

**THE INFLUENCE OF CUSTOMER SERVICE ON CUSTOMER LOYALTY IN
RETAIL SHOPS IN KAWOLO DIVISION, LUGAZI TOWN**

MARY ARENGO

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Declaration

I Arengo Mary declare that this dissertation is based on the experience and knowledge acquired throughout my research therefore this is not a duplication or a reproduction of any other research. I have personally carried out the research as required and all information contained in it is based on my experience during the research engagement, and it has never been presented to any other university for examination with intention to be awarded.

Signature.....

Date.....16th / 04 / 2026

Name: Arengo Mary

Approval

This is to certify that this research was done under my supervision and now is ready for submission as partial fulfillment of the requirement for the reward of Bachelors of Business Administration.

Signature..... *Kisenyi* Supervisor Mr. Kisenyi Vincent Date..... *6/3/2026*

Dedication

I dedicate this research to my late father Mr.Eboku Richard, my Mum Anyeno Florence, my siblings, Eboku Stephen, Elolu Sammuel, Elalu Emmanuel, Ebayu Kenneth, Akuri Richard, Ariekot Patricia, my late sister Ariato Florence, and everyone who has been there for me financially, spiritually, morally throughout my entire education.

Acknowledgment

I could not have completed this dissertation without the help, love and support from my supervisor Mr. Kisenyi Vincent for his guidance through my dissertation. As an individual I have gained valuable knowledge and grew immensely

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ABSTRACT

This study examined the influence of customer service on customer loyalty in retail shops in Lugazi Town. The research was steered by the following objectives; to examine the influence of customer service quality on customer loyalty, to assess the responsiveness and speed of service on customer loyalty, to examine the staff competence and product knowledge on customer loyalty, and to establish the relationship between customer service dimensions and customer loyalty. The cross-sectional survey design was used to survey retail shop owners, managers, and sales associates. Purposive sampling was used to select 44 participants, and structured questionnaires were used to collect data.

The regression analysis results showed that all five dimensions combined accounted for 83.2% of the variance in customer loyalty, $R^2 = 0.832$. Reliable service emerged as the strongest predictor of customer loyalty ($\beta = 0.312$, $p < 0.01$), followed by effective service ($\beta = 0.287$, $p < 0.01$), staff knowledge ($\beta = 0.234$, $p < 0.01$), quick response ($\beta = 0.193$, $p < 0.05$), and personalized service ($\beta = 0.156$, $p < 0.05$).

The study found that customer service significantly affects customer loyalty in retail shops. The recommendation was that retail shop owners should emphasize the reliability of customer service, invest in training their staff to improve their knowledge of products, and ensure promptness in their services to promote customer loyalty.

CHAPTER ONE

1.0 Introduction

The chapter will introduce the topic under the study, which is the influence of customer service on customer loyalty in retail shops in Kawolo Division, Lugazi town.

The section will basically focus on the background of the study, statement of the problem, purpose, hypothesis, justification, and the conceptual framework.

1.1 Background of the study

In today's environment, competition is fierce and customer options are plentiful. Retail stores are not just about doing business anymore but about providing value beyond the products offered and the price. One of the key things is to provide quality in customer service. Customer service is one aspect of the overall customer experience. Customer service can help build customer loyalty.

Customer loyalty in the retail industry can be defined as the level of customer repeat patronage, willingness to recommend the store to others, and resistance to switching to competing stores. Customer loyalty is important because it is less expensive to maintain customer loyalty than to continually acquire new customers. This is because loyal customers have the ability to provide stable revenue growth. Moreover, recent studies have proven the importance of service quality and customer experience in building customer loyalty. For example, a study conducted by A 2025 study entitled "Enhancing customer loyalty in retail: Analysis of service quality, brand perception, and customer dynamics" concluded that service quality, corporate image, and customer experience have a positive influence on customer loyalty in the retail industry.

