

**CUSTOMER SERVICE AND MAINTENANCE IN ORGANISATION
CASE STUDY: SHELL UGANDA LIMITED.**

BY

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**A RESEARCH REPORT SUBMITTED TO THE COLLOGE OF
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DECLARATION

I **Adam Abdelaziz Abaker Khir** declare that this research report is an original work and that where other authorities or texts have been used, it has been clearly acknowledged. To the best of our knowledge, this research has not been submitted for any award of Degree or Diploma in any institution or university.

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APPROVAL

I clarify that I have supervised and read this research report and that in our opinion; it conforms to acceptable standards of scholarly presentation and is fully adequate in scope and quality as a dissertation for partial fulfillment for the award of Degree Bachelor in Business Administration of Kampala International University.

Signature..... Date.....

MR. BALIRUNO JOHN BAPTIST, Supervisor

DEDICATION

This piece of work is dedicated to my beloved family who have been very instrumental and confident as well as my best friends and to my dear parents for their Financial and moral support they have offered me throughout years of study.

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Various people have been of great support and inspiration during the time of my study.

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ABSTRACT

This report focuses on the relationship between customer service strategy and customer retention in organizations. The study first broadly reviews the concepts of customer service and customer retention. Against the hypothesis that customer service is the key driver of customer retention, the study highlights the key components of customer service and how each of these components enhances customer retention in organizations.

A review of existing Literature and analysis of works from journals, textbooks, published studies, internet and previous research reports reveals that indeed there is a positive correlation between customer service and customer retention in most sales and service organizations. However, this study furthers existing literature by introducing a third dimension of the further linkage between customer service and customer retention, and how this affects organizational profitability.

The research findings confirm that there is a relationship between customer service and customer retention although customer service is not the only driver of customer retention.

The findings also confirm that customer retention can be a key driver of company profitability given the right customer service and retention strategies. The study builds a business case for adopting optimal customer services strategies that can lead to customer retention and sites several examples of world class organization whose success has been built on the hallmark of customer service. The study recommends that in an error of technological flux, which has led to little product differentiation, organizations can only offer differentiation through quality customer service. The study concludes that in future Customer Service will be the hallmark of successful organizations.

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CHAPTER ONE: INTRODUCTION

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY.

Many sales and service organizations for a long time traditionally relied on product innovation and differentiation to define and retain their customer base. However the late 20th century saw rapid technological advances in most parts of the world, a key feature of which has been the ease with which technology can be replicated. The technological flux has made it easy to replicate many products hence making product innovation and product differentiation a less potent competitive force. Since many organizations are now selling more or less the same products in terms of design and quality, a key differentiator between organizations has become customer service. As such organizations are using their customer service strategies as the key driver to building customer bases and retaining these valued customers. Relatedly, in a world of breakneck competition in today's global product markets customer retention has become a big issue for organizations desiring to become profitable (**Wood, 1998**).

Customer service is a management strategy that focuses on meeting customer expectations (Wegenheim and Reunrink 1998). It is based on the concept that the organization will reach its goals effectively and efficiently through satisfaction of the customer. Knowing what customers really want from a product or service can be difficult to understand and therefore requires investment of considerable organizational resources, including time and money. However despite the relationships. The longer customers are retained in an organization, the more profitable the organization becomes because of increased customer purchasing behavior, decreased organization operational costs, customer referrals and willingness of customers to pay price premiums for the organizations. Customer retention is important because it can cost to pay five times more to obtain a new customer than to **keep** an already existing one as researched by the American management Association (Weinstein et al, 1999). Customer retention is a matter of business survival since getting a new customer is five times more expensive than retaining a current one(Weinstein et al 1999). Sometimes organizations have to let customer go and refocus energies on those clients who are better fit for their business.

Fripp (2001) recommends that organizations should satisfy their customers or someone else will. They should try so hard to find out what their customers want because your best customers are

the hottest prospects for your competitors. If other sales people win over one of your loyal customers by offering more ideas and more service maybe they have more right to the business than you do.

