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RESEARCH ARTICLE

Identification of Factors Influencing Customer Retention (A Study at ABC Company)

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ARTICLE INFO	ABSTRACT
	This study examines the factors influencing customer retention on the ABC Company SaaS platform, a leading provider of omnichannel solutions in Indonesia. Using a qualitative approach and judgment sampling, the research involved five active client companies, three ABC Company retention staff, and three academic experts. Guided by the Stimulus-Organism-Response (SOR) theory, the study identifies five key factors: SaaSQuality and Customer Experience as stimuli, Customer Satisfaction, Trust, and Commitment as organisms, and customer retention as the response. The findings highlight that SaaSQuality and Customer Experience significantly shape satisfaction, trust, and loyalty, leading to subscription renewal. Practical implications suggest that strengthening customer service, technical support, and feature optimization can enhance retention and business performance, offering valuable insights for ABC Company and other SaaS providers.

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INTRODUCTION

The development of the SaaS industry, especially in Indonesia, will grow for the next few years. This means that competition in the SaaS industry will also increase, therefore efforts need to be made by companies to be able to continue to survive and win the competition. One company engaged in this field is ABC Company. Unlike other product purchasing or usage patterns, the SaaS product usage system is subscription so that not only attracting new customers, old companies must also retain old customers so that usage increases. Unfortunately, the data shows different results from the situation at ABC Company. Fluctuations in the churn rate from January 2022 to August 2023. There was a significant increase from May 2022 to October 2022 (peak 1.83%). Although there were monthly variations, the churn rate remained high, peaking again in January 2023 (2.44%) and relatively high until August 2023 (1.89%). If this is allowed to continue, this situation could cause the company's income to decline further, which could endanger the company and cause losses. Special attention is needed regarding the causal factors and formulation of customer retention strategies.

In creating its products, ABC Company formulates many things, such as the function of using features, the prices offered, the support services provided, the CRM carried out, and many other things. All of these activities are intended so that customers continue to be comfortable using ABC Company and

continue their subscription period. However, unfortunately, it is currently not known for sure what factors are considered by ABC Company users to continue subscribing, and what factors need to be put forward to maintain users to continue subscribing to ABC Company, so that the company can focus on building a more focused strategy. To obtain deeper and more complete information about this, it is necessary to conduct information mining through in-depth interviews with ABC Company customers. After saturation of customer opinions occurs, the factors collected will be confirmed and validated by operational actors in the field and academics. The most frequently discussed theme is the need for "proactive retention" involving preventive actions to ensure customer loyalty. This reveals a gap with existing theories that tend to view customer feedback as an important metric, Larson & Broström (2019).

SaaS, especially omnichannel online retail business services, is one of the fields that is experiencing rapid development, unfortunately not many academics have explored this field further. Online retail business operations are quite complex because they include various functions, ranging from making products that meet market needs at competitive prices, procuring products so that they are always available for market needs, processing orders effectively and efficiently so that they can reach buyers properly, to making decisions about which goods will be provided in the future. To be able to support retail business operations, software is needed that can meet all their business needs. Unfortunately, there has been no research that discusses what is considered important by retail businesses so that they decide to use Omnichannel SaaS, especially in the ABC Company case study.

Despite previous research efforts exploring Customer Retention, these studies were conducted in different periods and objects. This study also has a quantitative objective, while the proposed study uses a qualitative approach to explore more deeply what factors influence Customer Retention. Furthermore, there are still few studies that specifically discuss Customer Retention in the context of the SaaS industry, especially in Indonesia. Therefore, this study aims to provide further contributions to understanding the factors that influence Customer Retention in the SaaS industry, with a focus on the SaaS industry in Indonesia. The results of this literature are expected to be additional concrete information regarding SaaS usage retention in Indonesia.

LITERATURE REVIEW

Customer Retention

According to Palmatier et al. (2022), Customer Retention is a company's effort to keep customers using its products or services. Customer Retention can be done in various ways, such as providing quality customer service, offering loyalty programs, and creating a positive customer experience. According to Akter et al. (2019), Customer Retention is an ongoing process to keep customers using its products or services. Customer Retention can be achieved by understanding customer needs and wants, and by providing a positive customer experience. According to Buttle (2015:376), customer retention can be defined as a marketing goal that aims to prevent customers from switching to competitors. Customer retention strategies are very important for companies facing increasingly competitive market competition. It can be concluded that Customer Retention is an important process for companies because it can increase revenue, reduce costs, and increase customer loyalty. Customer Retention can be done in various ways, such as providing quality customer service, offering loyalty programs, and creating positive customer experiences.

