

Effects of Competitive Strategies on Customer Retention in G4s Security Services (K) Ltd

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Abstract: *This study sought to determine the effect of competitive strategies on retention of customers at G4S Security Services (K) Limited. Creating a customer was initially regarded as the solitary purpose of a business. Customer retention is now regarded as of key importance because it has become increasingly difficult for firms to assume that there exists an unlimited customer base prepared to maintain patronage. Retaining customers increases the profits of a firm which facilitates further investments leading to expansion and enhancing of competitive advantage. The problems envisaged as a result of loss of customers are damage to corporate image, low profitability, and loss of competitive edge. A descriptive research design was used while stratified sampling was used to select a sample of 75 respondents from a study population of 243 employees from the Cash management, Response, Courier, Manned Guarding, Secure Data, Sales and Marketing and Human Resource divisions at G4S Security Services Kenya Limited. A structured questionnaire was used to collect primary data. Data analysis was done using SPSS. The study found out that the company has a strategic account management department within the Sales and Marketing Division with employees who are qualified, dedicated and who know customers' target consumer for back selling. The staff constantly explores new pathways with strategic accounts and share customers' perception of value with product designers to enhance customer retention. The company offers tailored solutions for strategic accounts, regularly reviews on changes in strategic customer needs and periodically surveys on customer service satisfaction levels. The study recommends that G4S Security Services (K) Limited organizes SAM training programs for customer retention on a regular basis and develop appropriate decision support tools for strategic account managers. Formal processes must be structured for researching customer's business needs through the periodic survey of their service satisfaction levels.*

Keywords: Private Security Company, Customer Retention, Customer Satisfaction, Strategic Account Management

1. Introduction

Customer retention has become important with the proliferation of private security companies (PSCs) in Kenya. Lately, customers are seen hopping from one private security firm to another depending on the kind of services offered and the price tag. As a result, today's competitive environment maximizes customer retention probability so as to sustain a company's protection against competition from others in the same industry (Nirmala, 2009). Retaining customers increases the profits of a firm which facilitates further investments leading to expansion and enhancing competitive advantage. The problems envisaged as a result of loss of customers are damage to corporate image, low profitability, and loss of competitive edge. According to Reichheld and Sasser (2010), it costs five times more to gain a new customer than to retain an existing customer as the acquisition costs are lowered in the long run which means that customer retention is related to the profitability of a firm.

Customer retention is the marketing goal of preventing customers from going to the competitor. It is the way in which firms focus their efforts on existing customers in an effort to continue doing business with them. Still, customer retention can also mean the number of customers who stay with the provider in the course of an established period, such as a year (Dawes, 2009). In all cases, customer retention is a key factor in determining the success of any business in the current times. It impacts directly on long term customer lifetime value, which is a more profitable avenue for firms that seek to pursue growth and sustainability or those that seek to protect themselves from market shrinkage resulting from a contracting economy (Gee et al., 2008). As a result therefore, firms are under constant pressure to retain customers because of nature of the market whereby customer acquisition is slow. As such, strategies towards

customer retention are very core to the firm especially when loyalty is decreasing and sales cycles are aggravating the business environment. In such cases, losing an important customer to a competitor may impact significantly on the firm's profitability, growth and survival.

One of the industries in Kenya that experiences competition for customers is the private security industry. The industry core objective is to fill the gap that the Government of Kenya (GoK) may be unable to bridge using its conventional security structures that include; policing, military, and intelligence institutions (Wairagu et al., 2004). The private security in Kenya is highly differentiated and very competitive with the leading PSCs like G4S Security Services Kenya Limited offering a package of advanced and integrated security services to customers which include industries, financial institutions, government agencies, commercial farms, embassies, international organizations, NGOs, and refugee agencies. Another area of the private security sector (PSS) that has been growing and expanding is the cash-in-transit and cash management service (Mkutu and Salaba, 2008). Competition to attract and retain such clients is also equally growing especially with risks that are associated with such services. The emergence of numerous firms in the unregulated industry has also resulted in constant hopping of customers from one private security company to another. Every firm is expected to adopt strategies to differentiate it from other competitors, retain their customers, gain competitive advantage and remain in business.

2. Statement of the Problem

Creating a customer was initially the solitary purpose of a business. Customer retention is now regarded as equally, if not more important because it has become increasingly difficult for firms to assume that there exists an unlimited

customer base prepared to maintain patronage. Conventionally, much of the emphasis of marketing has been directed towards the “getting” of customers rather than the “keeping” of customers. However, in a highly competitive market, a firm’s success is immensely dependent on its ability to retain and increase its customer base or portfolio.