1.2 STATEMENT OF THE PROBLEM

Writers on business management and marketing recognize the customer as perhaps the most important factor for survival of any business organization. Cognizant of this, organizations traditionally used product innovation, continuous product quality improvements and product differentiation to make their customers happy and consequently to build a base of loyal customers (Drucker 1996). However with the advent of globalization and continuous mobility of technology, many organizations can quickly copy and make products of the same design and same quality all over the world. Thus focus on product has become a less potent source of competitive advantage to organizations (Drucker, 1996). Because of this shift, many organizations must now focus on developing competitive customer service strategies as the only way to build and retain their customer bases (Selland, 2005) in a global world where products are increasingly looking similar in design and quality. It is noted that indeed 14% of customers leave the organization because they are unhappy with the service (Selland, 2005) rather than with the products on sale. Despite all the above, organizations have not perfected customer care retention.

1.3 PURPOSE OF THE STUDY.

The purpose of the study is to examine the effect of customer service strategy on customer retention.

1.4 OBJECTIVES OF THE STUDY.

With a view of carrying of a meaningful study, the researcher was guided by the following objectives:

- To establish various components of customer service
- To examine other factors responsible for customer retention
- To establish the relationship between customer service and customer retention

1.5 RESEARCH QUESTIONS

In order to achieve the above objectives, the following questions guided the study.

- What are the various components of customer service?
- What other factors are responsible for customer retention in business organizations?

- What is the relationship of customer service strategy and customer retention?

1.6 SCOPE OF THE STUDY.

The study focused on examining customer service strategy and its effect on customer retention. However, recognizing that customer retention is not an end in itself, the study introduces a third dimension and analyses the linkage between customer retention and organizational profitability.

1.7 SIGNIFICANCE OF THE STUDY

- The helped in creating awareness on the importance of customer service in an organization.
- The study focused on the organization particularly customer service departments to get new ideas on how they should retain customers.
- It intended to help the researcher to fulfill the partial requirements for the reward of the degree in business administration.
- The study intended to assist fixture researchers who like to undertake a similar topic for their research in form of reference to contributing to the available literature.

The research is built and improves his research knowledge and skills.

1.8 ORGANIZATION OF THE STUDY

The research is organized in five chapters.

Chapter one covers the introduction to the study, background, statement of the problem, purpose of the study and scope of the study. Chapter two highlights how the study was carried out, the research design, the study area methods of data collection, data processing and analysis, and the problems encountered in carrying out the study. Chapter three focuses on the review of related literature. Chapter four covers the interpretations and discussions of findings. Chapter five tackles conclusions, recommendations and issues for further study.

CHAPTER TWO: LITERATURE REVIEW

2.0 INTRODUCTION

This section reviews existing literature about customer service and customer retention in organizations. Existing literature is reviewed by comparison and contrast of various books, articles, journals, reports, conference papers, textbooks and magazines and analyzing points of convergence and divergence as well as highlighting research gaps in the existing literature.

2.1 CUSTOMER SERVICE AND ITS COMPONENTS

Customer service is a management strategy that focuses on meeting customer expectations. However knowing and meeting customer expectations is a complex process because it typically involves both tangible and intangible dimensions, which might not be easy to understand by many organizations. The components of customer service among others include the following;

2.1.1. Service Quality

Zeithaml, Berry and Parasuraman (1996) offer a conceptual model of service quality. They argue that service quality determines whether customers will remain loyal or leave an organization. Customer assessments of service quality that are high lead to positive behavioral intentions, which strengthen the relationship between the individual and organization. On the other hand, assessments of service quality that is low lead to customer behavioral intentions that are unfavorable.

2.1.2 Customer service and Customer Satisfaction

Customers perceive service in terms of quality of the service and how satisfied they are overall with their experiences. These customers' oriented terms, quality and satisfaction have been the focus of attention for executives and researchers alike over the last decade or more. Companies today recognize that they can compete more effectively by distinguishing themselves with respect to service quality and improve customer satisfaction (Bitner, 1998). Relatedly organizations are increasingly paying due attention to both tangible customer service measures like quality of product, speed of delivery of services and intangible measures like displaying customer commitment, warmth, courtesy and going the extra mile, all of which scholars argue are key drivers of customer satisfaction. Although each customer is unique, there are common expectations which may include communication, information, responsiveness, problem solution and consistent service delivery (Wagenheim & Reurink, 1997). Listening to the customer is part of providing excellent customer services. Listening and responding to the customer's needs in a

quality way has a direct effect on the quality of service provided by (Berry & Parasuraman, 1997). To maximize long term customer and shareholder value, organization must develop customer retention strategies (Weinstein et al, 1999). Consequently management requirements exist to support performance including quality, technology, information systems and training. These management requirements are designed to support customer satisfying processes which also result in cost reduction and an increase in innovation, motivation and morale for the organization (Wagenheim & Reurink, 1997).

