DETERMINANTS OF CORPORATE CLIENT RETENTION IN PRIVATE SECURITY COMPANIES IN NAIROBI

Esther Muthoni Mugi
Jomo Kenyatta University of Agriculture and Technology. Email: esther.m.mugi@gmail.com

Dr. Alice Abok
Jomo Kenyatta University of Agriculture and Technology


ABSTRACT

Client retention is one of the most important influencers of profit growth and therefore organizations need to create strategies that will keep the customers from buying from them and not the competition and at the same time prevent customer defection. The objective of the study aimed at investigating whether the level of technology deployed by PSC’s contributes to corporate client retention in private security companies. The study used descriptive survey research design. The population of this study was 100 clients of private security companies in Nairobi drawn from the 2014 Top 100 medium sized companies. The sample was selected using stratified random sampling. The data was collected using self-administered questionnaires. The data collected was processed and analysed using the Statistical Package for Social Sciences (SPSS) version 22. The study findings indicated that level of technology, quality of service, employee motivation and voluntary switching influenced client retention by private security companies. The study concludes that the quality of technology facilities embraced at any security firm is very important because it influences customer satisfaction and hence improves the firm performance at large and increased client retention. The study concludes that the firms had put in place pricing strategy that would lock down their customers and hence retain them and their businesses for lengthy periods. The study recommends the security firms management to ensure that the firms are upgraded with the technological changes taking place in the whole world. The company’s should embrace various 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.

Key word: Client Retention, Technology, Customer Satisfaction
1.0 Background

Client retention has become important with the proliferation of private security companies (PSC’s). Lately, clients 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 client retention probability to sustain a company’s protection against competition from others in the same industry (Nirmala, 2009). Retaining clients increases the profits of a firm, which facilitates further investments leading to expansion and enhancing competitive advantage.

The problems envisaged because of loss of clients 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 client than to retain an existing client as the acquisition costs are lowered in the long run which means that client retention is related to the profitability of a firm. Client retention is the marketing goal of preventing clients from defecting to the competitor. It is the way in which companies focus their efforts on existing clients in an effort to continue doing business with them.

Growth of the private security industry has been witnessed worldwide. Steden & Sarre (2007) state that Western Europe, Germany, United Kingdom and France are the leaders in providing private security services. In Ireland, the ratio of police to private security is 1:1.67. In Central and Eastern Europe, growth of the industry was fuelled by the collapse of socialist bureaucracies and the fall of the Berlin wall (Brodeur et al, 2003) while in South Eastern Europe growth was attributed to a “growing market of violence”. In the Caribbean, growth of the industry has been linked to increased armed violence and public perceptions of rising criminal rates (Institute of International Relations, 2013). The number of private security companies currently operating are approximated at 15,000. It is also estimated that there are over 5 million private security guards in comparison to 3.2 million police officers. The industry as at 2013 was perceived to be growing at 40% (FICCI, 2013).

In Kenya the PSI industry has seen a substantial growth over the years due to the heightened insecurity and the rise in terror attacks that have been witnessed country wide (Institute for Security Studies, 2015). Unfortunately, it is difficult to tabulate the exact number of PSC’s that are currently operating in Kenya since majority of them have not been registered. However, it is currently
estimated that there are between 2000-4000 in Kenya, which employ approximately 300,000 guards.

According to Tabo (2013), PSC’s vary in size, with the majority being small to medium sized, and owner managed companies with less than 100 employees. However, the highest concentration of companies is in Nairobi County. The PSI in Kenya has experienced several challenges one of the greatest being regulation of the industry, disputes on minimum wages for security guards, which is an ongoing discussion between the two bodies.

Currently there are two bodies governing private security companies in Kenya Security Industry Association (KSIA) and Protective Services Industry Associations (PSIA). KSIA Kenya; is a federation of private companies whose core business is the supply of security products and services. The association has drawn on the laws of Kenya, internationally accepted technical and systems specifications, and the professional experience of all member companies, to establish a set of benchmarks (Kimosop, 2007). PSC’s contribute a significant percentage of employment in Kenya, particularly for individuals not qualified for state security work or other white-collar jobs. Their operations have grown regionally with some companies opening up subsidiaries throughout East and Central Africa. The gap in provision of security services, other non-state actors such as the Private Security Companies (PSC) have emerged and gained popularity in security provision (Kinyua, 2012).

