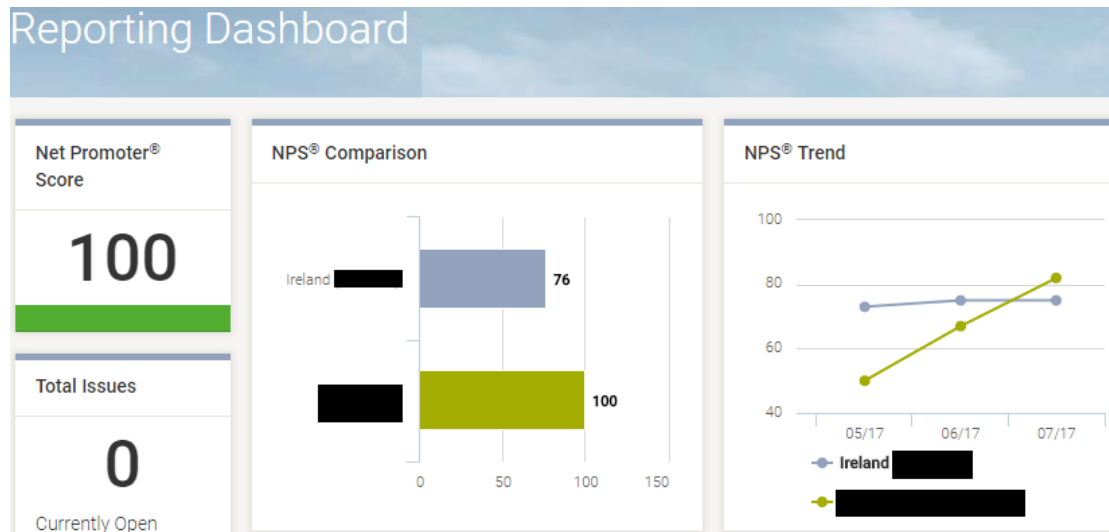
Source: Customer Survey Reporting System, Case Study Dealership, July 2017.

5.2.3 Theme 3: Cost Efficiency

There is wide agreement among the participants' statements on the benefit of cost effectiveness in retention. The Business Manager claims that customer retention is,

> *"being driven by both the manufacturer and the financial services companies so they see it as easier to retain a customer from a cost point of view, than pursuing new customers."*

The Corporate Manager offers a simple justification for practicing customer retention: *"To go get new customers is often a lot harder than to keep the ones that you have."* The Head of Business provides the consequential perspective in the cost of not focusing on retention:

> *"if we don't intend to retain customers, we've got to find new customers which cost a fortune in money. If we're losing customers, they make it difficult for us to find new ones because of reputational damage."*

The Aftersales Director posits that when a customer is lost, *"you've got the challenge of having to replace them with a new customer, which is more costly than losing the active customer."*

A renewed focus on customer retention is evident in the dealership from observing the Sales Manager sitting with each Salesperson and using the recently implemented 'Equity Manager' system to identify the customers who are most likely ready to change their car. This targeted approach would drive up the rate of converting customers to repurchase, hence reducing the marketing cost. The cost of keeping a customer is spread out over their potential car purchasing lifetime as the Sales Manager adds, *"You try and maintain the bulk of your own customers so that the business will expand over a 5, 10 or 15 year period."* This reflects a sustainable business model for the dealership than focusing solely on margins for acquiring new customers.

5.3 Objective 2

Understand the challenges faced by a car dealership in retaining its customers.

Customer retention is a complex phenomenon due to the unpredictability of customer behaviour. The three challenges identified from the findings are Consistency, Competition and Customer Satisfaction.

5.3.1   Theme 1: Consistency

In providing a consistent service for customers at every touch point, integration among departments is imperative for a seamless customer experience. The Aftersales Director points out the *"large number of touch points"* and expresses his concern when the departments don't communicate:

> *"We have a tendency to over-mine the database...we can be hitting them with various marketing messages for Aftersales at the same time as Sales and Finance, not to mention the manufacturer who may also be contacting them."*

The Head of Business adds to this context:
> *"With the volume of customers coming through daily, one bad transaction or interaction is typically the end of the relationship...It's not easy to deliver on the promises that the brand sets out. Living up to that on each interaction is a challenge, it's 62 staff every day bringing their best game to work."*

The Sales Manager also highlights the difficulty with consistent delivery of service quality:

"A huge amount of lost customers come from Aftersales because there's more interaction, be it once a year over the 4 or 5 years of the vehicle ownership. If customers have been unhappy with how they were looked after, when it comes the time to make a decision on a new car, they will look around at other brands or dealerships for better customer service."

The Corporate Manager argues that *"you can't approach retaining a customer the same way you approach acquiring a new customer."* The Business Manager believes that, *"It's important to integrate departments effectively so that queries aren't dropped during their transfer to other departments."*

While the reality is that 100% consistency in providing every customer a positive experience is hard to maintain, the Aftersales Director emphasises the effect of a constant effort to deliver a high standard of service quality, *"Loyal customers are more lenient and appreciate the attempt to recover the situation if something goes wrong and they continue to do business with us."* This is reflected in a recent customer comment provided by the dealership's reporting system, illustrated in Table 5. The customer also provided a healthy NPS score and CSI (Customer Satisfaction Index) score of 8 out of 10 as a result.