Stimulus – Organism – Response (SOR)

The Stimulus-Organism-Response (S-O-R) theory developed by Mehrabian and Russell (1974) suggests that environmental stimuli (stimulus) can trigger an individual's (organism's) self-evaluation, which then results in positive or negative behavior (response). The S-O-R (Stimulus-Organism-Response) theory explains how external stimuli influence internal processes within individuals, leading to behavioral responses. In marketing, stimuli such as advertisements, pricing,

and promotions affect consumer perceptions and emotions, which mediate their reactions. These responses manifest as actions like purchase decisions, loyalty, or attitude changes toward products or brands (Ilmalhaq, Pradana, Rubiyanti, 2024). The behavior of organisms is not passive, involving only stimuli and reactions, but rather a deliberate response to external stimuli. This process involves the influence of environmental stimuli on the individual's emotional or cognitive experience, which then results in a behavioral response to the stimulus through a series of internal psychological actions (Hu et al., 2016; Zhu et al., 2020b).

Stimulus

Stimulus is defined as an element of the external environment that can affect the cognitive and mental state of an organism.

Organism

Next, after going through a series of cognitive processes, the organism will respond to environmental stimuli with external or internal behavior.

Response

External responses reflect the specific behavior of an individual, while internal responses relate to the individual's attitude.

ANALYZED FACTORS

SaaSqual

Developing from the basic concept of service quality, Akter et al. conducted further research to find out more precisely what factors influence the quality of use of a Software as a Service (SaaS) or commonly known as SaaSqual. Furthermore, the research was continued by Fernandes et al. to look at it from the perspective of customers who use SaaS. SaaSQual is a framework that can be used to measure the quality of SaaS services from a customer's perspective, Fernandes et al. (2022). SaaSQual is a valuable tool for SaaS companies to improve their service quality and customer satisfaction, Ramachandran et al. (2022). According to Akter et al. (2022), SaaSQual is a framework for measuring the quality of software as a service (SaaS). This framework consists of 5 dimensions, functionality, reliability, user satisfaction, trust, value.

Customer Experience

According to Jain (2017), customer experience is the customer's experience when interacting with a seller or service provider. This experience applies when the customer is new or when they are already old or loyal customers. Customer Experience Management focuses on managing customer interactions, from initial demand to after-sales service, to deliver satisfaction and build loyalty. By strategically enhancing specific aspects of the customer journey, Customer Experience strengthens loyalty and aligns customer experiences with profitability goals (Alamsyah&Bernatapi, 2019). According to Yoo and Kim (2020), customer experience has several dimensions, Perceived Personalization, Perceived Relevance, Perceived Accuracy, Perceived Convenience.

Customer Satisfaction

According to Fornell et al. (2022), customer satisfaction is the difference between customer expectations and perceived performance. High customer satisfaction can be achieved if the performance perceived by the customer exceeds their expectations. According to Ramadhanti, C., & Indrawati, I. (2023), Customer satisfaction is shown to have a positive and significant impact on loyalty, highlighting its critical role in retaining users. The reliability, user-friendliness, assurance, security, and site organization significantly enhance satisfaction. To improve satisfaction, it is important to enhance its user interface and platform organization. According to Zhang & Zu (2020),

customer satisfaction has several dimensions, Declaration of Satisfaction, Recommendation to Others, Intend of Using Again in Future.

Trust

Consumer trust refers to the level of confidence or trust that customers have in a brand, product, or service. This trust can be built through positive experiences, transparency, consistency, and effective communication between the company and the customer. Trust (E-Trust) significantly influences Customer Satisfaction indicating the importance in building satisfaction customers. Additionally, trust indirectly impacts Customer Loyalty through Customer Satisfaction, demonstrating its role as a foundational factor in fostering loyalty (Meileny, & Ariyanti, 2024). According to Uzir et al. (2021), there are three factors that shape a person's trust in others, namely ability, benevolence, and integrity.

