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Measuring and improving customer retention at authorised automobile workshops after free services

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A B S T R A C T

Customer retention is vital for businesses with much research literature now available. But nothing has been investigated regarding measuring and improving customer retention at authorised automobile workshops after free services. Even after providing extensive warranties and other free service benefits, customers don't use authorised workshops although their vehicles are still under warranty. By not arranging regular maintenance services, customers lose warranty benefits, with product performance and safety related awareness undermined; companies lose huge business potential. Therefore, this study aims to measure and improve customer retention at authorised automobile workshops after free services. To achieve this, a four-phased study has been conducted. In phase one, a combination of a literature review and expert opinions is used to identify customers' retention factors. The second and third phases describe how data is collected from industry experts and customers. Analytical Hierarchy Process (AHP) and Decision Making Trial & Evaluation Laboratory (DEMATEL) are used to prioritise and examine inter-relationships among factors. In the last phase, the study recommends three business strategies to help a company to improve customer retention and make their Annual Maintenance Contract (AMC) product more customer friendly.

1. Introduction

To be successful in today's competitive world, companies are striving to provide excellent service to customers so that they are re-tained and become loyal (Kaura et al., 2015; Su et al., 2016; Kumar and Dash, 2017b). Customers will become loyal only when they feel sa-tisfied with the experience of the company's products/services (Chiu et al., 2016; Padilla et al., 2017). This study is an attempt to measure the customer experience at authorised automobile workshops. After buying a company product, customers have to visit authorised auto-mobile workshops for preventive maintenance services. For an auto-mobile product, preventive maintenance services play an important role in maximising performance by ensuring cleanliness of various fil-ters, replacement of consumable oil and adjustment of mechanical parts if necessary (Sabharwal et al., 2010; Bouguerra et al., 2012). Preventive maintenance helps in reducing failure during the normal life of equip-ment. Service providers aim to give their best and are keen to monitor customer expectations (Kassim et al., 2016; Padilla et al., 2017; Chiu et al., 2016; Li et al., 2017). But after conducting a sample survey with

automobile company employees, our research team learned that this particular company retained 84% consumers during the first year of the Free Service Coupon (FSC) period, dropping to 29% in the second year. Consumer retention further dropped to only 8% by the fifth year, which is considered as the average life cycle for two wheelers. Consumers are not keeping up proper preventive maintenance services for their pro-duct although vehicles are still under warranty. This will not only im-pact on customer satisfaction, loyalty and retention but also on product performance; this is directly related to company image and sales. This problem motivates us to conduct this study.

In order to provide a quality experience for consumers, customer retention at workshops is of vital importance (Rekik et al., 2016; Cui et al., 2017). A retained consumer not only helps companies in pro-moting new products but can also promote workshop services by word of mouth (Haverila, 2011; Wang and Tzeng, 2012; Nilashi and Ibrahim, 2014). It is accepted that a happy customer attracts many new custo-mers, whereas an unhappy customer deters at least ten prospective customers (Liu et al., 2013; Khatwani et al., 2014; Khatwani et al., 2014; Chiang, 2016). Hence it is important for every company to ensure

timely servicing of vehicles for satisfactory performance of the product (Cherubini et al., 2015; Levesque and Boeck, 2017). Most companies provide free services during vehicle sales so that vehicles are maintained with the utmost care by trained technicians at authorised workshops. Free services help in reducing the cost of ownership initially and also help in creating awareness of preventive maintenance (Geraldine, 2013; Su et al., 2016; Padilla et al., 2017). After the free service period, consumers need to visit workshops regularly for further preventive maintenance services so that vehicles perform as per expectation (Cherubini et al., 2015; Cui et al., 2017). However, for various reasons, customers do not visit authorised workshops and instead, get their vehicles repaired at local garages (Wang et al., 2011; Heitz-Spahn, 2013; Paparoidamis et al., 2015). A vehicle can be damaged due to unskilled staff, non-genuine parts or lack of specialised tools at these garages. For these reasons, customer satisfaction can decrease towards the product itself, directly impacting on company image and sales (Yuen and Chan, 2010; Amin and Zahora Nasharuddin, 2013; Paparoidamis et al., 2015). Therefore, it is important for automobile companies to find out the customer retention factors associated with authorised workshops where customers come to get preventive maintenance services of their vehicle. Much research literature is available regarding customer retention (Wang and Tzeng, 2012; Liu et al., 2013; Khatwani et al., 2014; Chiang, 2016; Rekik et al., 2016; Kumar and Dash, 2017a, 2017b), but no work has been done related to measuring and improving customer retention at authorised automobile workshops after free services. This study is an attempt to fill this literature gap. The objectives of the study are firstly, to identify the most important customer retention associated factors and measure their importance; secondly, to develop cause-effect relationships among the factors so that analysis can help service providers to take better decisions when implementing marketing strategy.

