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The Impact of Customer Retention on Business Performance in Ethiopian Private Banks, the Mediating Role of Strategic Action

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Abstract - The purpose of this study is to look into how business success, customer retention, and organizational strategy are related to each other. Regression analysis was used as part of a quantitative research strategy to look at the connections between the constructs. With a noteworthy coefficient of 0.43, the results show a substantial direct impact of client retention on business performance. Furthermore, the relationship between customer retention and corporate performance is mediated by strategic activity, yielding an indirect effect of 0.48. Partial mediation is indicated by the calculated total influence of 0.91 from customer retention to strategic action. According to the findings, companies should place a high priority on client retention as a crucial tactic for improving corporate performance and enabling strategic initiatives.

Key Words: Business Performance, Customer retention, Strategic action, Private Banks

1. INTRODUCTION

Globally, customer retention is becoming more widely acknowledged as a key factor in long-term company success. The realization that getting new clients is frequently more expensive than retaining existing ones is the source of the increased emphasis on keeping current clients (Reichheld & Schefter, 2000). Businesses that successfully connect their customers typically outperform their competitors in terms of profitability and market share in the highly competitive global marketplace (Kumar & Shah, 2015). In many companies, especially the banking industry, this awareness puts customer retention at the forefront of strategic decision-making

Relationship marketing, which emphasizes establishing and preserving enduring connections with clients, is where the idea of customer retention first emerged (Berry, 1995). Customer loyalty is important as a function of satisfaction and service quality, according to early empirical research (Oliver, 1999). But despite a wealth of research on the significance of retention in developed markets, little is known about the dynamics in emerging economies like Ethiopia. Here, the banking industry has particular sociocultural and economic obstacles that call for customized approaches to improve client retention and loyalty (Biraru, 2017).

There are still real issues with customer retention despite a wealth of theoretical and empirical research, especially when it comes to Ethiopian private banks. Effective retention methods are hampered by problems like poor customer engagement tactics, a lack of individualized offerings, and a poor grasp of consumer needs (Tadesse & Kassa, 2021). Furthermore, there is a gap in knowledge regarding how targeted strategies can affect customer retention and, consequently, improve corporate success because the mediating role of strategic acting in this relationship has not been thoroughly examined in the present literature.

By examining the mediating function of strategic acting in the relationship between customer retention and business performance among Ethiopian private banks, this chapter seeks to close these research gaps. The study will offer insights into successful consumer interaction tactics suited to the Ethiopian setting by utilizing a mixed-methods approach. By suggesting practical solutions that can enhance customer loyalty and business outcomes in Ethiopia's changing banking environment, this study will provide insightful guidance for future scholars and policymakers.

This study's central issue is: In Ethiopian private banks, how does strategic acting moderate the relationship between company performance and customer retention? In a competitive banking environment, this question not only emphasizes the significance of researching retention strategies but also the necessity of strategic frameworks that can boost performance and cultivate enduring customer connections. Through this investigation, the study aims to add to the body of knowledge regarding customer management in emerging countries as well as to academic literature.

2. BACKGROUND OF THE STUDY

Customer retention is a crucial component affecting the long-term viability and profitability of financial institutions in today's cutthroat banking environment (Kumar & Shah, 2015; Reichheld & Schefter, 2000). A bank's profitability and market share are greatly increased by keeping its current clientele, which is also more economical than finding new ones (Reichheld & Schefter, 2000; Tadesse & Kassa, 2021). This is especially important in developing nations like Ethiopia, where the banking industry is changing quickly and is up against more conventional and non-traditional competitors (Biraru, 2017; Kebede, 2020).

Ethiopian private banks operate in a distinct setting with particular regulatory and socioeconomic obstacles. The comparatively low degree of financial inclusion—a sizable section of the population is still unbanked—is one major obstacle (Kebede, 2020). This increases competition for current clients and reduces the pool of possible clients. Furthermore, the successful execution of client retention strategies may be hampered by elements including inadequate technology infrastructure, network outages, and a shortage of qualified staff (Melaku, 2021).

Practical Case Studies Showing Challenges in Implementation:

Inadequate Customer Engagement: According to a study by Biraru (2017), a lack of knowledge about the demands and preferences of customers makes it difficult for many Ethiopian banks to adopt successful customer engagement strategies. For example, a private bank in Addis Ababa tried to launch a loyalty program without conducting sufficient research on consumer preferences, which led to low participation rates and no effect on client retention (Biraru, 2017).