The expansion of the private security industry has seen the number of PSCs grow steadily from 400 to 2000 (Mkutu and Sabala, 2008) and the majority of them are small or/and medium-sized, owner-managed companies, employing less than 100 people and operating in only one location or town. The PSCs that retain their existing customers effectively have years of revenue producing potential since such customers are more likely to purchase their new products and services as compared to brand new customers. Such firms are able to achieve competitive advantage with competitive and effective retention strategies based on a strong customer-oriented culture. However, customer retention is one of the most challenging factors affecting the private security sector in Kenya. According to Wairagu et al. (2004), due to customer defection to other PSCs that provide the same services at lower rates, G4S Security Services Kenya Limited has been experiencing a fall in their market share as well as reduced revenues. Thus, the company has a number of competitive strategies for customer attraction and retention including: establishment of a learning and development department; continuous innovation and adoption of new technology and ISO 9001:2008 certification which has helped in ensuring efficiency and effectiveness in customer service.

This study focused on the effects of competitive strategies on retention of customers at G4S Security Services Kenya Limited due to the limited research in the area, particularly in private security industry in Kenya (Mkutu and Salaba, 2008). Further, the traditional approaches to marketing have not provided the understanding of, or the tools necessary for developing customer retention because most PSCs are increasingly seeking to move their interactions with customers along a marketing strategy continuum. This study sought to fill the knowledge gap that existed by establishing the effects of competitive strategies on the retention of customers in private security firms.

3. Research Objectives

3.1 General Objective

To investigate the effects of competitive strategies on customer retention at G4S Security Services Kenya Limited.

3.2 Specific Objective

To determine the extent to which strategic account management influences customer retention at G4S Security Services Kenya Limited.

4. Research Question

To what extent does strategic account management influence customer retention at G4S Security Services Kenya Limited?

5. Literature Review

The literature was reviewed from journals, reference books, internet, working papers, periodical and reports.

5.1 Strategic Account Management

Strategic Account Management (SAM) started back in the 1970’s as a practice that originally developed out of personal selling, and became “major account selling” (Sherman et al 2003). It had its theoretical foundation in the transaction cost economics theory of the firm (Gosselin and Bauwen 2006) which led to a focus on just selling more of the same services or goods to the biggest customers. Building on the development of market orientation, service and relationship marketing, value management, business relationships, and the resource based view on strategy, the logic and content of strategic account management has come to focus more on cross-functional management of collaborative, network-embedded dyadic relationships, for the co-creation of value.

Strategic accounts are complex accounts with special requirements, characterized by a centralized, coordinated purchasing organization with multi-location purchasing influence, a complex buying process, large purchases, and a need for special services. Strategic accounts are, based on literature, described as customers in a business-to-business market identified by selling companies (firms) as of strategic importance for the firm’s ability to achieve its goal, create competitive advantage, secure future growth, long-term financial performance, and, ultimately, shareholder value creation (Capon 2004). It is argued that what makes a customer relationship strategic varies among firms, based on their strategy, competitive situation, structure of customer base, industry logic, and geographical spread (Gosselin and Bauwen 2006). Strategic account management is a firm’s dynamic relational capability for market/customer-sensing and customer linking.

Strategic account management focuses on co-creation of value and is both “inside-out”, i.e. implements strategy in order to achieve agreed corporate goals, and “outside-in”, i.e. identifies business and renewal opportunities by deeply understanding the customer’s value creating process and influence the firm’s strategic process (Gosselin and Heene 2003). Strategic account management is, hence, a truly boundary spanning practice, spanning boundaries between the firm and the selected customers, between different functional groups and hierarchical levels within the firm and the customer’s organization, and often between geographical areas (and, thus, cultures). It can be said to be dealing with the increased complexity of relationship patterns, as customer relationships are becoming multi-national and multi-product and managed multifunctionally, with multi-level involvement in multiple parallel channels and embedded in networks (Storbacka and Lehtinen, 2009).