Commitment

Commitment is a person's dedication or loyalty to a goal, value, or relationship (Riono, et al. 2020). In the context of an organization or business, commitment often refers to an employee's dedication to their job, team, or company where they work. Employee commitment is an important factor that influences the productivity, retention, and overall success of an organization. Commitment is defined as the action of workers to continue to remain in the organization and participate in efforts to achieve industry goals, figures, and targets. This describes the action of someone who will continue to be part of the organization, which is demonstrated through hard work. Commitment can also be interpreted as the long-term direction of consumers towards business relationships that are based on deep emotional levels. Commitment is a long-term goal of consumers towards business relationships that are built on emotional bonds, both suggestive and factual, to create a sustainable relationship between one party and another (Putra, et al. 2024).

Previous Research

Author	Focus	Methodology	Findings
Mehmet SAĞLAM (2021)	Examining the role of customer relationship marketing in customer acquisition and retention	Quantitative correlational study	Trust, commitment, communication, and conflict handling are identified as key factors influencing customer retention and acquisition
Kshatri, V. (2022).	Investigates the root causes of customer churn and explores the relationship between customer experience and retention.	In-depth interviews	The importance of customer experience in reducing churn and proposes a set of recommendations for further exploratory research and empirical testing.
Saputro, et al. (2020)	Analyze the effect of customer relationship marketing and service quality on customer retention with customer satisfaction as a mediating variable	Linear regression	Customer relationship marketing and service quality significantly influence customer retention and satisfaction, with customer satisfaction serving as a mediating variable in a Forwarding Company in Surabaya.

Sohaib, et al. (2022)	Examines the effects of smmas on relationship quality factors using the stimulus-organism-response (S-O-R) theory.	PLS-SEM	Smmas significantly enhance relationship quality, which positively influences online repurchase intentions, contributing to the S-O-R theory.
Gopalsamy, S., & Gokulapadmanaban, S. (2021)	impact of customer relationship management (CRM) practices on customer loyalty in the banking industry, particularly emphasizing CRM as a competitive advantage for retaining customers.	Various quantitative techniques	CRM positively influences customer loyalty through customer knowledge management, satisfaction, and trust, identified as key drivers of loyalty
Pérez-Morón, et al. (2022)	impact of service quality and customer satisfaction on customer loyalty in Starbucks Malaysia, emphasizing their importance in creating competitive advantage.	Quantitatice-SPSS	The study provides insights and practical recommendations to improve service quality, enhance customer satisfaction, and foster customer loyalty in the fast-food industry.

Purpose of the study

Based on the background and formulation of the problem that has been described previously, the purpose of this study is to analyse and find out:

a. Factors that are considered by ABC Company users to renew subscription to ABC Company

b. Conceptual model that can be used to predict user behaviour to continue using the service

c. The company knows the main focus of making a strategy (stimulus) so that it can bring good results for the organism and the results

METHODS

This study uses a descriptive qualitative approach to explore the factors that need to be prioritized in retaining ABC Company customers and to find a model of factors that influence customer retention. The research method used is qualitative with judgment sampling techniques. The research population involved five companies that actively use ABC Company and have renewed, three ABC Company employees in the retention section, three related academic experts. Initial interviews were conducted with 5 companies using ABC Company, then interviews with customer retention practitioner experts at ABC Company for validation and analysis from both sides. After the factors influencing customer retention were formed, the forum group discussion process was continued with academic experts to validate the results and explore other insights from an academic perspective. The research results were then analyzed further and the most appropriate model was formed to determine the factors that influence customer retention.

RESULTS

The result shows from 8 factors, there are 5 valid factors that affects consideration of renewal decision. These factors are categorized as valid factors if they are agreed upon by all ABC Company

users. The five factors are, SaaSQuality, Customer Experience, Customer Satisfaction, Trust, and Commitment. The five factors are then further analyzed with SOR theory to form a conceptual model. SaaSQuality and Customer Experience act as stimuli, Customer Satisfaction, Trust, and Commitment act as organisms, and the final result is customer retention in the form of renewal subscription conversions.

DISCUSSION

Influencing Factors

Factors influencing customer retention for ABC Company, a SaaS provider. Through research involving ABC Company users (informants), five key factors emerged as universally agreed upon drivers of continued use: SaaS Quality, Customer Experience, Customer Satisfaction, Trust, and Commitment.

SaaS Quality is valued due to ABC Company's ability to meet core operational needs (inventory management, order processing, data analysis), system stability, and solutions to overcome limitations. Users are heavily reliant on the system and value its functionality, reliability, support, and overall value.