2.1.3 Complaint handling management and customer services

Another very critical component of customer service is complaint handling management. Customer complaints are two edged swords (Rice, 1996). They are a priceless source of information on customer needs and expectations. On the other hand they are used to measure poor customer service. Customers who complain teach management how it may please other customers so that they can come to buy (Rice, 1996). Failure on the part of customers to complain refuses management to correct errors and therefore improve customer service (Francis & Ronald, 1996). Business organizations may not be able to solve all problems but it is important that they listen to customers and learn to recover from their mistakes. Service organizations are paying more and more attention to complaints and have developed a system to handle and manage complaints (Looy et al, 1998).

Tax and Brown (1998) argue that handling complaints effectively is vital to maintaining customer satisfaction and loyalty. Satisfaction with effective compliant handling procedures can improve the evaluation of service experiences and result in increased retention. Effective complaint handling can also decrease the spread of negative comments outside the organization, and improve bottom line performance (Tax et al, 1998). Bitner, Booms & Mohn (1994) suggest that the proof of service quality is its flawless performance.

2.1.4 Quality of Service Encounters

Schinder (2001) says that good customer service is the bread and butter of your business therefore, it is very important to invest in creating customer service encounters that are memorable to customers. Customer service encounters have three major components, the company, the product and the person and in a sense the customer 'buys' one or all the three (Stanatis, 1999). This means organizations must invest time in building their brand as reliable service or product providers, invest resources in improving the quality of their products but very importantly also train their customer service staff in order to be able to create quality memorable

customer service encounters. The training should be centered on the major areas which directly make a positive impact on customer, such that whenever a customer makes contact with the company whether in person, telephone or through mail, customers will come feeling better. Consequently such customers become loyal to the company, its products and its employees (Stanatis, 1999). Stanatis (1999) also says that loyalty creates good will and serves as an advertisement through word of mouth.

2.1.5 A secret of good customer service

The training should be centered on the major areas which directly make a positive impact on customer and make them come back always. To ensure that this happens, employees must always welcome the customer, greet them with a smile; inform them about their service or products bid good bye (Schinder, 2001). Leboeuf (1998) urges that keeping customers you have is essential because replacing them is not easy. The customer buys three times that is the person, company and the product. Stanatis (1999) also says that loyalty creates good will and serves as an advertisement through word of mouth.

After winning customers and keeping them, Omagor, (1999) says organizations need services encounters. This means that whenever an employee works for the company and has a contract with the customer, whether in person, telephone or through mail, customers will come feeling better or worse or the same about your company.

2.2 OTHER FACTORS RESPONSIBLE FOR CUSTOMER RETENTION

This study posits that in a world of technological flux and decreasing product differentiation (Drucker, 1996), quality of customer service has become the key driver to customer retention. That said, by the same token, decreasing product differentiation lends room to other factors for customer retention.

2.2.1 Value and customer retention

Anderson (2005) defines value as quality divided by price. A firm can provide greater value either by offering higher quality and matching the competition on price or by offering the same quality at lower price (Anderson, 2005). Indeed there is wide customer base that are still driven by price considerations as opposed to the intangible aspects of quality of customer service. Relatedly sometimes firms have driven away customers by trying to justify higher prices by arguing that they provide greater quality.

Arkinson (2005) on the other hand says that quality is difficult to define and measure. From a customer service perspective, firms should trade off potential price premium against the risk of customer defection and the resulting loss of substantial customer retention equity.