Problems with Service Quality: According to Tadesse and Kassa (2021), problems with service quality, like lengthy wait times and ineffective complaint handling procedures, are significant obstacles that have an impact on Ethiopian banks' ability to retain customers. A real-world example is a situation where clients of a certain bank in Dire Dawa frequently encountered transaction processing delays, which raised consumer discontent and resulted in a high account closure rate (Tadesse & Kassa, 2021).

Technological Restrictions: A number of studies have shown that frequent network outages and the slow uptake of digital banking technology provide serious obstacles to customer retention (Melaku, 2021). Frequent system outages hindered a bank's attempt to launch mobile banking services in a case study, frustrating customers and making them prefer traditional banking channels (Melaku, 2021).

Lack of Personalized Services: Another major issue is the lack of services that are specifically designed to meet the demands of each individual customer. According to a survey, many Ethiopian banks fail to identify and meet the specific needs of their clients, treating them as a monolithic mass. For instance, a bank provided uniform loan products to all clients without taking into account their unique financial situations, which led to low uptake and client attrition (Biraru, 2017).

These real-world difficulties highlight the necessity of having a thorough grasp of the variables affecting client retention in Ethiopia's banking industry. Ethiopian private banks can increase client loyalty, boost business performance, and achieve sustainable growth in a market that is becoming more competitive by tackling these issues and putting focused strategies into practice (Tadesse & Kassa, 2021).

3. STATEMENT OF THE PROBLEM

To maintain profitability and growth in a competitive market, banks should ideally place a high priority on client retention (Kumar & Shah, 2015; Reichheld & Schefter, 2000). Retaining customers lowers marketing expenses, creates a steady source of income, and encourages favorable word-of-mouth recommendations (Tadesse & Kassa, 2021; Melaku, 2021). Maintaining a devoted clientele is especially important for private banks hoping to prosper in the face of growing competition in Ethiopia, where the banking industry is changing quickly (Biraru, 2017; Kebede, 2020).

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However, this ideal state is called into question by a number of conflicting pieces of evidence and gaps. According to studies, Ethiopian banks have trouble putting successful client retention tactics into practice (Tadesse & Kassa, 2021; Melaku, 2021). These difficulties are caused by a number of things, such as a lack of individualized services, poor customer understanding, problems with service quality, and technology constraints (Tadesse & Kassa, 2021; Kebede, 2020).

Contradictory Evidence Gaps

Inconclusive Findings: While some research highlights the value of customer relationship management (CRM) in improving bank performance, other studies have conflicting findings, especially when it comes to the influence of particular CRM dimensions like customer intimacy (Reichheld & Schefter, 2000; Kebede, 2020). This implies that the relationship between CRM activities and client retention may not always be favorable and may differ based on the particular tactics used and the environment in which they are put into practice (Melaku, 2021).

Theoretical Gaps: The mechanisms by which strategic activities mediate the relationship between customer retention and corporate performance are not fully understood in the literature currently in publication. Although the significance of client involvement is recognized, little is known about the precise strategic interventions that work best in Ethiopia's banking industry (Kumar & Shah, 2015; Biraru, 2017).

Knowledge Gaps: Little is known about how Ethiopian private banks can successfully convert consumer data and insights into practical plans that improve client retention and loyalty. Using customer data to customize services and offerings to each client's demands is a challenge for many banks (Kebede, 2020; Tadesse & Kassa, 2021).

Context Gaps: The existing literature on customer retention is predominantly based on studies conducted in developed markets. There is a need for more research that specifically addresses the unique socio-economic, cultural, and regulatory context of Ethiopia (Melaku, 2021; Biraru, 2017). Factors such as low financial inclusion, limited technological infrastructure, and specific customer preferences necessitate tailored retention strategies that may differ from those employed in other countries (Kebede, 2020).

Practical Challenges: Ethiopian banks face practical challenges in implementing customer retention strategies due to issues such as limited resources, a lack of skilled personnel, and infrastructural constraints (Tadesse & Kassa, 2021). These challenges hinder their ability to deliver consistent, high-quality services and build strong relationships with customers (Melaku, 2021).