Firms develop Strategic Account Management Programs (SAMPs) to maintain relationships with their key customers and enhance their retention. Recognizing the benefits gained through SAMPs, security firms should embrace the account management concept as a way to not only sustain profitable, high-value relationship, but to generate new top-line revenue streams (Hunt, 2008). SAMPs enable firms to points of

contact facilitating the handling of their key customers' issues promptly and efficiently. SAM is universal across different businesses. It is introduced to provide companies with opportunities to cultivate and deepen relationships with their customers. SAM creates a symbiotic connection among key parties resulting in a long term relationship through which support for contract renewals, expansion of services offered, and sale of new products and services can be realized.

According to Krapfel et al. (2006), SAM can be achieved through a number of ways. First, SAM can be delivered through account teams whereby a team handles more than one account but has expertise in the details of each account. Secondly, through dedicated account managers, who are typically assigned to one or only a few accounts. According to Hunt (2008), so as to beat its competitors, the key components of a firm's definition of strategic account management include: viewing strategic accounts as separate from those that are simply large accounts in terms of revenue; limiting the number of strategic accounts; pursuing strategic accounts as institutional partners; allocating strategic account focus on three core topics i.e. penetrating, expanding, and protecting accounts from competition; viewing strategic accounts as assets that require continued, and often significant, investment to yield maximum returns; and viewing strategic account investment returns as tied to long-term business strategy.

6. Research Methodology

A descriptive research design was used for the study. Using stratified sampling, a sample 75 respondents was selected from a study population of 243 employees from the Cash Management, Response, Courier, Manned Guarding, Secure Data, Sales and Marketing and Human Resource divisions at G4S Security Services Kenya Limited. A structured questionnaire was used to collect primary data and analyzed using SPSS.

7. Research Findings

Simple descriptive statistics were used to analyze the data collected through the questionnaires. This includes percentage, tables, pie charts and graphs.

7.1 Strategic Account Management

The study found out that G4S Security Services Kenya Limited has a Strategic Account Management (SAM) department and the minimum education qualification for strategic account managers is an undergraduate degree although there are a number of managers who possess post-graduate qualifications. This is because most of the senior management employees in the company have the undergraduate degree as their highest level of education as shown in Figure 1.

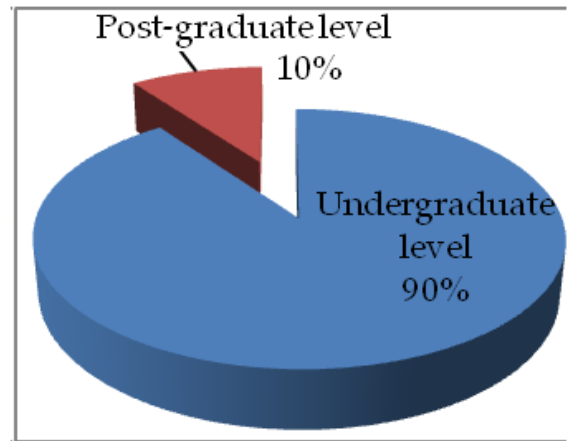


Figure 1: Education Qualifications for Strategic Account Manager

The study further established that G4S Security Services Kenya Limited organizes Strategic Account Management training programs for its staff to facilitate further advancement in education of their staff in line with its needs for effective and efficient customer retention. However, the company does not organize the SAM training programs on a regular basis or as a calendar event.

Table 1: Frequency of SAM Training Programs

Frequency of SAM Training Programs	Frequency	Percentage
Semi-annually	6	12%
Annually	8	16%
When Need Arises	35	72%
TOTAL	49	100%

7.1.1 Factors Enhancing Customer Retention

On a 5-point scale where 1 - 1.499 was very low extent, 1.500 - 2.499 was low extent, 2.500 - 3.499 was moderate extent, 3.500 - 4.499 was great extent and 4.500 - 5.000 was very great extent, the study sought to establish the extent to which a number of factors enhanced customer retention at G4S Security Services Kenya Limited. A summary of the findings is as shown in Table 2.