2.2.2 Loyalty mechanisms and customer retention

Loyalty mechanisms can generate high retention rates even when competing products or services are almost identical (Reidenback & McClung, 1998), for example the airlines have used frequent flyer programmes to generate high level degree of loyalty even though their services are very similar. Retailers now use frequent shopper cards or credit cards to induce customer loyalty.

Marcus Neiman who has circle cards which offer special services to its better customers target a mass discounter, entices customer to use its credit card by donating 1 percent of their purchases to education. Such loyalty mechanisms which link wage and rewards can become very powerful generators for customer retention.

2.2.3 Product uniqueness and suitability and customer retention

The more different or less suitable a product is, the greater the customer retention rate (Thauran, 1999). When a customer has access to almost identical products or services the probability of purchasing any particular one decreases significantly.

In addition it is critical that products remain relevant to customers, just as the use of acquisition products is important in obtaining new customer assets. Therefore companies should ensure that their products portfolio contain customer retention offerings that customers can trade up to as they proceed through their life cycles.

2.2.4 Customer expectation Vs Delivered quality

Customers do not simply evaluate a product or service on its own merits. They evaluate it relative to their expectations. This is crucial because through its market communications, a firm sets customer expectations. Thomas (2000) suggests that when customer expectations are too high, and the delivered product does not meet those expectations, the customer will not repeat purchase. Thus a critical factor in determining customer retention is the difference between the customers' expectations and the delivered quality of product or service.

Diller (1999) argues that raising expectation levels generates trial but even high expectations, contribute to low retention, a firm must strike the optimal balance between expectations and delivered quality.

2.2.5 Information, communication technology and customer retention

O'Harrow (1998) argues that rapid progress of information and communication technology has strongly accelerated and popularity and acceptance of customer retention. At the same time integration of these technologies into relational concept is only rarely discussed in customer retention literature, creating customer value through individualized product and service is only possible using powerful customer databases. Information from different sources needs to be combined.

These sources can be both external e.g. customer demographic and psychographic customer information regular consumption patterns and internal e.g. employee satisfaction surveys, resource costs. The customer oriented construction and use of information files will become critical to the proper management of customer retention (Ahlert, 2000).

2.3 THE RELATIONSHIP BETWEEN CUSTOMER SERVICE AND CUSTOMER RETENTION.

Customers display favorable intentions such as praising the firm paying premiums willingly, saying positive things about the firm to others, making recommendations and continuing purchasing when they are satisfied (Zeithaml et al, 1996). Satisfied customers stay loyal longer with an organization, pay less attention to competition, are less price sensitive, offer services ideas to the organization and require less cost for the organization to service them (Weinstein et al, 1999).

When dissatisfied, customers display unfavorable intentions such as eagerness to leave the organization, decrease spending patterns, complaining to others outside the firm and to the seller, decreasing the amount of business they do with the organization (Zeithaml et al, 1996). When customers leave an organization, sometimes they do it silently with the intent to get even with the firm by the making negative comments to others (Tax & Brown, 1998).

Properly identifying disloyal customers and understanding why they leave can be valuable tools for implementation of customer retention program. Strategies must be implemented to overcome non-loyal purchasing behavior (Weinstein et al, 1999). As soon as an organization acquires a new customer retention efforts should be set in place. The organization should try to learn what the customers' needs are, make sure they provide fast response and resolves complaints quickly (Weinstein et al, 1999).

In general, a business retains its customers when it's reliable, credible, and attractive and has empathy that is putting itself in the shoes of its customers (Looy et al, 1997) Winning and keeping customer depends on rewarding people for being customers. The more the customer feels rewarded, the greater he will remain a customer of the business (Lebouf, 1988).

Satisfied customers are the best source of advertising and marketing. Once customers receive good value, they will continue to reward the business with their dollar year after year. It is satisfied customers who tell others just how wonderful the product or services are which in turn create more customers. If a customer walks away negative, he probably won't be back and is to tell twenty other people (Lebouf, 1988).

In addition to a reliable base profit, turnover per customer will increase and operational costs will go down. It is easier to do business with people already known to the business than to constantly having to find new customer (Cowden, 1996). The importance to suppliers of rationing existing customer has proved more profitable than winning new ones. It is five times cheaper to keep an existing customer than recruit a new one. A new customer costs five times more profitable than winning new ones (Looy et al, 1998).