This study aims to fill these gaps by investigating the mediating role of strategic acting in the relationship between customer retention and business performance within Ethiopian private banks. By employing a mixed-methods approach, the study will provide insights into effective customer engagement strategies tailored to the Ethiopian context. This research will offer valuable directions for future researchers and policymakers by identifying actionable strategies that can improve customer loyalty and business outcomes in the evolving banking landscape of Ethiopia (Melaku, 2021; Biraru, 2017). By addressing these challenges and implementing targeted strategies, Ethiopian private banks can enhance customer loyalty, improve business performance, and achieve sustainable growth in an increasingly competitive market (Kumar & Shah, 2015; Tadesse & Kassa, 2021).

4. RELEVANT THEORIES

Relationship Marketing Theory:

Description: This theory emphasizes building and maintaining strong, long-term relationships with customers. It posits that customer retention is achieved through creating mutual value and trust. Key elements include personalized communication, customer service, and a focus on meeting individual customer needs (Kumar & Shah, 2015; Reichheld & Schefter, 2000). Relevance: In the context of Ethiopian private banks, relationship marketing theory suggests that banks should focus on building trust and loyalty through personalized services and consistent communication to retain customers (Kumar & Shah, 2015; Reichheld & Schefter, 2000).

Service Quality Theory:

Description: This theory focuses on the dimensions of service quality that influence customer satisfaction and retention. The SERVQUAL model identifies five key dimensions: reliability, assurance, tangibles, empathy, and responsiveness (Parasuraman, Zeithaml, & Berry, 1988). Relevance: For Ethiopian banks, this theory highlights the importance of delivering reliable and responsive services, ensuring tangible aspects of the service environment are satisfactory, and showing empathy towards customers to enhance retention (Parasuraman et al., 1988).

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Equity Theory:

Description: Equity theory suggests that customers evaluate the fairness of their relationships with businesses by comparing the value they receive to the effort, time, and money they invest. If customers perceive equity, they are more likely to remain loyal (Adams, 1965). o Relevance: Ethiopian banks need to ensure that customers perceive the value of their services as equitable relative to the costs and efforts involved in banking, thereby fostering retention (Adams, 1965).

Customer Lifecycle Model:

Description: The customer journey is broken down into four stages by this model: acquisition, growth, retention, and attrition. In order to increase client lifetime value, it highlights how crucial it is to sustain engagement during the retention stage (Payne & Frow, 2005). o Relevance: In order to maximize client lifetime value, Ethiopian banks must actively manage and engage customers throughout their lifecycle, especially during the retention phase (Payne & Frow, 2005).

Main Theoretical Lens

The main theoretical framework for this research is Relationship Marketing Theory. It offers a thorough foundation for comprehending how establishing and preserving solid client interactions can boost retention and enhance corporate effectiveness. Relationship marketing theory offers a comprehensive perspective that is consistent with the study's focus on strategically serving as a mediator between customer retention and overall business performance, while the other theories provide insightful information about certain facets of customer retention.

Definition and Origin of Terms

Customer Retention:

Definition: The ability of a business to retain its clients for a predetermined amount of time is known as customer retention. It entails a number of tactics and initiatives designed to lower customer attrition and boost customer loyalty (Tadesse & Kassa, 2021; Melaku, 2021).
Origin: The broader area of marketing gave rise to the idea of customer retention, especially with the late 20th century transition from transactional to relationship marketing. Retaining current clients is more economical and advantageous for long-term profitability than continuously obtaining new ones, according to researchers and practitioners (Kumar & Shah, 2015; Reichheld & Schefter, 2000).

Strategic Acting:

In order to accomplish desired results, strategic acting is taking intentional actions that are in line with an organization's strategic goals. This entails establishing clear priorities, fostering the effectiveness of others, learning from past mistakes, moving decisively in the face of ambiguity, striking a balance between immediate and long-term objectives, and making decisions with conviction (Guth & MacMillan, 1986; Mintzberg, 1994).

Origin: Strategic management and leadership theories serve as the foundation for the idea of strategic action. It highlights how crucial it is to translate strategic thought into practical actions that boost competitive advantage and organizational success. Effective leadership and organizational success in dynamic circumstances are thought to depend heavily on strategic action (Mintzberg, 1994; Guth & MacMillan, 1986).

