

# Customer Retention Challenges in SMEs: A Case Study of Veterinary and Agricultural Pharmacies in Morogoro Municipality

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**Abstract:** *The purpose of this study was to examine the challenges on retention of customers in agricultural veterinary in small and medium pharmacies, a case of veterinary and agricultural pharmacies in Morogoro Municipality. The target population of this study was 227 respondents. A sample size of 80 respondents that include 70 small and medium enterprises and 10 customers was used. Simple random sampling techniques and convenience sampling techniques were used in selection of respondents. Data were collected by using questionnaire, interviews and documentary reviews. Quantitative data were analyzed by using descriptive statistics while qualitative data were analyzed by using content analysis. Findings identified the following causes for the lack of customer retention in veterinary and agricultural pharmacies in Morogoro Municipality; poor customer service, the increase of new pharmacies; lack of advertisements and limited convenience. To improve customer retention, recommendations include improving customer service, enhancing convenience, implementing effective advertising, fostering customer loyalty programs, utilizing personalized communication strategies, and encouraging positive word-of-mouth.*

**Keyword:** Retention, Customers, Veterinary Pharmacies, Agricultural Pharmacies, Challenges

## 1. Introduction

The role of small and medium enterprises (SMEs) in the development process remains a central topic in policy debates, not only in developing countries but also in developed ones. The International Labor Conference adopted a recommendation recognizing the significance of establishing a policy and legal framework to foster an environment conducive to small enterprise development (Hadi et al, 2020). These enterprises offer several advantages, such as promoting entrepreneurship and impacting employment generation. They can be swiftly established, yielding quick returns, and may counterbalance the economic dominance of larger corporations.

The growth of SMEs is particularly crucial in developing countries, where about 90 percent of key economic sector participants are SMEs. However, these enterprises face challenges that hinder their progress and competitive survival rates. Retaining customers becomes crucial for their sustenance and performance enhancement due to the importance of customer retention practices and SMEs' role in the economy (Ang & Buttle, 2006).

In Tanzania, almost 50% of industrial output originates from SMEs (Republic & Industry, 2002). The majority relies on agriculture and SME activities for livelihoods. Despite government efforts, SMEs in Tanzania continue to decline, exacerbated by a lack of equipped institutions and operational funds (Rosalina & Triayudi, 2019).

Moreover, SME development contributes to balanced income distribution, spreading economic activities within economies. SME technologies are easy to adopt, serving localized markets with lower overheads and displaying resilience during economic downturns. They can also foster

a symbiotic industrial structure through linkages with larger industries.

In the modern business landscape, retaining existing customers is crucial for success due to high customer acquisition costs (Ang&Buttle, 2006). Customer retention practices offer more impact and profitability than discounts or cost reductions. With intense competition, customer retention gains prominence (Smith, 2020).

Customer satisfaction's link to retention varies across industries (Caruana, 2002). Businesses must attract and retain customers. This study examines challenges faced by small and medium enterprises in veterinary and agricultural pharmacies in retaining customers and the potential of quality customer service.

Amid rising customer acquisition costs, small and medium enterprises worldwide focus on customer retention to boost loyalty and lifetime customer value (Ahmed & Amir, 2011). Consistent product quality and personalized interactions foster retention. In Morogoro Municipality, the establishment of veterinary and agricultural pharmacies highlights the importance of improving customer retention processes. Therefore, this study aims to address challenges faced by SMEs in Morogoro Municipality regarding customer retention.

## 2. Research Methodology

This section outlines the research methodology that guided the study. The study employed mixed research approach and a case study research design. The target population of this study was 227 respondents. A sample size of 80 respondents that include SMEs and 10 customers was used. Simple random sampling techniques and convenience sampling techniques were used in selection of respondents. Data were

collected by using questionnaire, interviews and documentary reviews. Quantitative data were analyzed by using descriptive statistics while qualitative data were analyzed by using content analysis.

### 3. Research Finding and Discussion

This study aimed to identify challenges faced by SMEs in Morogoro Municipality regarding customer retention. To gather data of this objective, questionnaires, interviews and documentary reviews were applied as the data collection methods. The results of this objective are presented in sub-sections below.