Therefore, another study also shows that the link between service quality and loyalty however may not always be mediated by customer pleasure alone, according to some research, suggesting a complex interaction of variables (Aji and Nurlinda, 2024). According to the house ware research, loyalty programs also significantly improve customer loyalty by offering rewards that raise perceived value (Rezki et al., 2024). When paired with excellent customer service, these initiatives provide clients with strong incentives to remain with you. In addition customer service can be manifested through multiple dimensions i.e. responsiveness, friendliness, competence of

staff, after sales support, complaint handling, personalization, environment of the store and so much more

The above study is to know how customer service practices influences customer loyalty in retail shops within Lugazi town in today's dynamic. to ensure overall quality of customer service in retail shops influences customer loyalty, the influence of service quality and customer value on customer loyalty(2024) this found that higher service quality along customer value has a positive effect on customer loyalty. The impact of service quality on customer loyalty through customer satisfaction in mobile social media (2023) also demonstrates how service quality influences loyalty through satisfaction in digital context supporting the service quality loyalty path.

1.2 Statement of the problem

Between 2020 and 2024, the retail sector in Uganda, including Lugazi Town, has experienced significant growth and increase in completion among small medium enterprises (SMES). However even with such growth, many retail shops have continued to face problems in keeping loyal customers. Reports and local observations show that customer dissatisfaction remains high due to poor customer practices such as delayed responses, lack of the courtesy, limited product knowledge and inadequate handling of customer complaints. Studies conducted in Uganda and other developing economies between 2020 and 2024(e.g., Kintu, 2022; Nankunda, 2023; Aboagye et al, 2024) have shown that in effective customer services reduces customer loyalty. In Lugazi town, many customers are increasingly switching to competitors who to competitors who offer friendlier and more reliable service experiences, suggesting service quality as a key to determine loyalty. this persistence issue threatens the sustainability and profitability of local retail businesses like supermarkets, general merchandise shops, pharmacies, cosmetic shops, boutique shops, electronics and mobile moneys thus there is a need to examine both negative and positive impacts on how customer service influences customer loyalty in retail shops, with the purpose of providing insights for improving service delivery and customer retention.

1.3 Purpose of the study

The purpose of this study is to examine the influence of customer service quality on customer loyalty in retail shops in kawolo division. Specifically, it seeks to determine how different aspects of customer service such as responsiveness, empathy, reliability, assurance, trust and long term

commitment to retail brand. Furthermore, by understanding this relationship, the study aims to provide views that can help retail managers improve customer service strategies.

1.4. Objectives of the study

1.4.1 To examine the influence of customer service on customer loyalty in retail shops.

1.4.2 To determine the extent to which the quality of customer service interactions affect customer loyalty in retail shops.

1.4.3 To assess how responsiveness and speed of service delivery influence customer loyalty.

1.4.4 To examine the effect of staff competence and product knowledge on customer loyalty.

1.5 Research questions

How does customer service influence customer loyalty in retail shops?

To what extent does the quality of customer service interactions affects customer loyalty in retail shops?

How do responsiveness and speed of service delivery influence customer loyalty in retail shops?

What effect do staff competence and product knowledge on customer loyalty in retail shops?

1.6 The significance of the study

The findings of this study will be significant in the following ways

first of all the research is expected to provide insights on how customer services impact customer loyalty through understanding the positive and the negative effects of service delivery therefore shop owners can implement strategies to provide service quality, retain customers and enhance profitability.

Furthermore, the research findings will also help customers understand their rights and expectations regarding service quality, this is because in today's competitive environment of retail products and prices are often similar so retail businesses can come up with different strategies

Lastly retail shops should prioritize customer service and loyalty to differentiate themselves from competitors through this a reputation is well established for excellent customer service and loyal customers