The methodology used to find the most important factor for customer retention at authorised automobile workshops after free services is also important; it must be able to deal with this complex situation in decision making for implicating any marketing strategy. Identifying the major factors for customer retention is not only of paramount importance for an automobile company but also important for customers, so that they get a better experience from service providers. Thus it is necessary to determine the importance of the conditions and also to continuously address the flaws by providing a better overall service. AHP and DEMATEL have the capabilities not only to determine the importance of the factors, but also to build the cause-effect relationships within the factors (Wang and Tzeng, 2012; Chiang, 2016; Kumar and Dash, 2017b). Evaluation through these multi-criteria models provides an opportunity for service providers to improve their results on a regular basis (Wang and Tzeng, 2012). Weights of parameters are determined through Analytic Hierarchy Process (AHP) (Saaty, 2008) but AHP is not able to find contextual relationships within the parameters. It considers all factors as independent and does not fulfil the objective of the study; to understand the contextual relationships within the factors is also important so that actions for improvement can be identified from cause-effect viewpoints. A DEMATEL method can generate causal diagrams to narrate the cause-effect relationships among the factors (Kumar and Dash, 2017a, 2017b). But no literature is available where the integrated approach of AHP and DEMATEL has been used in the context of customer retention at authorised automobile workshops after free services. Therefore, to fill this gap, the aim of this study is to develop deeper understanding of all customer retention parameters using AHP and DEMATEL. The study establishes clear factors which effect customer retention at authorised automobile workshops after free services. If these are implemented, the company will benefit. The motivation behind this study is to develop deeper understanding of factors associated with customer retention by a literature review and expert discussion; it employs AHP and DEMATEL to determine the weights and cause-effect relationships of parameters.

The whole study has been divided into seven parts. The introduction

is given in the first part. The second part of the study is related to the literature review. Solution methods are explained in the third part. The research framework of the study is given in the fourth part. Analysis is set out in the fifth part. Managerial implications and recommendations are suggested in the sixth part. Conclusions and future research directions are provided in the last part of the study.

2. Literature review

This section presents the literature related to customer retention and its prediction methods, identifying the factors related to customer retention. In the first section, literature of customer retention and its prediction methods are given with related studies presented in tabulated form. In the second section, problems associated with the study are discussed; the process of factor identification and their relevance are also given.

2.1. Customer retention and its prediction methods

For prediction of future behaviour, customer retention is a strong indicator of behaviour intention with a plethora of research findings available in current literature (Lam and Hsu, 2006; Park et al., 2006; Haverila, 2011; Wang and Tzeng, 2012; Liu et al., 2013; Nilashi and Ibrahim; 2014; Khatwani et al., 2014; Chiang, 2016; Rekik et al., 2016; Kumar and Dash, 2017a, 2017b; Cui et al., 2017). Multi Criteria Decision Making (MCDM) methods are used to predict customer retention in different fields (Wei et al., 2010; Hashemkhani Zolfani et al., 2012, 2013). In existing literature, these methods have been widely employed because of their inherent capabilities and potential to handle various criteria to select the best alternative(s) (Park et al., 2006; Wei et al., 2010; Khatwani et al., 2014; Aghdaie and Alimardani, 2015). The unique feature of these methods is that if we have a different unit of measurement for our selected criteria, we can deal with those criteria (Gal et al., 2013; Aghdaie and Tafreshi, 2017). Another potential capability of MCDM methods analysis is that more conflicting criteria, even with the presence of multiple non-commensurable items, can be managed and handled easily. The analysis of working concurrently with different alternatives is also possible with these methods (Gal et al., 2013; Zavadskas et al., 2016; Aghdaie and Tafreshi, 2017; Tamošaitienė et al., 2017). Table 1 shows the related list of conducted studies by different authors, their application area and MCDM methods used.

Table 1 shows that numerous researchers used various MCDM methods such as AHP, ANP, DEMATEL, VIKOR and hybrid methods to predict customer retention in different fields. But in existing literature, no research has been conducted related to measuring and improving customer retention at authorised automobile workshops after free services where MCDM methods are used.

2.2. Problem statement and factors

If a customer is retained at a workshop station after free services, then they can get proper preventive maintenance services for their products. This will impact on their satisfaction with products and the probability of becoming loyal is increased. Therefore, every automobile company is trying hard to give excellent service to the customer so that they can be retained at workshops even after free services. This study is focused on a giant automobile company, one of the largest two-wheeler manufacturers in India. The case company has over 6000 service networks in the country and is known for having the best service facilities in the country. The case company has state of the art facilities, consumer centred processes and is recognised as a provider of quality care to all stake holders such as consumers, dealers, employees and society in general. The company has sold millions of two wheelers on the market but consumer retention in workshops is comparatively low beyond the FSC period. Thus the company is losing lots of service business opportunities. Since product usage life is in general reducing due to