

## **BEING PROACTIVE AND CUSTOMER RETENTION IN UPSCALE RESTAURANTS IN PORT HARCOURT, RIVERS STATE, NIGERIA**

Lawrence Amadi

Department of Marketing

Ignatius Ajuru University of Education, Rumuolumeni,  
Port Harcourt, Rivers State, Nigeria.

Author for Correspondence: amalaw2004@yahoo.com

### **ABSTRACT:**

The study investigated the relationship between being proactive and customer retention in upscale restaurants in the hospitality industry in Port Harcourt, Rivers State, Nigeria. The specific objectives were to determine the relationship between being proactive and low customer defection, repeat purchase and high referrals. The study adopted quasi-experimental design which employed survey approach gathered data from 144 senior employees who work in 24 upscale restaurants in Port Harcourt. A well-structured questionnaire containing 26 items, with nine demographic items was used to elicit primary data from the respondents. After data editing, and reliability analysis of the instrument, inferential statistics was conducted with the help of Statistical Package For Social Sciences (SPSS). The result of the inferential statistical analysis revealed that being proactive positive and significant relationship with low customer defection, repeat purchase and high referrals respectively. The study concluded that being proactive by organizational managers is an important marketing strategy capable of enhancing customer retention. It was therefore recommended that management should ensure that their customer retention programmes are proactive rather than reactive.

**Keywords: Being Proactive. Upscale Restaurants. Low Customer Defection. Repeat Purchase. R.eferrals.**

### **INTRODUCTION:**

Fast food sold in upscale restaurants is one of the world's largest growing food types which are growing with an increasing rate. The term Fast Food refers to food items that can be prepared and served quickly usually outside the home. Typically, the term fast food refers to food sold in restaurants or stores which is quickly prepared and served to the customers in a packaged form or dished in a plate, to dine out, take out or take away. The fast food industry is a product-offering as well as service-rendering industry. This poses a fundamental challenge for the management of fast food industry. The failure of any fast food firm to meet customer expectation may result in customer defection rather than having the customers willing to stay with the firm.

With the increasing rate of competition and the attendant fight for survival and sustainability, firms in the fast food industry are continually looking for innovative ways not only to acquire but also to retain customers. A retained customer, it is believed will not only drive the firm's sales volume, but will bring about increase in the overall profitability through referrals, repeat purchase etc. The sole purpose of a business, Peter Drucker (1973) once famously claimed, was "to create a customer". However, keeping the customer has become regarded as equally, if not more

important, since Dawkins and Reichheld (1990) reported that a 5 percent increase in customer retention generated an increase in customer net present value of between 25 percent and 95 percent across a wide range of business environments. It was argued that customers, who are acquired and retained, can be grown in value over time. They climb a value staircase (Gordon, 1998) or value ladder (Christopher et al, 2002) from prospect and first-time customer, to majority customer and ultimately to partner or advocate status.

Evidences of entrepreneurial practices are documented in both real business practice and in academic research. Researchers frequently find that entrepreneurial marketing is practiced by entrepreneurial firms constituting of small firms and young firms; especially start-ups (Kocak, 2004; Morris et al, 2002). The point of departure therefore is to fill the gap in existing marketing literature by establishing as well as developing a link between being proactive and customer retention in all sizes of upscale restaurants (fast food firms) in Rivers State. The specific objectives were to determine the relationship between being proactive and low customer defection, repeat purchase and high referrals respectively.

#### **LITERATURE REVIEW:**

#### **THEORETICAL FOUNDATION:**

#### **RESOURCE-ADVANTAGE (R-A) THEORY:**

Hunt (1976) is among scholars that contributed greatly in providing a theoretical schema that guided the scientific development of marketing as a discipline. Entrepreneurial marketing (EM) is consistent with Hunt's theoretical schema. EM can be applied to all combinations of positive/normative dichotomies. Positive dimensions are reflected in attempts to describe, explain, predict and understand how individuals, firms, collectives, or society as whole create value for customers

through innovative, risk taking, and proactive behaviour. Normative insights derive from attempts to define appropriate levels of entrepreneurial behaviour in marketing, determine how organizations should be designed to facilitate greater levels of entrepreneurship through marketing, and create public policies, that would facilitate more innovative market behaviour, and many other such prescriptive undertakings (Morris et al, 2001).