1.7 Scope of the study

1.7.1 Geographical Scope

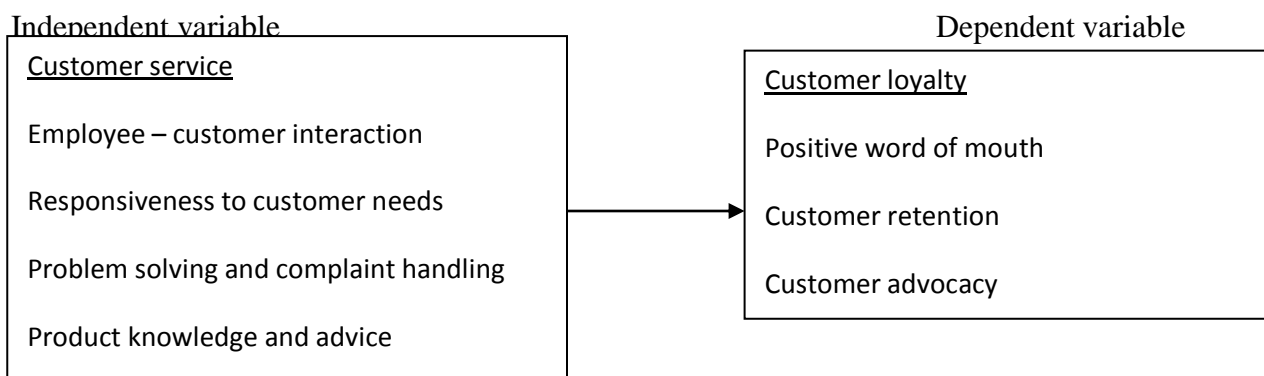
The study focuses on the influence of customer service on customer loyalty in retail shops in kawolo division, Lugazi town located in Buikwe district of the central region of Uganda. The above site was chosen to provide in depths insights into the local retail industry.

1.7.2 Time Scope

The study will cover from 2020-2024 to capture post pandemic trends and customer service practices from the last past five years.

1.8 Conceptual framework

A conceptual frame work visually and theoretically represents the relationship between the key variables in the study where by the independent variable is the customer service and the dependent variable is the customer loyalty.



Source: Adopted from Zeithmal, Bitner & Gremler (2018) and Kotler & Keller (2016)

The conceptual framework of this study highlights the relationship between customer service and customer loyalty in retail shops. Customer service includes employee- customer interaction, responsiveness to customer needs, problem solving and complaint handling and product

knowledge and advice serve as independent variables affecting customer loyalty. The relationship is influenced by factors such as customer satisfaction, customer value, store image and corporate social responsibility. Understanding this relationship is crucial for developing effective strategies to support retention.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the relevant literature of the study which is How Customer Service Influences customer loyalty in retail shops. It further explores theoretical foundations, conceptual issues, and empirical findings from recent studies between 2020 and 2024. The aim is to establish how quality customer service enhances customer loyalty and contributes to the long term success of retail business. The review focuses on how service quality, satisfaction, and relationship management determine repeat patronage, customer trust, and brand attachment

2.2 Theoretical framework.

Influence of overall customer service quality on customer loyalty. (objective: To examine the influence of customer service in retail shops).

A recent empirical study from 2024 on a chain “House ware” retailer found that retail service quality positively and significantly influences customer loyalty. The study used RSQ (Retail Service Quality) as the independent variable, and customer loyalty as the dependent variable, mediating customer satisfaction. Other research also supports this a study of “organized shops” in Pakistan (2024) showed the dimensions of service quality such as tangibility, reliability, responsiveness and empathy positively affect customer satisfaction which mediates loyalty. More broadly the relationship between service quality and loyalty has been repeatedly confirmed across different retail settings suggesting that investment in customer service quality is foundational strategy for retailers seeking to build a loyal customer base. The literature also strongly supports that good overall customer service in retail shops as conceptualized via RSQ or similar models is positively associated with greater customer loyalty.

Role of customer satisfaction as mediator (linking service quality to loyalty). Many of the recent studies emphasizes that the effect of service quality on loyalty is not always direct rather customer satisfaction often mediates the relationship for example the 2024 “House ware” study found that retail service quality contributes to customer loyalty but customer satisfaction plays a key mediating role. Similarly the 2024 study of organized retail shops in Pakistan showed that service

quality dimensions influence customer satisfaction which then influences loyalty some service quality dimensions had weaker or no direct effects on loyalty but influenced loyalty via satisfaction. These findings are consistent with theories of service marketing and consumer behavior which posit that satisfaction a customers' overall contentment with their shopping experience is a crucial precursor for loyalty behaviors (repeat purchase, positive word of mouth, preference over competitors)

Responsiveness and service delivery speed. A study focusing on micro small and medium enterprises (MSMEs) in an emerging market found that responsiveness (which includes speed of service delivery, after sale service, complaint handling) had a positive and significant effect on customer loyalty. Specifically authors argue that responsiveness help meet customer expectations quickly – timely service fosters trust, satisfaction, and a sense of reliability which supports loyalty. This suggests that for retail shops, being attentive – serving customers promptly, handling requests/ complaints quickly can significantly influence whether customers stay loyal. In addition, responsiveness also plays a key role in overall service quality. Studies across service environments indicate that employees who respond quickly and effectively to customer needs build stronger long-term relationships with customers which results to better retention and positive word of mouth.