2.0 Research Problem

The expansion of the private security industry has seen the number of PSC’s grow steadily from 400 to 2000 (Mkutu and Sabala, 2008). Client retention is one of the most challenging factors affecting the private security sector in Kenya according to Wairagu et al. (2004), due to client defection to other PSC’s that provide the same services at lower rates. According to Dukes (2014), technology has dramatically reshaped and transformed how business is done globally. Companies that fail to align themselves to the technology stand to lose their clients to businesses that do. This study sought to establish whether PSC’s that deploy technology-based solutions have a better rate of client retention than those that do not.
Unhappy and frustrated workers have little reason to put in any effort at work (Noelle, 2012). Murunga (2014) also established that at least 52% of PSC employees worked for more than 72 hours a week. This study sought to establish how employee motivation contributes to client retention. Private security is not an area that has been largely studied, as this is an industry that is still experiencing sustained growth. In the PSI, most of the studies done locally have centred on strategy implementation (Tabo, 2013), operations improvement and client satisfaction (Kibe, 2014), adoption of competitive strategies by PSC’s (Lekolool, 2010) and human resource retention in PSC’s (Wainaina, 2013). This study therefore sought to fill a knowledge gap by establishing the determinants of corporate client retention in PSC’s in Nairobi.

3.0 Research Objectives

i. To investigate whether PSC’s that offer technology based solutions have a higher rate of corporate client retention.

4.0 Literature Review

4.1 Technology Deployment and Corporate Client Retention

Technology has dramatically reshaped and transformed how business is done globally. The constant upgrades and innovations has made doing business convenient across the board. Dukes (2014) in her article on how Technology has changed the modern workplace indicates that technology has contributed in four key ways to business operations. These are by increasing efficiency and productivity, increased collaboration, improved cost management and heightened levels of security.

Private security industry has also not been left behind. Technology in the security industry comprises of products and services such as closed circuit television (CCTV), cyber security, intruder alarm systems, access control, alarm system monitoring, electric fencing, and vehicle tracking among others. Alarm security systems offer several new technologies that have the ability to communicate with a remote monitoring station (Coleman, 2005). Alarm security systems are only one section of security and cannot work as a standalone element (Dempsey, 2008). Due to the rise in the sensitivity of security matters for corporate, government and other public offices, there is an increasing demand for technologically advanced security (Hess & Wrobleski, 2009). The idea behind embracing technology is that most of the corporate clients have embraced
automation and having a service provider who is continually deploying up to date technology that will enable their clients to operate their business easily stands a chance at retaining their clients.

5.0 Methodology

This study was quantitative and qualitative in nature and employed a descriptive survey design. Mugenda and Mugenda (2003) describe a descriptive survey as determinant and indicator of how things are and it helps the researcher describe a phenomenon pertaining to the values, attitudes and main characteristics. The population of this study comprised of 100 companies from the 2014 Top 100 medium sized companies that consume the products and services of private security companies in Nairobi. A stratified random sampling methodology was employed since 217 employees were selected. The strata were those of finance/procurement and Administration/Security. In each stratum simple random sampling was used to select individual respondents.

The study used primary data. Primary data was collected using a questionnaire as the main research instrument. Since this study involved relationships between variables, the study utilized correlation and regression analysis to determine the relationship between variables. The Statistical Package for the Social Sciences (SPSS) was used to effectively process the data collected. The relationship in the research questions was determined using the following regression model.

\[ Y = \beta_0 + \beta_1 X_1 + e \]

Where

- \( Y \) = Client Retention
- \( \{ \beta_i \}; i=1 \) = The coefficients for the various independent variables
- \( X_i \) = for;
- \( X_1 \) = Technology
- \( e \) is the error term which is assumed to be normally distributed with mean zero and constant variance.