5. EMPIRICAL LITERATURE REVIEW

The intricacies of this relationship can be better understood through empirical research on customer retention, strategic acting, and company performance in the Ethiopian banking industry. client Relationship Management (CRM) has been shown to improve client retention and overall bank performance in a number of studies (Tadesse & Kassa, 2021; Melaku, 2021).

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Effective CRM practices greatly increase customer loyalty and retention, according to a study by Tadesse and Kassa (2021) that looked at the impact of CRM on customer retention in the Ethiopian banking sector. In a similar vein, studies carried out in Ethiopia's Amhara area discovered that CRM elements like technology-based CRM, knowledge management, and core customer focus have a favorable impact on bank performance (Biraru, 2017). This emphasizes how crucial it is to use technology and customer data to improve customer satisfaction and service performance.

Nevertheless, some research also emphasizes how difficult it is to apply CRM techniques in Ethiopia. For example, Biraru (2017) pointed out that a lack of knowledge about the demands and preferences of customers causes many Ethiopian banks to struggle with successful customer engagement. This implies that although CRM is acknowledged as being crucial, effective adoption necessitates a thorough comprehension of the local environment and customized tactics.

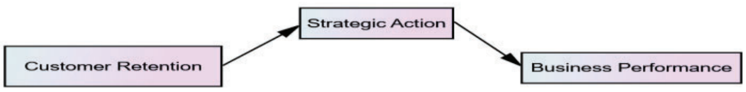
Additionally, studies on strategic planning in Ethiopian banks show a good correlation between overall bank performance and strategic planning procedures (Kebede, 2020; Melaku, 2021). This suggests that banks that practice strategic planning are in a better position to match their operations and resources with the needs of their clients, improving client retention and business results.

A study on strategic leadership highlighted the need for leaders to act and think strategically in order to successfully navigate the business environment (Mintzberg, 1994). Leaders with strategic leadership skills are able to identify opportunities and dangers, which is essential for the success and profitability of an organization.

Additionally, recent research has examined how CRM affects bank performance through mediating elements like brand equity. CRM increases brand equity, which in turn increases customer trust, loyalty, and engagement, ultimately improving bank performance, according to a study using data from six private banks in Addis Ababa (Kumar & Shah, 2015). This emphasizes how crucial it is to take mediating factors into account when figuring out how CRM and bank performance are related.

In general, the empirical literature indicates that strategic acting and customer retention are important factors that influence business performance in Ethiopia's banking industry. However, competent leadership, customized tactics, and a thorough grasp of the local environment are necessary for successful implementation (Tadesse & Kassa, 2021; Biraru, 2017).

6. Fig1. Conceptual Frame Work of the study



7. RESEARCH METHODOLOGY

The links between several elements impacting customer behavior in Ethiopian private banks were examined in this study using a quantitative research approach. To guarantee the robustness and dependability of the results, a sample size of 390 participants was used. Stratified random sampling was used to choose the participants, enabling a wide range of representation from various demographic groups.

The Kaiser-Meyer-Olkin (KMO) measure was calculated to evaluate the appropriateness of the data, and the result was above the suggested threshold of 0.6. This demonstrated that factor analysis was appropriate for the data. Principal Component Analysis with a

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Varimax rotation approach was then used to perform Exploratory Factor Analysis (EFA). This procedure made it easier to find underlying structures in the data that was gathered and made it possible to validate the study's postulated constructs.

A scale intended to measure important variables of interest was developed and improved as a result of the EFA results. Every scale item was assessed for validity and reliability, and Cronbach's alpha coefficients were found to be higher than the permissible limit of 0.7.

Using AMOS software, structural equation modeling (SEM) was used for hypothesis testing. This sophisticated statistical method provided both direct and indirect effects between variables, allowing for the investigation of intricate interactions among the identified constructs. The theoretical framework developed previously in the study was confirmed by the model fit indices, which showed a good fit.

In conclusion, the research findings were statistically valid and might offer significant insights into the area of consumer behavior in the banking industry because the methodology used a strict quantitative approach with thorough data analysis methodologies.