To this end, it is imperative to remark that Resource-Advantage (R-A) theory advanced by Hunt (2000) could offer explanation for the effect of EM on customer retention in the upscale restaurant business. This is because the Resource-advantage theory is an evolutionary Process theory of competition as well as placing emphasis on being proactive rather than being reactive in the marketplace. This foregoing underscores the quest for entrepreneurial behaviour by organizational managers.

#### **CONCEPTUAL REVIEW:**

#### **Being Proactive**

The entrepreneurial marketer does not take the external environment as a given or as a set of circumstances to which the firm can only react or adjust. Marketing efforts are usually directed towards affecting change in the environment. Leading and pioneering the market in terms of creating new products, and adopting and offering new technologies bring dynamism to marketing approaches to businesses. Morris et al (2002) pointed to the balance that should come between leading and adapting to changes in innovation activities. They emphasized the importance of leading customers by making dynamic changes.

Lumpkin and Dess (1996) see being proactive as acting in anticipation of future challenges, needs or changes. They associate proactiveness to competitive aggressiveness and submitted that a proactive firm is a leader

rather than a follower. In today's increasing competitive environment, proactiveness serves as an important vehicle for survival (Knight, 1991).

#### **CUSTOMER RETENTION:**

Customer retention refers to the longevity of a client's relationship with a product and/or service providing firm (Menon and O'Connor, 2007). It is believed that a firm with effective customer retention convinces their clients to stay with the firm (Bruhn and Georgi, 2006). Buttle (2004) defines customer retention as the number of customers doing business with a firm at the end of a financial year expressed as a percentage of those who were active customers at the beginning of the year. Ferrel, Hartline and Lucas (2002) submitted that a firm's customer retention rate shows the percentage of clients who are repeat purchasers. They emphasized that this number should remain consistent or grow slowly. Customer retention could be seen as the maintenance of continuous trading relationships with customers over long-term. It is the act of keeping customers resulting from service quality and customer satisfaction (Ross, 1995).

According to Oliver (1997), the outcomes of customer retention includes; low customer defection, repeat purchase, high referrals, cross-selling, low price/cost sensitive, and increase in value of a customer. In this study, we adopted the first three measures as discussed below.

#### **LOW CUSTOMER DEFECTION:**

Customer retention results in low level of customer defection or decreased migration rate of customers to competitors. Just as assets depreciate if not maintained, so do customers through defection to competitors. Martin and Young (2006) state that defection can stem from a bad experience such as a core service failure,

poor product knowledge, inconveniences such as long waiting times etc. Customer retention serves a veritable tool through which minimal level of customer defection can be achieved.

#### **REPEAT PURCHASE:**

The more positive the relationship between the customer and the company is, the more often the customer buys products from the company which in turn influences the company's turnover positively. This is in tandem with sales-adjusted retention rate suggested as measure of customer retention by Buttle (2004).

#### **HIGH REFERRALS:**

In his view, Oliver (1997) submitted that positive word-of mouth recommendation is an outcome of customer retention. The author maintained that customers who are satisfied with the service of a company will not only stay with the company, but will become apostles as well as advocates of the company, thereby recommending the company to other people.

#### **BEING PROACTIVE AND CUSTOMER RETENTION:**

Organizations with entrepreneurial mindset do not take the environment as a set of circumstances to which they can only react or adjust. The environment is seen by an entrepreneurial marketer as an opportunity horizon, to which marketing efforts are proactively directed toward affecting change in the environment. Being proactive relates to attempts to redefine environmental elements in ways that reduce environmental uncertainties, lessen firms' dependency and vulnerability, and/or modify the environment in which firms operate. In essence, the entrepreneurial marketer through proactiveness enhances a firm's level of control over its own destiny, especially the extent to which it retains its current customers.