Staff Competence, Product knowledge, assurance and empathy.

In the 2024 Pakistani retail study, dimensions like tangibility, reliability, responsiveness, empathy positively influenced customer satisfaction and thereby loyalty. Assurance though had a little effect in that particular study context. The findings point out the importance of competent, empathetic and reliable staff who are to respond, understand customer needs and deliver service accordingly. These reflect staff competence (knowledge, reliability, empathy) and interpersonal skills. Past foundations though old similarly emphasizes that assurance (staffs' ability to convey trust, confidence, competence) are core perceptions. Moreover, customers often equate staff competence with professionalism which strengthens their intention to return to advocate for the store. Although specific studies within kawolo division may be limited, broader service research reports competent service delivery reduces the likelihood of customer switching and enhances retention.

Dimensions of customer service in retail shops. Drawing on both classic and the current literature the following dimensions are relevant to retail customer service. They include the following for example service quality: high quality service including responsiveness, reliability and assurance directly improves customer perception and loyalty, customer satisfaction is both an outcome of service quality and mediator that enhances loyalty. Studies show that satisfied clients are likely to come back. Customer experience this includes staff interactions, environment, and a problem resolution affects loyalty. A stronger customer experience reinforces positive feelings about a retail brand. In continuation, brand image and perception may not always be part of service itself, a good service increases loyalty as customers associate the brand with quality experiences. Lastly these dimensions show that customer service does not involve any functional tasks but also emotional and experiential aspects that build strong customer retention.

Empirical Review (2020-2024). The following are the relevant recent studies to retail/service quality-loyalty. A 2020 study on service industries found that loyalty factors could be grouped into customer, service provider and environment categories this offers innovative measurement of loyalty phases. A 2021 Study in Indonesia also found that retail service quality did not directly affect loyalty but did so indirectly via satisfaction and commitment. Another study in 2023 mobile social media service study found that usefulness, convenience, design, security (service quality dimensions greatly affected satisfaction which influenced loyalty.

Research gaps.

Although general association involving customer service and loyalty is well documented, much of the research occurs in developed or online retail contexts. There is limited empirical evidence specific to small physical retail shops in pre-urban towns, such as kawolo division, lugazi town. Local factors such as community norms, customer expectations and retail environment may alter how service quality influences customer loyalty. This gap justifies the need for context-specific research in Lugazi.

Conclusion

In conclusion customer service is very important for customer loyalty in shops. Theoretical models and empirical evidence show that customer service effects customer satisfaction, trust and loyalty. The study will help us understand how customer service affects customer loyalty in shops

and provide more information on how to improve customer service. Empathy and responsiveness and assurance are things that make customers loyal to a company. Also customer service quality is very important now. If a company provides high quality customer service it makes customers happy. They become attached to the company and thus making them come back again.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter is about the research questions, how data will be collected, analyzed and processed to achieve the research goals.

3.1 Research Design

The study will employ the use of the cross-section research design approach. This is because this design approach will involve the use of both quantitative and qualitative research approaches. The quantitative research approach is to be used in analyzing the statistical data. In this regard, the researcher will employ the use of the numbers approach in order to come up with unbiased results that can be applied to a wider range of individuals. This is because this form of research approach helps in getting an idea of the underlying reasons for opinions and motivations, or to gain insight into a problem or develop ideas or hypothesis for potential quantitative research (Mugenda & Mugenda, 1999).

3.2 Study Population

The people in the research included retail shop owners and their employees in Lugazi Town. The respondents were grouped into different categories to get a well-rounded view of how customer service affects customer loyalty. This included retail shop owners who explained their service strategies, store managers who run the daily operations, sales associates who work directly with customers, and customer service representatives who deal with inquiries and complaints. This diverse group aimed to provide valuable information about the services and loyalty in the local retail shops.