Table 2: Factors Enhancing Customer Retention

Factors Enhancing Customer Retention	N	Min	Max	μ	SD
a) Dedicated Strategic Account Managers	60	3	5	4.33	0.651
b) Appropriate decision support tools for account managers	60	2	5	3.42	0.996
c) Formal process for researching customer's business needs	60	2	5	3.17	0.937
d) Knowledge of customers' target consumer for back selling	60	2	5	3.75	0.866
e) Customer engagement in planning processes	60	2	5	3.83	1.267
f) Constant exploration of new pathways with strategic accounts	60	2	5	3.77	0.968
g) Sharing of customers' perception of value with product designers	60	1	5	3.67	1.371
h) Periodic survey of customers service satisfaction levels	60	1	5	3.25	1.545

The findings show that dedicated strategic account managers ($\mu = 4.33$, $SD=0.651$), knowledge of customers' target consumer for back selling ($\mu=3.75$, $SD=0.866$), customer engagement in planning processes ($\mu=3.83$, $SD=1.267$), constant exploration of new pathways with strategic accounts ($\mu=3.77$, $SD=0.968$) and sharing of customers'

perception of value with product designers ($\mu=3.67$, $SD=1.371$) enhance customer retention in the company to a great extent. On the other hand, appropriate decision support tools for account managers ($\mu=3.83$, $SD=1.267$), formal process for researching customer's business needs ($\mu=3.17$, $SD=0.937$) and periodic survey of customers service satisfaction levels ($\mu=3.25$, $SD=1.545$) enhance customer retention in G4S Security Services Kenya Limited to a moderate extent.

7.1.2 Competitive SAM Strategies Affecting Customer Retention

Using a 5-point Likert scale where 1-1.499 was very low extent; 1.500 - 2.499 was low extent; 2.500 - 3.499 was moderate extent; 3.500 - 4.499 was great extent and 4.500 - 5.000 was very great extent, the respondents were asked to indicate the extent to which various competitive strategic account management strategies affect customer retention in G4S Security Services Kenya Limited.

According to the findings, development of tailored service offering for strategic accounts ($\mu=4.000$, $SD=1.348$), regular review on changes in strategic customer needs ($\mu=3.67$, $SD=1.371$) and periodic survey of customers service satisfaction levels ($\mu=3.42$, $SD=1.006$) affect customer retention to a great extent. In addition, strategic customer engagement through surveys, focused group discussions, daily calls; well-defined departmental strategic customer and service strategy as well as well-defined communication standards and protocols for strategic customers all with $\mu=3.42$ and $SD=1.006$ affect customer retention to a moderate extent.

Table 3: Competitive SAM Strategies Affecting Customer Retention

Competitive SAM Strategies	N	Min	Max	μ	SD
a) Development of tailored service offering for Strategic Accounts	60	1	5	4.00	1.348
b) Regular review on changes in strategic customer needs	60	1	5	3.67	1.371
c) Strategic customer engagement	60	1	5	3.25	1.545
d) Well-defined departmental strategic customer and service strategy	60	2	5	3.25	1.545
e) Well-defined communication standards and protocols for strategic customers	60	2	5	3.25	1.545
f) Constant exploration of new pathways with strategic accounts	60	1	5	3.33	1.304
g) Sharing of customers' perception of value with product designers	60	2	5	3.17	0.937
h) Periodic survey of Customers service satisfaction levels	60	1	5	3.42	1.006

8. Summary, Conclusion and Recommendations

G4S Security Services Kenya Limited has a strategic account management department that is staffed with academically qualified employees. The company organizes Strategic Account Management training programs for its staff to enhance its customer retention practices though not on a regular basis or as a calendar event but rather when the need arises. Dedicated strategic account managers, knowledge of customers' target consumer for back selling, customer engagement in planning processes, constant

exploration of new pathways with strategic accounts and sharing of customers' perception of value with product designers enhance customer retention in the company to a great extent. The company's has various SAM strategies that help in customer retention to a great extent including the development of tailored service offering for strategic accounts, regular review on changes in strategic customer needs and periodic survey of customers service satisfaction levels.

The study concludes that G4S Security Services Kenya Limited should organize the SAM training programs for customer retention on a regular basis say annually, semi-annually or quarterly for all the staff. The company should develop appropriate decision support tools for strategic account managers and structure formal processes for researching customer's business needs through the periodic survey of customer service satisfaction levels to improve on the customer retention levels in the company. The management must also ensure that the company's operations not only respond well to the dynamic and competitive environment but also adhere to the legal environment in Kenya. It's through its alignment with the new environmental realities that G4S Security Services Kenya Limited will sustain its competitive advantage over other private security companies in Kenya.

8.1 Future implications of this study

The study aimed at establishing the effects of competitive strategies on customer retention at G4S security services Kenya Limited. The implications of this study is that it will generate further interest from researchers in this field and also expanding to other business fields without limiting the study to security field. The study is also expected to ignite interest from security firms in Kenya to review their competitive strategies in order to retain and grow their customer base.

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