The rapid changes in technological, social, economic and political trends have necessitated the adoption of entrepreneurial marketing dimension of proactiveness as veritable tool to improving customer retention. Entrepreneurial proactiveness emphasizes bringing together unique package of resources to exploit identified opportunities (Arowomole, 2002; Oni, 2006; Oni and Maiwada, 2009). Osaze (2003) sees proactiveness as defining one's goals and future and arriving there as planned. It is a state of mind and the will, largely driven by one's consciousness, to sustain a vision to fulfill a mission, to attain a challenging goal and to achieve a defined objective. It entails envisioning a future towards which one device the strategic parameters for influencing, impacting and recreating the environment within which to operate in line with that vision. It is a determination to excel. It relates to organizational alertness.

Alvarez and Barney (2002) submit that proactiveness is the ability of the firm to predict where products/services do not exist or have become unsuspectedly valuable to customers and where new ways of delighting customers unknown to competitors are feasible. Kirzner (1997) supports this and captures proactiveness as "flashes of superior insight". It implies that proactiveness involves having insight into the value of resources and attaining a competitive advantage over others. Leading and pioneering the market in terms of creating new products/services and adopting as well as offering new technologies bring dynamism to marketing approaches of business organizations. Morris et al (2007) emphasize that through proactiveness, firms will lead and retain customer by making dynamic changes.

Based on the above, we therefore hypothesized that:

H01: There is no significant relationship between being proactive and low customers defection.

H02: There is no significant relationship between being proactive and repeat purchase.

H03: There is no significant relationship between being proactive and high referrals.

## **RESEARCH METHODOLOGY:**

### **RESEARCH DESIGN:**

According to Cooper and Schindler (2003), research design constitutes the blueprint for collection, measurement and analysis of data. This study adopted quasi-experimental design which employed survey approach. Sullivan (2001) asserts that a survey "is a data collection technique in which information is gathered from individuals by having them respond to questions or statements".

### **RESEARCH POPULATION:**

A research population is an identifiable group or aggregation of elements (e.g. people, products, organizations, physical entities etc) that are of interest to the researcher (Hair et al, 2000). The population for this study consisted of all twenty – four (24) Fast Food Firms registered with Association of Fast Food Confectioneries of Nigeria (AFFCO N), Rivers State Chapter as at April, 2013. The researcher purposively administered six (6) copies of questionnaire to senior employees in each of the twenty –four (24) firms.

### **AREA OF THE STUDY:**

The target industry is the upscale restaurant business (fast food sector) in Rivers State. Specifically, the study concentrated on fast food firms operating in Rivers State and are registered with Association of Fast Food Confectioneries of Nigeria (AFFCON), Rivers State chapter.

#### **DATA COLLECTION INSTRUMENT DESIGN:**

The questionnaire is structured into sections **A** and **B**. Section A dealt with the demographics (3-items) of the respondents, while section B dealt with the study variables with the questions structured using five-point likert scale which solicited information from senior employees such as managers, assistant managers, supervisors etc., of upscale restaurants (fast food firms) chosen for the study. Section B which elicited information about the study variables was sub-divided into two: independent and dependent. A total of 5 items elicited data on being proactive. Also, a total of 10 items elicited data about customer retention (dependent variable): low customer defection; repeat purchase and high referrals.

#### **OPERATIONAL MEASURES OF VARIABLES:**

In this study, the independent variable was measured in terms of being proactive. On the other hand, Customer Retention (CR) which is the dependent variable was measured with low customer defection, repeat purchase and high referrals. The measurement scale was the 5-point Likert Scale.

#### **VALIDITY AND RELIABILITY OF INSTRUMENT:**

The questionnaire was evaluated through expert checking for face and content validity. Thereafter, a pilot study was conducted to pre-test the questionnaire. The aim of the pilot testing was to detect weakness in the design of the instrument and address issue of ambiguity as to restructure the instrument in line with observations before executing the full study. A Cronbach's Alpha test was also conducted on the measurement items to determine the reliability of the study instrument. The SPSS output showed that the instruments used in this study were reliable since their coefficient levels (0.822) surpass the benchmark of 0.7 (Nunnally, 1978).