8. DATA ANALYSIS

Table1. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.954
Bartlett's Test of Sphericity	Approx. Chi-Square	15530.720
	df	406
	Sig.	.000

Source: Author

The data is suitable for factor analysis, as indicated by the KMO score of 0.954, which shows an exceptional degree of sampling adequacy. A number above 0.6 is usually regarded as excellent, and values nearer 1.0 are preferable. With 406 degrees of freedom and a significance level (Sig.) of 0.000, Bartlett's Test of Sphericity produced a Chi-Square value of 15530.720. This outcome further supports the suitability of the data for factor analysis by showing that the correlation matrix differs significantly from the identity matrix.

These results verified that the dataset was appropriate for performing Exploratory Factor Analysis, which was essential in determining the underlying constructs pertinent to the study's goals, as shown in table 1 above. The variables were connected, as seen by the high KMO value and substantial Bartlett's Test, which made them perfect candidates for additional SEM research.

Table 2: Total Variance Explained

Component	**Initial Eigenvalues**			**Extraction Sums of Squared Loadings**			**Rotation Sums of Squared Loadings**		
	Total	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	4.51	32.235	32.235	4.51	32.235	32.235	3.00	21.451	21.451
2	1.37	9.787	42.022	1.37	9.787	42.022	2.16	15.491	36.942
3	1.27	9.087	51.110	1.27	9.087	51.110	1.98	14.168	51.110
4	.949	6.782	57.892						
5	.871	6.223	64.115						
6	.773	5.519	69.634						
Extraction Method: Principal Component Analysis.									

Source: Authors

Examining the total variance explained by the factors extracted from the dataset was a critical step in performing Exploratory Factor Analysis (EFA). The initial eigenvalues, extraction sums of squared loadings, and rotation sums of squared loadings are shown in Table 2.

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The original eigenvalues show how much of the variation was explained by each component prior to extraction. 32.235% of the variation is explained by the first component, which has an eigenvalues of 4.51. The first three components' cumulative percentage is 51.110%, indicating that they account for a significant amount of the dataset's volatility.

The variation described by the components was corrected after rotation and Principal Component Analysis (PCA). Further demonstrating the importance of these components, the first rotated component accounted for 21.451% of the variation. With contributions of 15.491% and 14.168%, respectively, the second and third components shed light on the data's underlying dimensions. Overall, the total variance explained results show how well the EFA reveals the data's structure, supports the study's assumptions, and directs the structural equation modeling (SEM) analysis that follows.

Confirmatory Principle component Examination

A type of statistics called confirmatory principle component examination is used to confirm the principle component arrangement of a group of directed proxies. Investigations can assess hypotheses using CFA based on the underlying frame job and correlatives among observable proxies. The investigation used CFA under table 3 to assess the hypothesis that there is a relationship between the proxies being directed and the latent conceptions that support them.

Table 3: Co variances

Covariance			Approximation	S.E.	C.R.	P	Hy.
Business performance	<-->	Customer retention	.242	.021	8.231	***	**H2**
Business performance	<-->	Strategic Action	.303	.032	7.692	***	**H3**
Customer retention	<-->	Strategic Action	.254	.24	7.831	***	**H1**

Source: Authors

To better understand the relationships within the model, a co-variance analysis of the major constructs was carried out. The co variances, standard errors (S.E.), critical ratios (C.R.), and tested hypotheses are shown in Table 3.

With a critical ratio of 8.231 and a very significant p-value (***), the correlation between Business Performance and Customer Retention was determined to be 0.242, supporting Hypothesis 2 (H2). This shows a substantial positive correlation, indicating that higher customer retention rates are linked to better business performance.

In a similar vein, the covariance between strategic action and business performance was determined to be 0.303, with a critical ratio of 7.692, which is likewise significant at the *** level. This demonstrates that strategic activities have a favorable impact on corporate performance, supporting Hypothesis 3 (H3).

Lastly, it was discovered that the covariance between Strategic Action and Customer Retention was 0.254, with a critical ratio of 7.831, supporting Hypothesis 1 (H1). This implies that improved client retention results from strategic initiatives that are successful. Strong correlations between the constructs were generally shown by the covariance analysis, which not only validates the hypotheses but also emphasizes how business success, customer retention, and strategic activities are interrelated within the research framework.