6.0 Findings and Discussion

The first objective of the study was to assess whether PSC’s that offer technology based solutions have a higher rate of corporate client retention. Table 4.6 shows that 85.7% of the respondents agreed that their PSC has continually encouraged their company to embrace new technology in the security industry and 88.6% agreed that in addition to manned guarding, their PSC has offered
technology based solutions to better safeguard their premise. 81.4% of the respondents were satisfied that with the adoption of the new technology by their PSC’s, their firms had access to 24–hour central station operators. 60% of the respondents agreed that with the help of their PSC most of their employees can operate and adapt to the new technology devices used for security purposes such as alarms and 87.1% agreed that their PSC has made it easier for them to monitor their premise online by integrating their security systems with the use of their mobile devices.

The mean score for responses for this section was 3.80 which indicates that majority of the respondents agreed that level of technology was a key determinant of client retention. The findings agree with those of Dukes (2014) who stated that technology has changed the modern workplace indicates that technology has contributed in four key ways to business operations. These are by increasing efficiency and productivity, increased collaboration, improved cost management and heightened levels of security. The findings also support Hess & Wrobleski (2009) who deduced that because of the rise in the sensitivity of security matters for corporate, government and other public offices, there is an increasing demand for technologically advanced security. Surveillance technologies have become a major platform on which major security companies are competing for contracts.

Table 1 displays the results of correlation test analysis between the dependent variable (client retention) and independent variable. Results on Table 1 show that client retention is positively correlated with all the independent variables. This reveals that any positive change in level of technology led to improved client retention by the private security firms.
Table 1: Bivariate Correlation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Client Retention</th>
<th>Level of technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Retention</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>Level of Technology</td>
<td>Pearson Correlation</td>
<td>0.366</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
</tr>
</tbody>
</table>

In order to establish the statistical significance of the independent variables on the dependent variable (client retention) regression analysis was employed. Table 2 shows that the coefficient of determination also called the R square is 41.1%. This means that the effect of the predictor variable (level of technology) explains 41.1% of the variations in client retention. The correlation coefficient or R of 64.1% indicates that the effect of the predictor variable has a strong and positive correlation with client retention. This also meant that a change in the drivers of client retention has a strong and a positive effect on client retention by private security firms in Nairobi.

Table 2: Regression Model Fitness

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>0.641</td>
</tr>
<tr>
<td>R Square</td>
<td>0.411</td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
<td>0.374</td>
</tr>
</tbody>
</table>

Table 3 displays the regression coefficients of the independent variables. The results reveal that level of technology is statistically significant in explaining client retention. Regression results indicate that level of technology and client retention had a positive and significant relationship (beta=0.193, p value 0.031). The findings imply that an increase in levels of technology by one unit leads to increased client retention by 0.193 units.

Table 3: Regression Coefficients

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.706</td>
<td>0.567</td>
<td>1.246</td>
<td>0.217</td>
</tr>
<tr>
<td>Technology</td>
<td>0.193</td>
<td>0.088</td>
<td>2.201</td>
<td>0.031</td>
</tr>
</tbody>
</table>
7.0 Conclusions and Recommendations

Based on the objectives and the findings of the study the following conclusion can be made. Level of technology deployed by PSC’s was found to determine client retention by private security companies in Kenya. The adoption and inclusion of technology based solutions contributed to efficient and effective monitoring of clients premises thus increasing the probability of client retention for the service providers.

The study recommends that the PSC’s management teams need to ensure that their firms are conversant with the most recent and upcoming technological advancements in the security space. With the global trends changing day in and day out and given that their clients are now recruiting tech savvy millennials as management and staff, PSC’s will be doing themselves a disservice if they fail to catch up with the ever changing trends in the security industry.

The PSC’s need to ensure that they have dedicated personnel that attend to client needs as quickly as they are brought to the firm’s attention. 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.
References


Wainaina (2013). Business process Improvement practices by Savings and Credit Societies with front office Service Activity in Nairobi County. (Unpublished Research Project). University of Nairobi, Nairobi