Table 5. Customer Feedback Response 1

Questions	Answers
NPS	8
Overall Satisfaction	8
Contact Wish Open Text	I appreciate you following up and acting on my previous feedback...keep doing it

Source: Customer Survey Reporting System, Case Study Dealership, July 2017.

The reports also showed a customer comment that highlighted the importance of a consistent service throughout the ownership of the car, illustrated by Table 6:

Table 6. Customer Feedback Response 2

Questions	Answers
NPS	10
Open Comment	I am extremely satisfied with the service i have received,since purchasing my car last year.
Overall Satisfaction	10

Source: Customer Survey Reporting System, Case Study Dealership, July 2017.

5.3.2 Theme 2: Competition

A challenge in retaining customers can be fuelled by the threat of competitors on both a brand and dealer level as the Corporate Manager points out, *"losing a customer to another brand is harder to control and it may be just purely based on a change in [vehicle] preference and not on service."*

A customer comment retrieved from the dealership's reports, illustrated by Table 7, indicates that comparisons can be based on price which presents the challenge of communicating the value of doing business with a franchised brand dealership.

Table 7. Customer Feedback Response 3

Questions	Answers
NPS	8
Open Comment	Still vastly more expensive than independent garages
Overall Satisfaction	9

Source: Customer Survey Reporting System, Case Study Dealership, July 2017.

The case study dealership is supported by the manufacturer with its retention efforts. However, the manufacturer's priorities differ from the dealer which shapes their retention strategy as the Aftersales Director notes:

> *"The manufacturer has products in place that encourage retention while keeping customers within the brand network...they're not really concerned whether that customer goes here or other brand dealerships...Service Inclusive (5 Years free Servicing) being one of them...there's ease of movement there which is a challenge for us."*

He also put the competitiveness of the industry into perspective:

> *"We've got about 6 other authorised service centres of the same brand within a 20 minute drive of us here so if the customer isn't happy, they have plenty of opportunity to move away from here."*

The Sales Manager echoes this as he informs that, *"it's so easy these days to get alternative quotations because there are so many dealerships and especially within our brand, there's 4 in Dublin alone."* With the availability of homogenous products reducing the dealership's differentiation, the Business Manager comments on the low switching costs as a result:

> *"There are no real hidden costs that would stop a customer from going elsewhere as they can make exactly the same decision on their current PCP* [Personal Contract Plan - car financing product] *in any other dealer."*

The Head of Business recognises this challenge and suggests a strategy that is more effective for retention:

> *"We don't have any particular point of differentiation which isn't very quickly seized upon by every manufacturer. The most difficult thing to replicate is a culture and how we make you feel as a customer is not something that can be copied easily."*

5.3.3   Theme 3: Customer Satisfaction

There is consensus among the participants that managing customer expectations is crucial for satisfaction. The Corporate Manager provides an example of where stringent processes get in the way of satisfaction but trust can maintain an acceptable level of satisfaction:

> *"Multiple signatures required on a contract is a hindrance and it's hard to make that an easy process but legalities get in the way of everything and if you've built up trust with the customer and explained everything to their preference, they should be comfortable enough to go through the process."*

The Sales Manager highlights the importance of delivering on promises: *"If we tell a customer that they'll get a call at 2pm and they don't get a call, they're not going to be happy so you need to manage that."* He also sees trust as a significant element of satisfying and retaining customers: *"Companies that retain customers all have ease of doing business and trust as two key ingredients."*

The Aftersales Director believes that the changing needs of customers are what make it so difficult to keep them satisfied and obtain their loyalty:

> *"We need to be continually refining our processes and determine, is it meeting the needs of customers today? And if it is, that's great, but you can bet that in 12 months time, it won't."*

He further emphasises that, *"you will find that our customers don't tend to compromise on quality due to the cost of owning a premium brand, particularly on elements relating to the safety of the car."*

The Business Manager argues that there is a trade-off between satisfying the customer and sacrificing what a premium brand represents:

> *"The part exchange value on their car may not match their expectation...It often comes down to pricing which is a challenge when you're trying not to let pricing competition eat into the integrity of the business."*

He also implies that satisfaction should be obtained by giving customers the most relevant options that suit their needs: *"if you force them into a PCP* [Personal Contract Plan – car financing product], *it's not going to end well from a retention point of view."*

The Head of Business explains how measuring customer satisfaction is flawed in its indication of loyalty:

> *"I think our brand positions customers' expectations very high. If you are seen as a premium brand, you have to live up to that...You do not have a situation with the amount of choice in our franchise and our market where customers who are unhappy stay. There's 100% correlation with customers who are unhappy and dissatisfied and then taking their business elsewhere."*

Table 8 illustrates the small deviance between customer satisfaction rates across car brands, which has raised the question of whether it is a true predictor of retention.