#### **METHODS OF DATA ANALYSIS:**

A combination of descriptive and inferential statistical tools with Statistical Package for Social Sciences (SPSS) version 17.0 were adopted to facilitate the analysis. Percentages constituted the descriptive statistical tools. These were employed to conduct the necessary demographic and univariate analysis. Bivariate analyses as well was carried out through an inferential statistical tools – Spearman's correlation analysis.

The Spearman's (rho) correlation was used to analyze the relationship between independent and dependent variables at  $P < 0.01$  (two – tailed test). (Rubin & Babbie, 2001; Aczel & Sounderpanian, 2002; Hair et al, 2000).

#### **DATA ANALYSIS AND RESULTS**

##### **DESCRIPTIVE STATISTICAL ANALYSIS**

##### **QUESTIONNAIRE DISTRIBUTION AND RETRIEVAL:**

From an total of 144 copies distributed 120 copies (83.3%) returned were considered useful, 4 copies accounting for 2.8% were dropped, while 20 copies representing 13.9% could not be retrieved.

##### **DEMOGRAPHIC ANALYSIS:**

Data on the analysis of age of the respondents reveals that 68 (or 56.7%) are within the age range of 20-29 years; 44 (or 36.7%) are within 30-39 years and 8(or 6.7%) are 40 years and above. On the educational qualification of the respondents, the analysis shows that 8(or 6.7%) of the respondents are holders of WAEC/SSCE/NCE; 12(or 10%) of them are holders of diploma(s)/Certificate(s); 92 (or 76.7%) of the respondents are holders of first degree while 8(or 6.7%) are holders of postgraduate Degree. Analysis on how long the respondents have been with their companies shows as follows; 16 (or 13.3%) of the respondents worked for less than one year, 56(or 46.7%) of them had worked for 1-3 years,

32(or 26.7%) had worked for 4-6 years while 16 (or 13.3%) had worked for more than 6 years.

The analysis the category of the respondents reveals that 28 (or 23.3%) of the respondents are managers. Also, 28(or 23.3%) of them were assistant managers; 60 (or 50%) were supervisors while 4 (or 3.3%) represented others.

**BIVARIATE ANALYSIS:  
TESTS OF HYPOTHESES:**

The hypotheses were tested using the Spearman’s rank correlation analysis with the aid of SPSS version 17.0. Note that in all the hypotheses, two- tailed test was used and the significant level was 0.01.

**DECISION RULE:**

Reject the null hypothesis ( $H_0$ ) if  $PV < 0.01$  for 2 –tailed test and conclude that significant relationship exists.

**TEST OF HYPOTHESIS I**

HO1: There is no significant relationship between being proactive and low customer defection.

Table 1 Correlations Analysis showing the Relationship between Being Proactive and Low Customer Defection

Correlations				
Type	Variables1	Statistics	Being Proactive	Low Customer Defection
Spearman's rho	Being Proactive	Correlation Coefficient	1.000	.363**
		Sig. (2-tailed)	.	.000
		N	120	120
	Low Customer Defection	Correlation Coefficient	.363**	1.000
		Sig. (2-tailed)	.000	.
		N	120	120

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

Source: SPSS Output (based on 2013 Field Survey Data)

The result in table 1 above shows the outcome of the correlation analysis using the

SPSS version 17.0. The Spearman’s rank correlation coefficient is estimated as 0.363<sup>xx</sup>. This implies that a significant positive relationship exists between being proactive and low customer defection. Since the  $PV = 0.000 < 0.01$ , we reject the null hypothesis and conclude that a significant relationship exists between the two variables.

**TEST OF HYPOTHESIS 2:**

HO2: There is no significant relationship between being proactive and repeat purchase.