3.3 Sample Size

The sample size of 44 respondents was from a population study of 50. It was determined by Krejcie and Morgan table as shown in the table below.

Table 1: Sample size

Categories of respondents	Population	Sample size	Sampling Technique
Retail shop owners	15	12	Purposive
Store managers	30	28	Random
Sales associates	5	4	Purposive
Total	50	44	

3.4 Sampling Techniques

The study used both probability and non-probability sampling. Simple random sampling, a probability method, was used to select a subset of retail shop owners and their population. Additionally, purposive sampling, will be used to choose participants with knowledge.

3.5 Data Sources

Primary sources: Primary data will be collected through questionnaires.

Secondary sources: Document reviews, newspapers, online journals, and textbooks will be used such that the researcher is well equipped with the required data.

3.6 Data Collection Instruments

Data collection is the process of collecting research data. Primary and secondary sources of data collection will be both used.

3.6.1 Questionnaire

Kumar (2005) defines a questionnaire as a written list of questions. The questionnaire has sets of questions, which were answered by filling. They will be later picked back for data analysis.

3.7 Validity and reliability

3.7.1 Data Validity

Collis and Hussey, (2013), holds that validity of an instrument is the ability of the instrument to collect justifiable and truthful data. The construction of the questionnaire was based on the objectives of the study. Data collection instruments were presented to the supervisor who attested to the content validity of the instrument. The questionnaire was pretested on 10 respondents in order to compute the content validity index. In cases where the average percentage is found to be above 0.7 (70%), the content is considered valid.

3.7.2 Data reliability

Reliability of the research instrument refers to the measure of the degree to which the research instrument yields result data or data after repeated trials. I administered questionnaires and pilot test using various respondents after which the researcher made necessary changes for the questionnaires to give relevant data.

3.8 Ethical Issues.

A copy of an introductory letter from the University by the School of Business faculty will be presented to ensure that the information obtained from research is for academic purposes. I ensured that participation was voluntary and therefore was not by force. I also debriefed the recipients before the data was collected from them. I Then cited all the necessary documents used in the work to recognize their effort as far as secondary data is concerned.

3.9 Limitations of the Study

Issues with sample and selection: Sampling errors may occur because a probability sampling method was used to select a sample. A sufficient sample size is important to conclude a valid research result.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND INTERPRETATION

4.1 Findings of the study

This chapter presents the findings of the study on the influence of customer service on customer loyalty in shops in Kawolo division located in Lugazi town. The data was collected through questionnaires and analyzed using SPSS.

4.1.1 Response rate

The response rate for this research was 100% high. Amin (2005) implied that a high response rate also suggests more correct survey results.

Table 4.1 Response rate

Questionnaires issued	44
Questionnaires returned	44
Response rate (%)	100

Source; primary data 2025

4.2 Demographic Characteristics of Respondents

Table; 4.2.1 Gender Distribution

Gender	Frequency	Percentage (%)
Male	25	56.8
Female	19	43.2
Total	44	100

Source; primary data 2025

As shown in the distribution gender table above, it is evident that the majority of the respondents, 56.8%, were male, whereas 43.2% of the respondents were female. This balance in the distribution of the gender of the respondents is essential in ensuring that the results are not skewed in favor of one gender, thus offering a holistic understanding of the results for 2.2

Table 4.2.2; Age Bracket

Age Bracket	Frequency	Percentage (%)
Below 25 years	5	11.4
26-35	15	34.1
36-45	13	29.5
46-55	11	25.0
Total	44	100

Source; primary data 2025

As shown in the age distribution, the majority of the population falls within the age group of 26-35 years, at 34.1%. This is followed by the age group of 36-45 years, at 29.5%. This indicates a majority of the workforce are relatively young to middle-aged, which might affect their flexibility and receptiveness to computer technology. The age group of 46-55 years only comprised 25.0% of the population, implying that the study mostly represents the views of the younger workforce.

Table 4.2.3; Level of Education Attained

Education level	Frequency	Percentage (%)
Certificate	35	79.55
Diploma	6	13.64
Degree	2	4.55
Masters	1	2.27
Total	44	100

Source; primary data 2025

The education level table shows that 45.5% of the respondents have a degree, while 27.3% have a diploma, and 18.2% have a master's degree. This shows that a majority of the respondents are well-educated, which can be a positive attribute in their ability to comprehend.