Table 8: Customer Satisfaction Index Car Brands in 2016 %
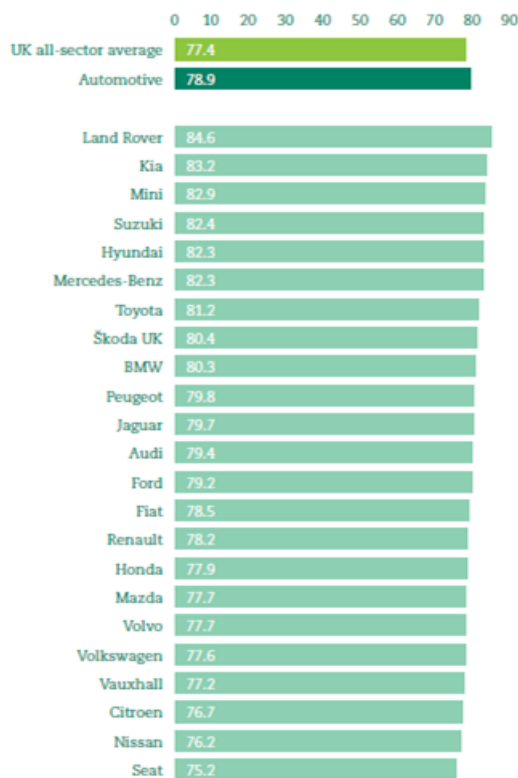
Source: Staff Briefing PowerPoint Presentation File, Head of Business, Case Study Dealership, April 2017.

5.4   Objective 3

Identify the strategies used by a car dealership that encourage repurchase behaviour of existing customers.

A number of common threads emerged from the data gathered upon which customer retention effects were directly reflected. The three main strategies identified from the findings are Customer-Oriented Culture, CRM System Intelligence and Acting on Customer Feedback.

5.4.1   Theme 1: Customer-Oriented Culture

There is a shared view that the culture within the dealership has a major influence on the loyalty of the customer. The Head of Business notes that the culture comes from the dealership owner who, *"wants to be number 1 voted by our customers...I see those businesses that concentrate on profit tend to be the ones that have customer service coming second."* He also makes a point about staff being an important element to retaining customers:

> *"Explaining why we're doing something is really important for all the staff to understand the need to retain customers...How we treat our employees is how they will treat our customers."*

The Aftersales Director provides an interesting perspective that takes the customer's point of view in order to retain them in the future:

> *"The reality of it is if you are a customer today who gets the large repair bill, you now have a concern that next time you come in you'll be hit with a big bill. And that's something that we've had to move away from because ultimately we could sell the big bill today and probably never see you again."*

The Business Manager emphasises that the dealership has a *"high reputation in the industry and a long-standing loyal customer base."* The Corporate Manager illustrates the culture to prioritise the customer in his statement:

"I went to collect a car booked for service from the premises of a customer who purchased 2 cars from us. That relationship is important and acts as a potential retention tool so when he is considering his next car for the company, he'll think of us because we've gone above the expectation."

The Sales Manager describes the dealership's propensity to sacrifice short-term financial gains for long-term loyalty:

"We look at a cost-benefit analysis so it costs 'X' amount to do a particular job free of charge like a trade-in allowance against a car which might not necessarily be in the short-term interests of the dealership but it would be in the long-term customer interest with a view to retaining them in the future."

Access to the dealership's customer feedback on their reporting system, illustrated by Table 9, confirmed what the interview participants were claiming to be: customer-focused.

Table 9. Customer Feedback Response 4

Questions	Answers
NPS	10
Open Comment	Fast lane service , full attention on arrival , very customer focused staff
Overall Satisfaction	10

Source: Customer Survey Reporting System, Case Study Dealership, July 2017.

The findings revealed a common perception of the culture within the dealership having established a strong focus on the customer over a long period of time.

5.4.2   Theme 2: CRM System Intelligence

The interview findings revealed an appetite for actionable intelligence that contributes to retaining customers. As the Corporate Manager puts it:

"The CRM system is a great tool in informing the sales team on when their customers are due a service or due to upgrade their car which gives them the

confidence to approach an existing customer in a timely and informed fashion as they are considered hot leads."

The Business Manager details the customer intelligence gained:

> *"We've recently started using a system called Equity Manager this year which lets us see what they* [customers] *are currently paying, the car they're trading in, the price of a new car and how an upgrade would work for them based on the current offers...it's important to look at the HP* [Hire-Purchase – car financing option] *agreements in advance when we are looking to retain more customers."*

The Sales Manager implies that a CRM system allows the Sales team to be proactive in retaining customers as they can *"pre-empt when their* [the customer's] *next purchase will be and that conversation can then be recorded on the CRM system for using that information when needed."*

Another proactive approach supported by a system is exemplified by the Aftersales Director with a retention initiative called,

> *"Teleservice, which is a facility whereby the car transmits a message via email to our Aftersales team notifying of a service due, a vehicle issue or a warning light and we have a process in place where we will contact the customer by phone to book them in. It's a huge advantage we have over other manufacturers."*

The Head of Business points out the value in such systems as they *"enable us to very quickly identify trends and profile information."* Furthermore, he calls the timely post-service email survey an *"early-warning system"* that gathers customers' opinions of their experience.