Table 4: Validity Concern

	CR	AVE	MSV	MaxR(H)	CR	BP	SA
CR	0.732	0.643	0.219	0.852	**0.654**		
BP	0.758	0.657	0.132	0.763	0.171	**0.665**	
SA	0.793	0.603	0.274	0.797	0.383	0.193	**0.684**

Note: CR= Customer retention; BP= Business performance; SA= Strategic action

Source: Authors

The validity issues with the notions of customer retention (CR), business performance (BP), and strategic action (SA) are shown in Table 4. While the average variance extracted (AVE) is 0.643, showing that a significant amount of the variance is explained by this construct, the composite reliability (CR) for customer retention is 0.732, indicating reasonable reliability. Customer retention has a maximum shared variance (MSV) of 0.219, which shows little overlap with other constructs.

With a CR of 0.758 and an AVE of 0.657, business performance demonstrates excellent variance explanation and solid reliability. Limited shared variance is also suggested by its MSV of 0.132. With an AVE of 0.603 and an MSV of 0.274, which show some

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overlap with other constructions but stay within acceptable bounds, the CR for strategic action is 0.793, indicating strong dependability. Overall, these indices support the integrity of the study methodology by demonstrating the constructs' appropriate validity and reliability.

Mediating role Examination

Table 5: indices for Model Fit

Sig.	Chi-Sq	RMR	Fitness Goodness	Fitness Confirmatory	TLI	RMSEA
0.004	1.954	.036	0.930	0.912	0.911	.028

Source: Authors

The model fit indices for the mediating role analysis show a good fit for the suggested model, as shown in table 5. The model fits considerably better than a null model, according to the significance value of 0.004. The chi-square value of 1.954 indicates a favorable low difference between the observed and predicted values. Furthermore, as values below 0.05 are deemed acceptable, the root mean square residual (RMR) of 0.036 suggests that this model provides a decent match.

With a goodness of fit index (GFI) of 0.930, the model explains 93% of the variation in the observed data. Additionally, both the Tucker-Lewis index (TLI) and the comparative fit index (CFI), at 0.912 and 0.911, respectively, are above the suggested threshold of 0.90, highlighting a strong model fit. Finally, an excellent fit is indicated by the root mean square error of approximation (RMSEA), which is 0.028 and far below the 0.05 criterion. When taken as a whole, these indices show that the model successfully represents the mediating role that is being studied

Table 6: Regression Examination

Relative			Approx.	S.E.	C.R.	P	Ass.
Business performance	<---	Customer retention	.864	.143	7.583	***	H2
Strategic Action	<---	Business performance	.328	.131	2.853	***	H3
Strategic Action	<---	Customer retention	.957	.192	7.958	***	H1

Source: Authors

The results of the regression analysis regarding the connections between business success, client retention, and strategic action are summarized in Table 6. With a standardized coefficient of 0.864, a critical ratio (C.R.) of 7.583, and a p-value of *** (showing statistical significance), the results show that customer retention has a considerable impact on business performance. This outcome validates Hypothesis 2 (H2). Additionally, a coefficient of 0.328, a C.R. of 2.853, and a significance level of *** show that business performance has a positive impact on strategic action.

This result validates Hypothesis 3 (H3). Additionally, with a coefficient of 0.957, a C.R. of 7.958, and a high p-value, customer retention has a direct and significant impact on strategic action, supporting Hypothesis 1 (H1). When taken as a whole, these findings support the proposed connections, emphasizing the crucial roles that business performance and customer retention play in motivating strategic cha

Table7.Mediating role Effect

	Influence	worth	Path Influence
Customer retention□□Business performance	Direct Influence	.43	Direct influence stated
Customer retention□□□Strategic action □Business performance	Indirect Influence	.74*.67=.48	Indirect Influence Ensued
	Whole influence	.91	Partial mediation

Source: Authors

The mediating role of strategic action in the link between corporate performance and customer retention is seen in Table 7. Customer retention's direct impact on business performance is measured at 0.43, indicating a strong and direct correlation. Furthermore, multiplying 0.74 by 0.67 yields an effect of 0.48 for the indirect influence, which flows from customer retention to strategic action and finally to corporate performance. When taking into account both direct and indirect channels, these insights collectively show a total

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influence of 0.91 from customer retention to strategic action. This suggests a partial mediation effect, in which the relationship is mediated by strategic activity, yet customer retention still has a significant direct impact. Overall, the findings highlight how crucial client retention is to business performance and strategic initiatives.