Table 4.2.4; Duration of Employment

Duration	Frequency	Percentage (%)
Below 1 year	5	11.4
1-3	17	38.6
4-6	13	29.5
7-9	8	18.2
10 years and above	1	2.3
Total	44	100

Source; primary data 2025

The duration of employment data shows that the majority of the respondents (38.6%) have been with the company for 1-3 years, and the next highest percentage is for those who have been with the company for 4-6 years (29.5%). This shows that a significant number of the respondents have experience in retail business, which could give them more insight into 2.27

Table 4.2.5; Position Held in the Organization

Position	Frequency	Percentage (%)
Retail Shop Owners	28	63.6
Store Managers	12	27.3
Sales Associates	4	9.1
Total	44	100

Source; primary data 2025

From the table above, it is evident that the positions held by the people in the organization are shown. Most of the people (63.6%) are retail shop owners, followed by 27.3% who are store managers, and then 9.1% who are sales associates. This indicates that the survey was conducted based on the responses and opinions of the people who are more involved in the activities of the stores where they are located. It is therefore evident that the findings are relevant in the following ways.

4.3 Effect of Data Processing on Accuracy and Efficiency

This section looks at how by how data processing impacts accuracy and efficiency. Respondents rated their agreement with different statements related to this topic. The findings were presented in table 4.3 below.

Table 4.3; descriptive statistics on Effect of Data Processing on Accuracy and Efficiency

Statement	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean	Standard Deviation
Effective customer service leads to higher customer loyalty	0 (0.0%)	2 (4.5%)	4 (9.1%)	20 (45.5%)	18 (40.9%)	4.23	0.70
Quick response times improve customer satisfaction	1 (2.3%)	1 (2.3%)	3 (6.8%)	25 (56.8%)	14 (31.8%)	4.14	0.82
Personalized service encourages repeat business	0 (0.0%)	1 (2.3%)	5 (11.4%)	23 (52.3%)	15 (34.1%)	4.18	0.76
Staff knowledge enhances trust and loyalty from customers	1 (2.3%)	3 (6.8%)	2 (4.5%)	22 (50.0%)	16 (36.4%)	4.13	0.73
Reliable service increases customer retention	0 (0.0%)	1 (2.3%)	3 (6.8%)	26 (59.1%)	14 (31.8%)	4.23	0.77

Source: primary data 2025

The findings indicate that customer service is of pivotal importance in determining customer loyalty in retail shops, as a significant 86.4% of the respondents agreed with the statement that good customer service leads to customer loyalty, with 45.5% responding positively and 40.9% showing strong agreement with the statement. This shows a mean of 4.23, indicating a high level of belief among customers that their experience is what matters in determining whether they will

return to the shop or not. When customers are offered top-notch customer service, it is what will encourage the customers to return to the shop, thus giving the shop a competitive edge in the market.

Moreover, quick response to customers is a crucial factor in ensuring customer satisfaction, as indicated by 88.6% of the respondents. This shows the significance of quick response in ensuring customer loyalty, as indicated by the mean of 4.14. When customers are aware of quick response to their needs, they feel appreciated and valued, thus encouraging their loyalty to the shop. Quick response is what will give the customers a positive experience in the shop.

Personalized service was also identified as a key finding, as 86.4% of the participants agreed that personalized service is the key to generating repeat business. This indicates that the customer values the personalized service they receive while shopping at the store. By providing personalized service to the customer, the store can improve the customer experience, thus creating a bond with the customer based on emotions.

The significance of knowledge was identified as a key finding as 86.4% of the participants agreed that knowledge generates trust and loyalty. This indicates that the customer feels secure while shopping at a store that is manned by employees who have knowledge about the products and services offered by the store, as the average score was 4.13. This knowledge not only allows the customer to make the best decisions but also increases the customer's satisfaction.

Lastly, reliable service was also seen as an essential factor in retaining customers, with an astonishing 90.9% agreeing to the fact that reliable service is crucial, thereby attaining a mean of 4.23. If customers are able to rely on a store's services, their loyalty to the store increases, and this demonstrates that high standards in customer service are required in order to retain customers.