5.4.3 Theme 3: Acting on Customer Feedback

The findings reveal that the dealership is transparent and open to customer feedback, emphasised by its customer focus. The Head of Business claims that,

> *"We're 100% transparent with customer reviews. All good and bad survey responses are fed straight onto our website. We're the only brand prepared to take all customer comments and do a Trip Advisor kind of approach with them...when we go back to a customer and display a very quick reaction to their feedback, they're blown away because most people don't expect a response."*

He also mentioned that they have recently implemented a:

> *"monthly 'customer board' which is very focused on solving issues between departments and pushing us up against our best intentions and executing them. Any insights we get helps us to work towards retaining customers."*

The Sales Manager explains the benefit of this board:

> *"As the customer comments build up over the week or month, we can look at trends and look at what we're doing well and not doing well, with the objective of making improvements."*

The Corporate Manager has the luxury of a *"very small base of corporate customers"* in which he highlights the benefit of building a close relationship with them where he can *"easily gain honest feedback and very efficiently meet their needs."*

The Aftersales Director has a process around responding to feedback:

> *"If we get negative feedback from our outbound follow-up calls or our surveys, we will flag it to make immediate contact* [with the customer] *for further information on the issue and try to solve it as quick as possible to minimise inconvenience to the customer, within 24 hours."*

The Business Manager highlights, from the perspective of the Finance department, the legal restriction of soliciting customer feedback which does not permit the Business Manager to initiate the contact with the customer:

> *"It is up to the sales team to follow-up with the customers for their feedback where they put a call through or send an email and the customer can feedback that*

way...it's very much a reactive response from my point of view because I can't approach them to find that out under consumer law."

The bi-annual staff briefing in the dealership was attended by the researcher, primarily themed around reinforcing the customer focus. It reiterated the openness to customer feedback and featured Figure 4 which summarises the role of feedback in retaining customers and Figure 5 which illustrates the implementation of the process including discussing and actioning on feedback with retention as the end goal.

Figure 4. Goals of Feedback

Source: Staff Briefing PowerPoint Presentation File, Head of Business, Case Study Dealership, April 2017.

Figure 5. Actioning Feedback Process
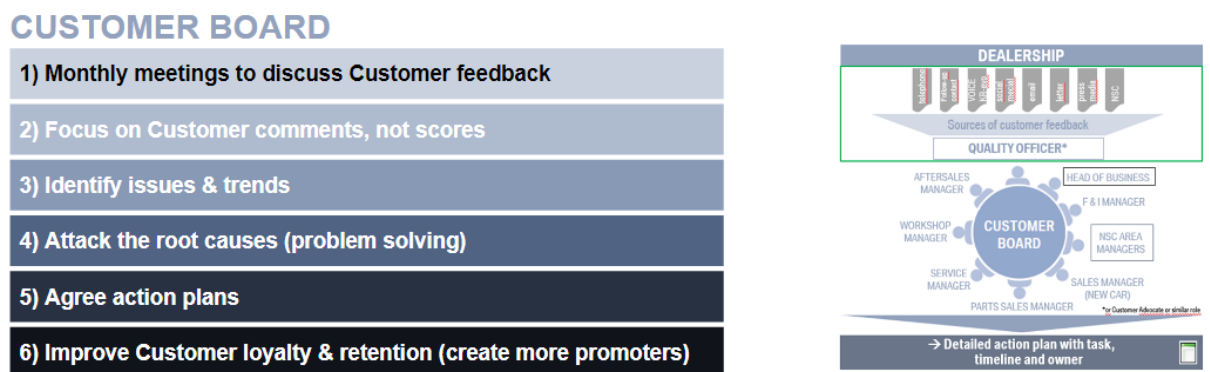
Source: Staff Briefing PowerPoint Presentation File, Head of Business, Case Study Dealership, April 2017.

5.5 Summary

The case study provided valuable insights from multiple sources including interview participants, observations made within the dealership and a review of documents provided by the dealership. Each data source offered a perspective on customer retention. Common themes emerged from the data collected and were analysed for fulfilling each of the three research objectives. The importance of customer retention was highlighted through understanding CLV, referrals and cost efficiency. The challenges in retaining customers involved consistency, competition and customer satisfaction. A customer-oriented approach, turning CRM data into intelligence and using customer feedback are the main strategies identified from the case study which appear consistent with having an impact on retention. The following discussion will determine the relationship between the theory and research from existing literature and the findings from the current study.

Chapter 6. Discussion

The results of this case study serve to enrich academic debate and also to persuade dealerships to allocate more resource towards customer retention. The literature indicates that traditionally, customer acquisition is where the majority of marketing budget was being spent, highlighting the need to invest more in retaining existing customers. The current study shows that a focus of resource in the dealership on maintaining loyal customers has a significant impact on the sustainability of the business. Furthermore, customers have high expectations due to the variety of alternatives and the large number of touch points makes defection a real risk. No amount of acquisition activity is going to keep customers from defecting. There is no one single strategy that encourages the retention of customers, rather a combination of strategies.