Customer service generates customer retention, bigger margins and profits. A retention level of 94 percent yields profitability of 50 percent (Smith, 1997). The successful building of customer loyalty often leads to profit improvement. According to empirical studies by Bain and Company, a leading management consultant quantified this argument. They found that loyal customers tend to spend more money and that new clients are more costly to deal with. (Mudie & Coffman, 1998).

2.4 CONCLUSION

In conclusion therefore, it is noted that for an organization to be ranked as a customer service organization, it must invest both time and material resources so as to be able to retain and attract customers. It makes business sense to invest these resources since increasingly customer service is becoming a major driver of customer retention and relatedly, company profitability.

CHAPTER THREE: METHODOLOGY

3.0 Introduction

This chapter put forward the research methods that were employed during the study and they are categorized in the following sections; research design, area of study population of interest, sample size and sample selection technique, data collection instruments and data analysis.

3.1 Research design

The research was based on a survey design that was carried out throughout the organization on the customer service and customer retention in organizations. This enabled the researcher to obtain a better understanding, comprehensive and intensive data collection on practices, procedures, impacts and importance of customer service and customer retention in organizations

3.2 Area of study

The study was carried out at Shell Uganda Limited. This is due to the fact that Shell was more accessible to the researcher and thus helped in reducing the researcher's research expenses like transport expenses because the researcher used to foot when going to the headquarters for data collection.

3.3 Survey population.

The survey population was employees of Shell which are categorized under: Buyers in the supermarket at shell, driver's managers, Pump Attendants, cleaners, watch Men, Secretaries and other Lower level cadres.

3.4 Sample size

The sample size comprised of 20 employees from the selected departments. The researcher felt this was enough representatives because it constituted equal representation of male and female, old and new staff of all departments of the survey population.

3.5 Sample Selection Technique

The researcher used purposive sampling technique to collect data from various departments. This is because the technique enabled the researcher to get the employees with the quality information that helped him to be successful in his findings.

3.6 Data Collection Methods

This included both methods and instruments.

3.6.1 Questionnaire

A number of both open and closed questions were given to the cross section of respondents in order to facilitate information gathering, meaning that the questionnaires were in the format of both closed and open questions which utilized check lists format and this enabled the respondent to consider all possible responses whereas open ended questions utilized self-administered format. This is because all these types of questionnaires were easier to analyze, administer, were economical in terms of money and type, they also permitted a greater depth of response and were simpler to formulate.

3.6.2 Interview.

Both structured and unstructured interviews were used to collect data from workers at Shell. This is due to the fact that interviews provided an in-depth data, were more flexible and lastly the interviewers when using interviews got more information by using probing questions.

3.6.3 Shell documents, memorandums

These among others also facilitated in gathering data.

3. 7 Data analysis

After data had been collected from the field, it was analyzed both qualitatively and statistically in order to describe the results properly in a neat way. Data was analyzed using a Microsoft excel program and presented in tables, pie charts, and graphs which facilitated interpretation.

CHAPTER FOUR: PRESENTATION AND ANALYSIS OF DATA

4.0 Introduction

The chapter was about presentation and analysis of the data related to the impact of customer service on customer retention. The study specifically focused on the relationship between customer services on customer retention. Effect of customer service on customer retention and effects of leadership style on labour stability. Customer was characterized by customer satisfaction, after sales services, good communication, service quality, complaint handling and others.

4.1 The Relationship service quality and customer retention in shell Uganda.

The first objective of this study was to investigate the relationship that exists between service quality and customer retention in shell Uganda. The findings were based on the research questions from the specific objective of the study one.

"What is the relationship service quality and customer retention in shell Uganda?"

To achieve this objective, the respondents were asked to tell how they find the quality of the services they get from shell Uganda. , whether they are good or bad, compared to others from other organizations.

The responses to the objectives are given in subsections below:

Table 4.1 (a) Opinion on how buyers find the quality of services.