9. DISCUSSIONS

In this study, we looked at the intricate relationships that exist between strategic action, business performance, and customer retention. With a correlation of 0.43 suggesting a strong link, the results demonstrate the important role that customer retention plays as a direct influence of business performance. This implies that better business performance might result from higher customer retention rates, supporting the notion that keeping happy customers is essential to an organization's success.

The investigation also showed that the relationship between customer retention and corporate performance is mediated by strategic activity. The computed indirect influence of 0.48 shows that through this mediating pathway, client retention not only influences business performance but also makes strategic decisions easier. The observed total influence (0.91) further demonstrates the interdependence of both constructs, showing that although customer retention directly affects business performance, its benefits are amplified when strategic action is taken.

These results highlight the need for businesses to concentrate on client retention tactics in order to improve corporate performance and motivate successful strategic initiatives. This double effect highlights the need of a comprehensive approach to customer relationship management, implying that initiatives to raise customer satisfaction and loyalty can have wider organizational advantages. All things considered, the study offers practitioners who want to maximize their strategic frameworks insightful information that fosters a better comprehension of how client retention may be a critical component of attaining business excellence.

10. CONCLUSION

This study concludes by highlighting how crucial customer retention is as a major factor influencing both corporate success and strategic action. The results show that keeping consumers improves organizational performance and indirectly affects strategic initiatives by influencing business outcomes. The relationships that have been shown indicate that businesses should give priority to customer retention tactics in order to cultivate customer happiness and loyalty, which can result in better corporate performance and more successful strategic decision-making.

Furthermore, the function of strategic action as a mediator highlights the interdependence of these elements, indicating the need for an all-encompassing approach in creating successful organizational strategies. In the end, our research reinforces the notion that customer retention is crucial for both operational success and strategic growth in today's competitive market, offering insightful information to businesses looking to establish long-term competitive advantages.

11. MANAGERIAL IMPLICATIONS

The study's conclusions have important managerial ramifications that can help businesses maximize their strategic initiatives. First and foremost, managers should invest in tactics targeted at improving customer loyalty and happiness because there is a direct correlation between corporate performance and customer retention. This could entail putting in place individualized customer care procedures, communicating with specific audiences, and developing loyalty programs that provide rewards to loyal consumers. Furthermore, management should concentrate on promoting operational efficiencies and performance indicators that are consistent with retention goals since strategic action has a mediating function in the link with business performance.

By doing this, businesses may make sure that the benefits of retaining customers result in strategic advantages and well-informed decision-making. Additionally, managers ought to use a comprehensive approach that takes into account the connections between corporate success, strategic action, and client retention. Creating interdepartmental projects that connect strategic planning with consumer insights can improve an organization's overall efficacy. In the end, managers can be empowered by the research's insights to create all-encompassing frameworks that prioritize customer relationships and use them to propel innovation and sustainable growth throughout the company.

12. PRACTICAL IMPLICATIONS

The study's practical implications highlight doable tactics that businesses may use to boost client retention, which in turn improves business performance and strategic action. First, companies should think about creating focused marketing efforts that emphasize

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interacting with and fostering relationships with current clients. Organizations can increase customer loyalty by tailoring their goods and messaging to specific needs by using data analytics to understand customer preferences and habits.

Additionally, companies can regularly evaluate consumer satisfaction and pinpoint areas for development by putting in place reliable feedback channels like focus groups or surveys. Since frontline employees are critical to creating excellent client experiences, it is equally important to train them in customer service excellence. Additionally, businesses may consider creating customer loyalty programs that encourage recurring purchases, strengthening retention.

More generally, companies should form cross-functional teams that include customer retention information into strategic planning procedures. This partnership guarantees that customer-related information influences more comprehensive company plans, resulting in more unified and efficient decision-making. All things considered, these doable actions can enable businesses to create enduring relationships with their clients, improve their performance indicators, and cultivate a customer-centric culture of strategic action.

13. THEORETICAL IMPLICATIONS

By emphasizing the interdependencies between these categories, the study's theoretical implications add to the body of knowledge already available on customer retention, business performance, and strategic action. The results support the idea that customer retention is a crucial component that affects more general organizational outcomes rather than just one isolated aspect. This emphasizes how important it is for theoretical frameworks to take into account the mediating function of strategic action in the connection between business performance and customer retention.