The overall research question asks how a car dealership develops strategies for customer retention and the 3 objectives lead to the answer to this. The following sections will address the research from the literature review and relate it to the findings from the case study for discussing the implications. The first objective looks to assess the importance of customer retention within the case study dealership. The main areas that justify the importance of this phenomenon are found to be Customer Lifetime Value, Referrals and Cost Efficiency.

6.1 Customer Lifetime Value

The Bucket Theory implies that customers are lost when they find an alternative that better suits their needs and maintaining a desirable level of customers in the bucket boosts the sustainability and profitability of the business (Bitner et. al., 2016). A focus on customer retention is important because there are many opportunities for generating revenue at different touch points in the lifetime of the customer's relationship with the dealership. The amount of knowledge held on the customer determines the strength of the relationship.

The findings of this case study endorse the importance of customer retention as the dealership has a long reputation for being customer-focused and sees every customer as an opportunity to be retained. The Pareto Principle is mentioned in the literature

suggesting that 20% of a company's customers represent 80% of the profits and implies that they are the customers who should receive the most attention for maintaining their loyalty (Storbacka, 1997). In contrast, the CLV model suggests that retention performs better when potential value of the customer is identified (Hwang et al., 2004). This is echoed by the findings in which 4 of the interview participants mentioned their focus on the potential value of a dealership customer, claiming to give it more attention than the current revenue from purchases made by customers. This can be evident in more than one department as the Aftersales department benefit from the Sales department retaining a customer who will get their car serviced multiple times. Furthermore, the Sales department benefits from the Aftersales interactions as the frequency of visits help to build the relationship between the dealership and the customer.

Verhoef (2003) and Linoff & Berry (2011) agree that up-selling products to existing customers is an effective tactic in encouraging repurchase behaviour and increasing the lifetime value of the customer. The case study findings emphasise the need to educate customers on why they require further products in the form of offering 'best advice' which is a soft approach that develops a relevant need. The participants believe that this approach is most effective when the needs of every customer are addressed individually through exceptional customer experience.

Customer retention is an important area of focus for a car dealership due to the value that a customer can bring to the business over the lifetime of vehicle ownership. Strategies with long-term implications are considered more effective for retention than short-term gains.

6.2 Referrals

The literature mentions antecedents of retention that offer competitive advantage including customer advocates (Roberts-Lombard & Nyadzayo., 2014) and managing quality (Fraser et al., 2013). It is understood by the insights from the case study that referrals by customers have significant consequences on new and existing business. Word-of-mouth and trust were related terms echoed by the participants while Dick & Basu's (1994) definition of customer loyalty implies that a strong relationship is

imperative for customers to be positive advocates. The interview participants and observations of operations within the dealership revealed that a successful customer-focused culture is hard replicate. One interview participant mentioned exceeding expectations in order to promote positive referrals. Their openness to feedback and transparency with reviews is rare and influential to customer confidence.

Both the literature (Babayeva & Aliyev, 2016) and case study results agree that the NPS score is a good indicator of the propensity for a customer to be retained and it highlights an opportunity for new business as a result of recommendations. The effectiveness of referrals by existing customers in acquiring new customers is overlooked and it is worth noting that retention activity also plays a role in building the existing and new customer base (Reichheld, 2003). One interview participant also informed of incentives in place for staff to refer customers from one department to another which feeds into overall retention performance for the dealership.

Rust and Chung (2006) emphasise the power of word-of-mouth but the implications of negative referrals are rarely highlighted from a marketing perspective. The case study findings reveal that when a customer receives a bad experience in one department, it can have an adverse effect on other departments as well as negative referral implications.

6.3 Cost Efficiency

The practice of customer retention is found to be cost efficient by a number of authors claiming that activities for acquiring customers are six times more expensive than those for retaining them (Gronroos, 1994; Jobber, 2004). The case study results also support this premise as each interview participant responded positively to the practice of retention for cost efficiency in the case study dealership. The Business Manager states that customer retention activities are driven by both the board of directors in a bid to market more efficiently and the manufacturer for gaining market share.

Authors including Reichheld (2000), Ginn et al. (2010) and Gallo (2014) relate cost efficiency to profitability. Four of the participants distinguish between retaining existing customers and acquiring new ones from a cost perspective, concluding that it is less costly

to focus on customer retention. The implications of not paying attention to retaining customers drives the cost of acquiring customers even higher.

Hwang et al. (2004) relate the knowledge of customers to the efficiency of retention and Kiff (2000) found a correlation between length of time a customer remains loyalty and the profitability of that customer to the dealership. The Sales Manager implied that the cost of obtaining a customer's business is spread out over the number of years that the customer is retained which in turn improves cost efficiency and promotes the expansion of the business. The findings from both the literature and the case study suggest that the stronger the relationship, the lower the cost to retain a customer. Without a strategic outlook for retaining existing customers, car dealers will lose customers faster than they can gain new customers, having a negative impact on customer base growth and ultimately profits.

Objective 2 looks to investigate the challenges faced by the car dealership in retaining customers and the two main challenges to be discussed are Competition and Customer Satisfaction.