How do you find quality of service at Shell Uganda?	V. Good	Good	Average	V. poor	V. Poor	Total
Frequency (fo)	1	10	5	4	-	20
Percentage (%)	5	50	25	20	-	100

Source: Questionnaire Output 2022

The results in the table 4.1 (a) above revealed that 10 employees (or 50%) were of the opinion that quality of service was good, 5 (or 25%) said it was average, 4 (or 20%) showed that it was poor and 1 (or 5 %) said it was very good while none of the employees said it was very poor. This therefore indicated that majority of the employees were of the opinion that quality of service was good and a significant number of employees viewed quality of services as averagely good. On the other hand, 1 (or 5%) said that quality of service was very good whereas 4 (or 20%) strongly said that quality of service was good. It can therefore be deduced that quality of services at Shell Uganda are very good revealed by highest percentage of respondents who said it's good (10 or 50%). The reasons respondents attached on why they said it was good was that they appreciate the quality of services of Shell compared to other organizations. Respondents who said it was poor (4 or 20 %) gave a reason that quality of service at Shell was affected by the workers themselves who do not talk well to customers.

The respondents were also asked to tell whether their complaints were handled very well. The responses are shown in the table below.

Table 4.1 (b) Opinion on whether customers' complaints are handled very well at Shell Uganda.

Do employees at Shell handle your complaints well?	Yes	No	Total
Frequency (fo)	15	5	20
Percentage (%)	75	25	100

Source: Questionnaire Output 2022

From the table 4.1 (b) above, results showed customers' complaints were handled well. The results in table 4.1 (b) above revealed that 15 employees (or 75 %) were of the opinion that customers' complaints were handled very well, while 5 employees (or 25 %) agreed that some employees Shell do not handle complaints of customers well, that they just do anyhow. The significant or majority of respondents 15 respondents (or 75%) who said that employees at Shell handle customers' complaints well. 5 employees (or 25%) who said No, gave a suggestion that the sub-county should promote teams so as to facilitate co-operation.

The respondents were further asked to put forward whether customers were satisfied with the services rendered to them. The responses are tabulated in the table below.

Table 4.1 (c) Opinion on whether customers are satisfied with the services rendered to them at shell Uganda.

Are you satisfied with services rendered to you?	Yes	No	Total
Frequency (fo)	18	2	20
Percentage (%)	88	12	100

Source: Questionnaire Output 2022

From the table 4.1 (c) above, results indicate that 18 employees (or 88%) were of the opinion that they were satisfied by the services rendered to them. This reveals that majority of the employees had realized that they are satisfied with the services rendered to them, the significant number of respondents probably 18 employees (or 88%) said that they were satisfied with the services rendered to them at shell Uganda. On the other hand, 2 employees (or 12%) said that they were not satisfied with the services rendered to them at shell Uganda.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS.

5.0 Introduction

This chapter presents conclusions and recommendations in the view of the major findings in the previous chapter. Recommendations are based on the weakness identified in the study and the respective research problems identified.

5.1 Conclusions.

The area of customer service and how it relates to customer retention in an organization is the area that is growing in market research.

This paper examined customer retention from an organization in the context of customer service. Organizations have a chance to learn from their customers. The more customers teach the company, the more effective it becomes at providing exactly what they want and the more difficult it is for competitors to lure from the organization (Pure II et al., 1999,)

From the study, the researcher has discovered the components of customer service, other factors for customer retention and a close relationship between customer service and customer retention. Customer service is a key to customer retention as most writers have it for any organization's success.

However, learning about customers is what this whole topic is about. The customers will tell the organization what to do to keep them. The strategy is for the organization to learn how to listen and respond.

5.2 Recommendations

Organization should not overlook customer service only at the expense of bigger profits because this is at the heart of poor management but rather they should look at the service they give to customers and profits will be obvious it is them who deliver the services and they are perceived to be part of the product.

There is need for proper complaint handling for customers and the response time should be as short as possible.

Policies and procedures in business organizations should be customer oriented

They should be those that sort the customers' demand but not the organizations demand

Organizations should give their products a price which will make customers come back always.

The pricing strategy should cater for almost all income levels of the organization.

5.3 Suggestions Areas for Future Study

1. Customer service quality and its impact on team dynamics
2. Customer retention and customer defection
3. Customer service and team leadership.

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