#### 3.1 Poor Customer Service

**Table 3.1:** Poor Customer Services

| Details           | Frequency | Percentage (%) |
|-------------------|-----------|----------------|
| Strongly Agree    | 48        | 60             |
| Agree             | 22        | 27.5           |
| Disagree          | 9         | 11.25          |
| Strongly disagree | 1         | 1.25           |
| <b>Total</b>      | <b>80</b> | <b>100</b>     |

Source: Field Data (2023)

Results in table 3.1 shows that out of 80 respondents, 48 (78%) respondents strongly agreed that poor customer services is one of the main reason for veterinary and agricultural pharmacies not being able to retain their customers in Morogoro Municipality, while 22 (27.5%) respondents agreed, 9 (11.25%) respondents disagreed and the remaining 1 (1.25%) respondent strongly disagreed. These results indicate that majority of respondents (98.75%) agreed that with the statement.

These results imply that, the quality of customer services offered by veterinary and agricultural pharmacies workers have a great influence on making their customers return more than once and also attracting new customer for purchasing their services. Excellent customer service includes good communication and language translation of products to make their customer understand the user manual and product description to the customers.

This result is well supported by more than one respondent in an open interview as; -

*Most of the pharmacies I am attending have very poor professionals with poor attention and understanding of the products and services they are selling hence I have to search and find pharmacies with good quality services.*

The results of these findings are related to a study conducted by Ang and Buttle (2006) on factors influencing customer loyalty in veterinary practices, the authors found that communication, quality of service, and empathy were the most important factors in influencing, retaining or not retaining customers. The study was conducted on a sample of 405 pet owners in Germany.

#### 3.2 Increase of New Pharmacies

**Table 3.2:** Increase of New Pharmacies

| Details           | Frequency | Percentage (%) |
|-------------------|-----------|----------------|
| Strongly Agree    | 44        | 55             |
| Agree             | 20        | 25             |
| Disagree          | 12        | 15             |
| Strongly disagree | 4         | 5              |
| <b>Total</b>      | <b>80</b> | <b>100</b>     |

Source: Field Data (2023)

Results in table 3.2 shows that out of 80 respondents, 44 (55%) respondents strongly agreed that increase of new pharmacies is one of the main reason for veterinary and agricultural pharmacies not being able to retain their customers in Morogoro Municipality, while 20 (25%) respondents agreed, 12 (15%) respondents disagreed and the remaining 4 (5%) respondents strongly disagreed. These results indicate that majority of respondents (95%) agreed with the statement.

These results imply that, the increase in the number of emerging new pharmacies in various wards of Morogoro Municipal Council can have implications for customer retention in agricultural veterinary services. The presence of multiple pharmacies offering similar services creates a competitive environment where customers have more options to choose from. This increased competition can lead to fluctuations in customers' purchasing behaviors and loyalty.

This result is well braced by several respondents in an open interview such as;

*Currently it is not necessary for my husband to go to the town centre to buy medicine or vaccine for our animals as currently in our street there are two open 24-hour functioning agricultural veterinary pharmacies.*

The finding results agreed with the study by Feng Zhu, Sha Yang, and Wen Wen (2017) on the impacts of new venture entry on customer switching behavior in US Broadband Market. This study finds that the impact of new entrants on customer switching behaviour is more significant in markets where the incumbent broadband providers have high market shares and offer lower-quality services. Additionally, the study shows that new entrants' impact on customer switching behaviour is stronger in markets with lower income levels and higher population densities.

#### 3.3 Lack of Advertisements

**Table 3.3:** Lack of Advertisements

| Details           | Frequency | Percentage (%) |
|-------------------|-----------|----------------|
| Strongly Agree    | 33        | 41.25          |
| Agree             | 24        | 30             |
| Disagree          | 14        | 17.5           |
| Strongly disagree | 9         | 11.25          |
| <b>Total</b>      | <b>80</b> | <b>100</b>     |

Source: Field Data (2023)

Results in table 3.3 shows that out of 80 respondents, 33 (41.25%) respondents strongly agreed that lack of

advertisements is one of the main reason for veterinary and agricultural pharmacies not being able to retain their customers in Morogoro Municipality, while 24 (30%) respondents agreed, 14 (17.5%) respondents disagreed and the remaining 9 (11.25%) respondents strongly disagreed. These results indicate that majority of respondents (81.25%) agreed with the statement.

The findings suggest that many veterinary and agricultural pharmacies in the researched area have limited or no emphasis on advertising their services and products to their customers and the broader community. This lack of proactive communication and marketing efforts may result in customers being unaware and uninformed about the range of services and products offered by these pharmacies. Consequently, customers may not be fully aware of any changes, restrictions, or updates in the available services and products.