6.4 Competition

A strong competitive presence for the case study dealership is a significant challenge to retaining its customers. As a result of a wide variety of dealerships and the changing needs of customers, the cost of switching between brands or car retailers is relatively low (Roberts-Lombard & Nyadzayo, 2014; Jones & Sasser, 1995). Both the Aftersales Director and the Sales Manager point out the number of direct competitors within the catchment area of same franchised car retailers and service centres. The interview participants of the Aftersales, Sales and Finance departments outline the challenge of competition with the standardisation of products for the brand making it particularly difficult for the case study dealership to differentiate from its own brand rival retailers. The Aftersales Director and the Business Manager highlight a significant flaw in some products developed by the dealership's manufacturing partners which prioritises the retention of customers within the brand but creates ease of movement between other dealerships of that brand. It seems that while the manufacturing brand supports the

dealership with competitive products against other rival brands, these initiatives can have an adverse effect on the competitiveness of the case study dealership among its rivals within the brand network. This presents a challenge in developing strategies for reducing defection that may be partially caused by such products.

Mandina (2014) maintains that customers are more sophisticated in their own research as technological advances and access to information online has changed the way customers browse for cars before purchasing. Referring to Porter's (2008) five forces, the bargaining power of customers has increased as a result as has the choice of alternatives. Tokman et al. (2007) mentioned that rapport between staff, management and customers act as an organic switching barrier for customers which gives the dealership some power in retaining them. This is endorsed by the Head of Business who mentions culture as an element of differentiation for the case study dealership. A positive culture makes customers advocates of the dealership and becomes a distinct competitive advantage that can effectively boost the dealership's reputation and longevity. This is why referrals emphasise the importance of retaining customers as having a powerful impact on the overall business performance.

6.5 Customer Satisfaction

The competitive nature of the automotive industry has made it challenging to satisfy the changing needs of customers. While the interview participants of the case study agree that satisfaction is closely related to customer retention, it is not an accurate indication of the customer's intention to repurchase from the dealership as other factors also play a role in influencing retention (Kellar & Preis, 2011). Table 8 of the CSI of car brands illustrates little deviation which limits the insight into which brands are actually performing well at retaining their customers. The Head of Business suggests that dissatisfaction is a better indication of customer defection than is satisfaction. Empirical research carried out by Dillard and Bates (2010) found that dissatisfaction is one of the main reasons for defection in the automotive industry. Their research also claims that timely resolution can reduce dissatisfaction and defection rates. The challenge is to understand why customers are both dissatisfied and inclined not to return to the dealership in order to inform processes that improve customer retention. The use of NPS in the case study dealership's surveys is

consistent with the premise that it is a more accurate measure of intention to repurchase than the CSI.

Two of the interview participants claimed that processes developed by the manufacturer hinder the ease of doing business with the customer and have an adverse effect on the dealership's ability to satisfy customers as the processes are rigid and not flexible for individual customer needs. The Corporate Manager gives the example of the number of signatures required for a contract. Reichheld et al. (2000) believe that processes like these imposed by car brand manufacturers are at risk of being manipulated by staff within the dealership which may not provide an accurate reflection of their ability to retain customers.

Consistency in service quality and trust are two areas from the case study that are considered by the findings to be significant for overcoming threats to customer satisfaction. The statement by Reichheld (1996) takes a similar perspective as the stronger the relationship with customers, the less likely is it that customers will defect.

The final objective looked to understand the main strategies used by the case study dealership that are found to successfully promote customer retention and the three main areas that emerged from the findings are Customer Culture, CRM System Intelligence and Customer Feedback.

6.6 Customer Culture

Cosic and Djuric (2010) claimed that a change in organisational mindset is required for successful retention. Some businesses believed that strategies to acquire new customers without any specific focus on their needs would organically have a positive effect on retaining them, unaware of the actual effect on customer churn (Kotler & Armstrong, 2001). Getz et al. (2001) posited that marketers began to recognise the positive effect of strong customer relationships on the customer base as a long-term strategy.

The information provided by the interview participants all reported similar accounts of the evident culture which is cascaded down from the owner of the dealership to the front-line staff. The Aftersales Director and the Corporate Manager both provide examples

portraying the customer-focused attitude. The Head of Business believes that the attitude of the staff have a significant impact on the retention of their customers. Observations made within the case study dealership of the customer-orientation were of two showroom staff titled, 'Showroom Hosts' who welcomed customers with a smile, provided guidance based on the customer's requirements and offered refreshments in a professional and friendly manner, immediately establishing a relationship with the customer as approachable and knowledgeable members of staff. Two other staff titled, 'Product Geniuses' were present in the showroom, responsible for advising customers on the various car features and evoking their excitement in the experience. They had an enthusiastic demeanour while communicating to customers. Analysis of the website and social media reviews of the dealership included comments praising staff by name for their hospitality and professionalism in solving issues and generating a memorable experience notably in the Sales and Aftersales departments. These customer comments as well as the customer feedback from the dealership's survey, illustrated in Table 9, confirmed the positive reception received by many of their customers.

Both the literature and case study findings conclude that a customer-focused culture is an effective strategy to enhance customer retention within the dealership.