Customer Experience has improved significantly over time with the addition of new features and a more user-friendly interface. While there's a learning curve with new versions, the onboarding team provides support. Users appreciate the personalization, relevance of features, data accuracy, and ease of use.

Customer Satisfaction is maintained through consistent system and service performance, routine evaluations, and strong user relationships. ABC Company strives to meet even niche needs and actively works to improve satisfaction through initiatives like sharing sessions and efficient problem resolution. Satisfaction is measured through user statements, recommendations, and intent to continue using the service.

Trust is high due to ABC Company's commitment to data security (ISO 9001:2015), fulfilling promises, providing alternative solutions when needed, and actively listening to user feedback. Trust is built on meeting needs, helpfulness, and integrity.

Commitment is demonstrated through user dedication driven by comprehensive system integration, ongoing feature development, and effective operational support. This is reflected in high satisfaction levels and recommendations. ABC Company fosters commitment through onboarding, direct communication, loyalty programs, responsive customer service, and personalized approaches like direct visits to key clients, fostering affective, normative, and continuity commitment.

CONCEPTUAL MODEL
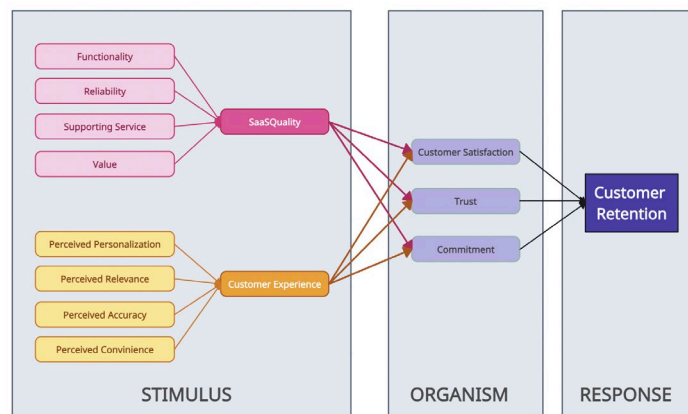
This study uses the Stimulus-Organism-Result (SOR) theory to analyze five key factors influencing customer renewals for ABC Company. The stimuli are SaaSQuality and Customer Experience. SaaSQuality, comprised of functionality, reliability, support services, and value, ensures a relevant, stable, responsive, and high-value experience. Customer Experience, encompassing personalization, relevance, accuracy, and ease of use, fosters a positive and supportive user journey. These stimuli trigger an internal organism response within users, consisting of Customer Satisfaction, Trust, and Commitment. Customer Satisfaction arises from positive experiences exceeding expectations, evidenced by reviews, recommendations, and continued use. Trust is built on ABC Company's ability to meet needs, proactive support ("kindness"), and integrity through transparent policies and consistent SLAs. Customer Commitment encompasses affective (emotional), normative (moral), and continuance (practical) aspects, further strengthened by reliance on the ABC Company system. The result of this internal process is customer renewal, demonstrating not only appreciation for functional benefits but also trust and emotional attachment to ABC Company, creating a sustainable and mutually beneficial relationship. Renewal also affirms ABC Company's continued relevance and users' intention to remain customers for a specified period.

CONCLUSION

This study investigated factors influencing customer renewal for ABC Company, a SaaS provider, identifying five key factors agreed upon by all users: SaaSQuality, Customer Experience, Customer Satisfaction, Trust, and Commitment. These five factors were then analyzed using the Stimulus-Organism-Result (SOR) theory. SaaSQuality, encompassing functionality, reliability, support services, and value, ensures a relevant and high-value experience. Customer Experience, including personalization, relevance, accuracy, and ease of use, fosters a positive user journey. These two factors act as *stimuli* in the SOR model. These stimuli trigger an internal *organism* response: Customer Satisfaction, arising from positive experiences; Trust, built on meeting needs, helpfulness, and integrity; and Commitment, encompassing affective, normative, and continuance aspects. The *result* of this process is customer retention through renewal subscriptions, demonstrating that customers value not only the functional benefits but also trust and emotional connection with ABC Company. This model highlights how SaaSQuality and Customer Experience influence internal states of satisfaction, trust, and commitment, ultimately leading to customer retention and a sustainable business relationship.

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