These findings are well spoken by several respondents in interview and questionnaire forms provided during field surveys such as; -

The one respondent said that; -

*Most of us know less about seeds and their requirement in farming as a result we always go to purchase agricultural veterinary services and products from those pharmacies which are advertised on television or Radio.*

Another respondent state that;

*I have been attending new and modernized pharmacies established because I don't know if the medicine I am in need is available in the old pharmacy, the author of this study finds out advertising plays a crucial role in customer retention in the agricultural veterinary pharmacy industry in Ghana it is a marketing tool for businesses in this industry, and highlights the need for businesses to prioritize customer satisfaction as a means of achieving customer retention.*

### 3.4 Lack of Convenience

**Table 3.4:** Lack of Convenience

| Details           | Frequency | Percentage (%) |
|-------------------|-----------|----------------|
| Strongly Agree    | 35        | 43.75          |
| Agree             | 23        | 28.75          |
| Disagree          | 12        | 15             |
| Strongly disagree | 10        | 12.5           |
| <b>Total</b>      | <b>80</b> | <b>100</b>     |

**Source:** Field Data (2023)

Results in table 3.4 shows that out of 80 respondents, 35 (43.75%) respondents strongly agreed that lack of convenience is one of the main reason for veterinary and agricultural pharmacies not being able to retain their customers in Morogoro Municipality, while 23 (28.75%) respondents agreed, 12 (15%) respondents disagreed and the remaining 10 (12.5%) respondents strongly disagreed. These results indicate that majority of respondents (81.25%) agreed that with the statement.

The finding suggests that accessibility inconvenience plays a significant role in customer retention within agricultural veterinary pharmacies. Customers tend to prioritize convenience factors such as distance and cost when choosing a pharmacy to purchase products and services. If a pharmacy is easily accessible in terms of location and offers competitive pricing, customers are more likely to remain loyal and continue purchasing from that pharmacy.

In recent years, technological advancements have introduced new methods of accessibility for veterinary pharmacies, such as online consultation and online service delivery. This technology-driven approach has transformed the way customers interact with and access pharmacy services. Online consultation allows customers to seek advice or veterinary guidance remotely, eliminating the need for physical visits to the pharmacy. Similarly, online service delivery enables customers to conveniently purchase products and have them delivered to their doorstep.

This finding is strongly in agreement with the study by Omar Al-Neama and John Rice (2017), which recommended that convenience is a key driver of customer loyalty in an empirical study in the Australian retail banking industry.

### 3.5 Limited Product Range

**Table 3.5:** Limited Product Range

| Details           | Frequency | Percentage (%) |
|-------------------|-----------|----------------|
| Strongly Agree    | 49        | 61.25          |
| Agree             | 24        | 30             |
| Disagree          | 7         | 8.75           |
| Strongly disagree | 0         | 0              |
| <b>Total</b>      | <b>80</b> | <b>100</b>     |

**Source:** Field Data (2023)

Results in table 3.5 shows that out of 80 respondents, 49 (61.25%) respondents strongly agreed that limited product range is one of the main reason for veterinary and agricultural pharmacies not being able to retain their customers in Morogoro Municipality, while 24 (30%) respondents agreed, 7 (8.75%) respondents disagreed and the remaining 0 (0%) respondents strongly disagreed. These results indicate that majority of respondents (92.25%) agreed with the statement.

These results suggest that the issue of limited product range is perceived as a significant challenge for veterinary and agricultural pharmacies in the area. Customers' value having a diverse range of products to choose from, as it allows them to find all their required veterinary and agricultural supplies in one place.

The implication of this finding is that veterinary and agricultural pharmacies in Morogoro Municipality should consider expanding their product offerings to meet customer demands and improve customer retention. By diversifying their product range, pharmacies can cater to a wider range of customer needs, thereby enhancing customer satisfaction and loyalty.

#### 4. Conclusion and Recommendations

The investigation into challenges faced by SMEs in Morogoro Municipality regarding customer retention uncovered several key challenges. The study identified poor customer service as a prominent issue, indicating its detrimental impact on customer retention. The presence of new pharmacies in the area was found to intensify competition and affect customer loyalty. Limited advertisements and convenience were additional challenges, with customers expressing a preference for pharmacies that offer easy access and a diverse product range.

To improve customer retention, recommendations include improving customer service, enhancing convenience, implementing effective advertising, fostering customer loyalty programs, utilizing personalized communication strategies, and encouraging positive word-of-mouth. Implementing these recommendations can lead to better customer retention outcomes for veterinary and agricultural pharmacies in Morogoro Municipality.

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