6.7 CRM System Intelligence

Stone et al. (2007) found that businesses were claiming to be carrying out retention activity but without the support or effective use of a CRM system that could handle large amounts of customer data to inform such retention activity. A capable CRM system can identify customers who are at the most likely stage of being retained and facilitates the ability of the dealership to target customers with relevant messages. Employing customer data in marketing automation can cost efficiently target a segment of customers with a personalised and timely message that boosts retention (Ginn et al, 2010; Linton, 2012). A robust CRM system is crucial for effective communication that aims to retain existing customers using accurate data (Peltier et al, 2013).

The theory presented in the literature displays some parallels with the results of the case study which saw the dealership using a number of systems and initiatives for gaining

intelligence about customer behaviour trends including the Aftersales and Finance departments. The participants found an advantage to this intelligence which allows them to identify defection trends and time their communications to pre-empt defection and ultimately increase the opportunity for retention. Some implications of such intelligence include; using CRM systems to facilitate recognition of the customer will assist in the development of customer relationships and reduced friction during mandatory stringent processes and; Front-line staff will be more confident in advising customers empowering them to tailor their offering to the customer's specific needs. This strategy has merit in reducing the number of defecting customers as a result of a tactical and informed approach.

Using CRM systems for generating customer intelligence gives the dealership the opportunity to develop customer relationships and act as a powerful tool in retaining existing customers given the ability to satisfy their needs based on the information held on them.

6.8 Customer Feedback

One common strategy employed across the departments of the dealership is the use of customer feedback through surveys, recommendations and reviews. The speed and volume of word-of-mouth catalysed by the internet is requiring dealerships to have an 'always-on' approach to customer feedback. Huber & Herrman (2001) identify the problem of a lack of response by dealers to customer complaints in which they overlook the consequences of such inaction (Ro, 2014). The case study finds that a 'no response' by the dealership to a complaint frustrates the customer further and may result in defection. A number of academics support the effectiveness of complaint management as a strategy for recovering defection including within the automotive industry (Fornell & Wernerfelt, 1987; Ahmad & Buttle, 2001; Bitner et al., 2016).
Oh (2009) claims that the strength of the relationship is imperative to obtaining accurate feedback, particularly when valued customers provide constructive feedback that may be useful for improving processes to benefit all customers. The data analysis revealed that the case study dealership is highly proactive in obtaining feedback with set guidelines and regular commitment to responding to both positive and negative customer comments

which is understood to be an effective strategy for retaining existing customers. The interview participants highlighted the positive customer reactions upon swift response to feedback by the dealership. Furthermore, from observation, the dealership demonstrated transparency as they offered visibility to the researcher of their reporting system, which detailed their most recent customer feedback and scores as well as all published feedback on their website accompanied by a response written by the relevant departmental managers for public viewing.

6.9 Limitations of the Study

The first and main limitation of this study is the sample. Time and access restricted the sample to one dealership. One premium brand dealership was chosen for the study and the findings are based on the views of management staff from various departments within. While it may not be regarded as representative of the automotive industry, the explorative nature of the study suggests that the findings can be applied in other dealerships for testing their success and offers a useful starting point when developing a retention strategy. The single case study approach is criticised for being limited in generalisation and findings are highly interpretive in relation to the context (Holloway & Galvin, 2017). However, it is argued that the usefulness of a single example under real-world conditions is underestimated with its subjective nature offering a meaningful concept (Flyvberg, 2006).

The second limitation is the effectiveness of triangulation to enhance the credibility of the research. Golafshani (2013) defines triangulation as multiple ways of establishing the truth from a qualitative point of view. While access to documentation was restricted due to confidentiality and observations were limited by the researcher's interpretation of events, the diversity of participants within the dealership was ensured for an in-depth analysis.

In summary, the elements discussed above were identified in the literature and emerged from the case study research which highlighted the relevant areas of the phenomenon and revealed insights relating to the objectives of this study. Each of these elements should be considered when developing strategies for dealership customer retention as evidenced here. Contractual bonds including finance and service products work to retain customers

for a period of time but there is no guarantee that they'll be retained when they are in the market again, especially if they had a bad experience along the way. Transparency and responsiveness to customers are among the elements of retention influence which are suited to the dealership dynamic and transferrable across departments.

Chapter 7. Conclusion

This study set out to explore strategies for customer retention with a specific focus on the automotive industry. Applying a case study method, the research sought to identify best practices implemented by a car dealership while highlighting some implications of not

focusing strategically on customer retention which contributes to understanding the importance of retaining existing customers.

The methodology guided the process for exploring strategies that the car dealership perceives as influential to customer retention. The case study method defined the scope of the research which took a qualitative view on the phenomenon and primarily used interviews along with observations and dealership data in order to triangulate findings. The limitations of the study were acknowledged, including the small sample size, which was useful to build on systematic efforts that minimised any threats to the research quality. Suggestions were discussed to identify additional areas for further research on dealership customer retention.