Table 2 Correlations Analysis showing the Relationship between Being Proactive and Repeat Purchase

Correlations				
Type	Variables1	Statistics	Being Proactive	Repeat Purchase
Spearman's rho	Being Proactive	Correlation Coefficient	1.000	.504**
		Sig. (2-tailed)	.	.000
		N	120	120
	Repeat Purchase	Correlation Coefficient	.504**	1.000
		Sig. (2-tailed)	.000	.
		N	120	120

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

Source: SPSS Output (based on 2013 Field Survey Data)

The correlation analysis as shown in Table 2 above indicates that the correlation coefficient (r) is 0.504. This shows that a moderate relationship exists between being proactive and repeat purchase. Again, the sign of (r) value is positive, indicating a direct link between the variables. Since the significant/probability value (PV) = 0.000 < 0.01, we conclude that a significant positive relationship exists between being proactive and repeat purchase.

**TEST OF HYPOTHESIS 3:**

HO3: There is no significant relationship between being proactive and high referrals.

Table 3 Correlations Analysis showing the Relationship between Being Proactive and High Referrals

Correlations				
Type	Variables1	Statistics	Being Proactive	High Referrals
Spearman's rho	Being Proactive	Correlation Coefficient	1.000	.518**
		Sig. (2-tailed)	.	.000
		N	120	120
	High Referrals	Correlation Coefficient	.518**	1.000
		Sig. (2-tailed)	.000	.
		N	120	120

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

Source: SPSS Output (based on 2013 Field Survey Data)

The result of the analysis in Table 3 above shows that the correlation coefficient (r) value is 0.518 which reveals that a moderate relationship exists between being proactive and high referrals. The positive sign of the (r) value indicates a positive relationship. Again, PV < 0.01 meaning that the relationship between being proactive and high referrals is statistically significant.

### DISCUSSION OF FINDINGS:

Being Proactive has significant positive relationships with the dimensions of customer retention (low customer defection, repeat purchase and high referrals). This finding was obtained based on the outcome of the statistical tests of hypotheses HO1, HO2, and HO3, respectively. The test of HO1, shows that being proactive attracts a significant positive correlation coefficient (r = 0.363, P < 0.01). That is, the more firms become proactive in their marketing approach the more they experience low customer defection.

Test of HO2, reveals that being proactive results in a significant positive correlation coefficient (r = 0.504, P < 0.01). This indicates that the established relationship between being proactive and repeat purchase is in the same direction, suggesting that increase in being

proactive will bring about increase in repeat purchase.

Again, the test of HO3, shows that being proactive commanded a significant positive correlation coefficient (r = 0.518, P < 0.01) indicating that the relationship between being proactive and high referrals is in the same direction, which implies that firms that increase their proactive productivity will experience increase in high referrals.

The foregoing findings as seen from the results of hypotheses 1, 2 and 3 and are believed to be premised on the fact that being proactive avails firms the opportunity of leading and pioneering the market and by implication driving the market rather than being market driven. This is in tandem with the views of Lumpkin and Dess (1996) who asserted that being proactive is associated to competitive aggressiveness and that a proactive firm is a leader rather than a follower. Again, Morris et al (2007) emphasized that through proactive disposition, firms will lead and retain customers by making dynamic changes. It is believed that proactiveness commands customer loyalty and trust which in turn gives rise to customer retention expressed in terms of low customer defection, repeat purchase and high referrals (Ashford and Black, 1996).

### MANAGERIAL IMPLICATIONS:

From the above discussion of the findings practical implications are presented thus: the study suggests that the upscale restaurants (fast food firms) in Rivers State need to improve on their proactive approach to market offerings and learn to brilliantly redefine the business environment by reducing environmental uncertainties.

### CONCLUSION AND RECOMMENDATIONS:

Based on the findings of the study, it is safe to conclude that being proactive by organizational managers is an important

marketing strategy capable of enhancing customer retention. It is therefore recommended that management should ensure that their customer retention programmes are proactive rather than reactive. This will enable them to anticipate customer wants, needs and actions as to design marketing programmes and offerings accordingly.

#### **LIMITATIONS AND SUGGESTIONS FOR FURTHER STUDIES:**

It should be emphasized that the findings of this study are limited to the relationship between proactiveness and customer retention in the context of upscale restaurants (fast food firms) operating in Rivers State. Therefore, further research should be conducted in with other entrepreneurial marketing dimensions such as being innovative and resource leveraging.

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