By clarifying these relationships, the study encourages researchers to investigate the ways in which customer retention influences both financial success and strategic decision-making. It promotes a more thorough examination of the ways in which several aspects of company performance, like market responsiveness and operational efficiency, might moderate the influence of customer loyalty on strategic results. In order to provide a more complex picture of the processes at work, the study also encourages future research to look at the contextual elements that can affect these interactions. All things considered, these theoretical contributions enhance the conversation about strategic management and customer relationship management and provide a basis for further research.

14. RECOMMENDATIONS

Several suggestions can be made for businesses looking to use customer retention to improve corporate performance and spur strategic action based on the study's findings. First and foremost, companies should give top priority to creating all-encompassing client retention plans that incorporate loyalty programs, feedback systems, and targeted marketing campaigns. By employing data analytics and conducting frequent surveys, businesses can gain important insights into consumer preferences and successfully customize their services.

Employees must also be empowered and trained to provide outstanding customer service. Frontline employees should have the knowledge and tools needed to interact with clients in a meaningful way and build enduring connections. In order to ensure that customer insights feed strategic planning and decision-making processes, organizations are also encouraged to create cross-functional teams that allow collaboration across marketing, sales, and customer service divisions

Additionally, businesses should think about investing in technology that improves client interactions, like automated communication tools and CRM systems, which can improve customer satisfaction and streamline procedures. Last but not least, frequent performance reviews of retention tactics can assist businesses in identifying best practices and opportunities for development, guaranteeing that customer-centric initiatives continue to be in line with changing market conditions. By implementing these suggestions, businesses may build a strong framework that improves overall business performance and strategic agility in addition to keeping consumers.

15. FUTURE RESEARCH DIRECTION

Future studies in this field should concentrate on examining the complex connections between corporate performance, customer retention, and strategic action across a range of settings and sectors. Examining how elements like market dynamics, competitive environments, and cultural influences could affect the efficacy of client retention tactics is one intriguing approach. Longitudinal studies that monitor changes over time may be used to gain a greater understanding of how retention strategies develop and how they affect organizational success in the long run.

Future studies may also examine how technology might improve customer retention initiatives, specifically how digital tools and platforms affect customer engagement and loyalty. It would be extremely beneficial to comprehend how new technologies, like machine learning and artificial intelligence, can be used to identify retention risks and tailor client interactions.

Furthermore, a deeper knowledge of how retained consumers influence strategic decision-making and generate competitive advantages may be obtained by looking at how customer retention affects organizational innovation and adaptation. Lastly, investigating possible variations in customer retention strategies among different demographic groups may uncover customized strategies that work better with different clientele. Scholars can further shed light on the relationship between customer retention and organizational success by exploring these potential research avenues, which will advance theoretical understanding and useful implementations in this crucial area.

Key Terms with their Definitions

Here are some key terms relevant to the study, along with their definitions:

Customer Retention: The tactics and initiatives used by a business to sustain and retain current clients over time, eventually encouraging loyalty and repeat business.

Business Performance: A gauge of how well a company is accomplishing its goals, usually determined by measurements like market share, financial data, and operational effectiveness.

Strategic Action: Choices and actions made by a firm to accomplish long-term objectives, frequently entailing resource allocation, planning, and execution in a manner consistent with the company's vision.

Direct Influence: A relationship in which there are no intermediate variables and one variable directly affects another. In this context, it refers to the direct relationship between strategic action and corporate performance and client retention.

Indirect Influence: A relationship in which one variable influences another via one or more intermediaries. In this study, it relates to how client retention affects business performance, which in turn affects strategic action.

Partial Mediation: When an independent variable and a dependent variable have a relationship that is partially, but not entirely, explained by a mediating variable. This suggests the existence of both direct and indirect impacts.

Composite dependability (CR): Higher numbers indicate greater dependability. CR is a measure of the internal consistency of a group of indicators in a theoretical construct.

Average Variance Extracted (AVE): A measure of how much variance a construct can account for in its indicators, indicating the validity of the construct; values more than 0.50 are typically regarded as acceptable.

Hypothesis (H1, H2, H3, etc.): A theory or prediction about the connections between variables in a study that can be verified or disproven through investigation.

Feedback Mechanism: Procedures or instruments that enable businesses to gather data from clients about their experiences and level of satisfaction, which may be utilized to guide and enhance

Declarations

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Consent for publication: The ethical consideration was under taken by the researcher during data collection
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