A comprehensive review of the literature emphasised the importance of retaining customers. There were a number of key authors that significantly contributed to the literature on the phenomenon including Jones & Sasser (1995), Reichheld et al. (2000), Mandina (2014) and Roberts-Lombard & Nyadzayo (2014). The outcomes of customer retention were determined through the investigation of previous research on the advantages and challenges of customer retention. Customer advocates, profitability and Customer Lifetime Value were the main elements identified in the literature highlighting the beneficial outcomes of a focus on retention. Competition and customer complaints were two challenges understood to negatively impact on the retention of customers. An awareness and knowledge of these elements are valuable insights that have guided the development of strategies to maximise the benefits and tackle the challenges. Academic authors and researchers favoured strategies such as optimising the lifetime value of the customer, building on customer satisfaction through quality of the service and responding to customer feedback which allows the dealership to adapt to the changing needs of customers on an ongoing basis and be better prepared for the future of the motor industry.

In order to satisfy the main research objectives, themes were informed by the literature and identified during the case study. Cost efficiencies, the lifetime value of the customer and the implications of referrals were among the elements highlighting the importance of practicing customer retention in a car dealership. These three elements are essentially positive outcomes that the case study dealership has succeeded in as a result of placing

an importance on keeping their customers loyal. The research suggests that car retailers should be turning their focus to retention activities that have been found to be more cost effective and profitable. Participants of the case study emphasised the identification of the potential value of a customer to the dealership which can have implications for retention.

The competitiveness of the automotive industry and ensuring consistent customer satisfaction were among the challenges identified in retaining customers. The saturation of the car retailing market through frequent introduction of new brands and models to reach new segments as well as the sophistication of the internet giving the buying power to customers have been contributing factors to competitive rivalry. This has made customer acquisition even less attainable. A key finding from the case study found the dealership restricted by processes set out by their manufacturing partner that may put the dealer's relationship with the customer at risk and ultimately affect customer satisfaction. This may stem from the nature of the manufacturer not being customer-facing.

The strategies were developed around reducing the effects of such challenges. The case study revealed a requirement for a customer-centric culture across all departments, the effective use of CRM systems and using customer feedback to improve processes. Some common statements revealed insights around using customer feedback to predict repurchase intentions as well as applying CRM system intelligence to communicate with the customer in an appropriate manner, providing the ability to pre-empt potential defection. A common thread identified is the appetite of the dealership to provide a seamless customer experience that encourages satisfied customers who indicate their propensity to repurchase from the dealership. Ultimately, the case study dealership takes a consistent, long-term perspective that looks to ensure that their customers return time and time again.

7.1 Recommendations for Further Research

The current investigation has highlighted opportunities for further investigation on the phenomenon of customer retention in a car dealership. The findings have emphasised the

need to invest in setting out strategies that retain customers due to benefits of profitability and sustainability for the business in the long-term.

The effects of the identified strategies on customer retention rates of the departments with a defined measure including finance could be explored taking a quantitative research perspective. Moreover, further research on the impact of the strategies identified in this case study on particular factors affecting retention such as relationship or trust would be welcomed. The importance of retention and application of the identified strategies across other dealerships in Ireland could be explored for a better insight into the overall commitment of the Irish motor industry to customer retention. Also, the current study would benefit from being applied in dealerships of other countries to identify differences in customer behaviours across cultures. These suggestions for further research could contribute to the theory on customer retention and its use within the automotive industry.

Appendix

Interview Guide

- How many years experience do you have in your current role?

a) **Assess the requirement for a customer retention strategy within a car dealership.**

1. How does your current role fit into the overall strategy for retaining customers?

2. How would you describe the culture of the dealership in terms of customer focus?

3. What is driving the need to retain customers?

4. Do you think that every retained customer is satisfied?

5. How do you define retention? i.e. a retained/loyal customer

6. How are you currently measuring retention?

7. What role does value of the customer play in retention?

8. What are your main goals for retention?

b) Understand the challenges faced by a car dealership in retaining its customers.

1. What are the main challenges of retaining customers in your dept?

2. What do you think causes your customers to defect?

3. What are the consequences of defected customers on the dealership/your dept?

4. Do you think switching costs for customers in you department are high or low? Why?

5. How do you think switching barriers affect customer's propensity to repurchase?

c) Identify the strategies used by a car dealership to encourage repurchase behaviour of existing customers.

1. What are the main factors that affect your customer's repurchase intentions?

2. What do you think is your biggest advantage among other dealers/brands in retaining customers?

3. What products/processes/initiatives/switching barriers are in place to encourage retention/prevent defection?

4. What particular CRM processes/initiatives contribute to pre-empting customer defection?

5. <u>What initiatives have you implemented to specifically reduce friction?</u>

6. <u>Are there any internal incentives for retaining and nurturing existing customers that differ from incentives focused new customers?</u>

7. <u>How do you encourage feedback from existing customers and how do you use it for improving retention?</u>

8. <u>How do you identify a customer's intention to repurchase?</u>

9. <u>How effective do you think loyalty programmes are in improving retention?</u>

10. <u>What channels do you find most effective in communicating to customers with a message that encourages or rewards loyalty?</u>

11. <u>What processes or techniques do you use during service recovery? (service recovery strategy; proactive vs. reactive)</u>

12. <u>How do you mitigate against downward migration of spending/optimise Customer Lifetime Value (CLV)?</u>

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