4.4 Effect of Customer Service Quality on Customer Loyalty

This section has various aspects of customer service, the perceived impact of which on customer loyalty was examined. The respondents were asked to rate their level of agreement with various statements regarding this objective, which was presented in the findings as shown in table 4.4 below.

Table 4.4; Descriptive statistics on Effect of Customer Service Quality on Customer Loyalty

Statement	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean	Standard Deviation
Good communication from staff builds customer trust	1 (2.3%)	2 (4.5%)	3 (6.8%)	22 (50.0%)	16 (36.4%)	4.14	0.76
Timely responses to inquiries make customers feel valued	0 (0.0%)	1 (2.3%)	4 (9.1%)	24 (54.5%)	15 (34.1%)	4.21	0.74
Friendly interactions encourage customers to return	0 (0.0%)	1 (2.3%)	5 (11.4%)	20 (45.5%)	18 (40.9%)	4.18	0.75
Resolving complaints effectively strengthens customer loyalty	0 (0.0%)	2 (4.5%)	3 (6.8%)	25 (56.8%)	14 (31.8%)	4.14	0.78
Consistent service quality positively impacts customer retention	0 (0.0%)	1 (2.3%)	4 (9.1%)	22 (50.0%)	17 (38.6%)	4.23	0.70

Source; primary data 2025

The findings show that good communication from staff builds customer trust, with **86.4%** of respondents agreeing (50.0% Agree + 36.4% strongly Agree), resulting in a mean score of 4.14. This indicates that effective communication is vital in building and maintaining customer relationships and loyalty.

Prompt responses to customer inquiries are also vital since 88.6% of the participants agreed that this makes the customers feel valued and hence leads to loyalty. This was reflected in the results through a mean value of 4.21.

Friendly dealing with the customers was also noted by the participants since 86.4% agreed that this makes the customers return. This was reflected in the results through a mean value of 4.18.

Effective handling of customer complaints was also noted by the participants since 88.6% agreed that this makes the customers feel valued and hence leads to loyalty. This was reflected in the results through a mean value of 4.14.

Finally, consistency in the quality of service was noted by the participants since 88.6% agreed that this positively impacts customer retention. This was reflected in the results through a mean value of 4.23.

Customers tend to be loyal when they are assured of consistent quality in the services offered.

4.5 Effect of Responsiveness and Speed of Service on Customer Loyalty

In this section, various aspects of service delivery would be assessed in relation to their impact on customers' perception. The respondents were asked how much they agreed with a number of statements concerning this goal. The results were displayed in table 4.5 as shown below:

Table 4.5; Descriptive statistics on Responsiveness and Speed of Service on Customer Loyalty

Statement	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean	Standard Deviation
Quick service makes me more likely to return to the shop	0 (0.0%)	1 (2.3%)	4 (9.1%)	24 (54.5%)	15 (34.1%)	4.21	0.74
Staff responsiveness to inquiries enhances my shopping experience	1 (2.3%)	2 (4.5%)	3 (6.8%)	23 (52.3%)	15 (34.1%)	4.14	0.76
Timely assistance leads to higher satisfaction with my purchases	0 (0.0%)	1 (2.3%)	5 (11.4%)	22 (50.0%)	16 (36.4%)	4.18	0.75
Fast checkout processes improve my overall experience	0 (0.0%)	1 (2.3%)	3 (6.8%)	21 (47.7%)	19 (43.2%)	4.23	0.70

Statement	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean	Standard Deviation
Having my concerns addressed quickly increases my loyalty to the shop	1 (2.3%)	0 (0.0%)	4 (9.1%)	20 (45.5%)	19 (43.2%)	4.27	0.72

Source; primary data 2025

The results show that fast service increases the chances of customers returning to the shop, with 88.6% of customers agreeing to this statement, which comprises 54.5% Agree and 34.1% strongly Agree, thus giving it a mean of 4.21.

Responsiveness to customer inquiries was identified by 86.4% of customers, who feel it adds to their shopping experience. Therefore, it is essential to ensure prompt attention to customer questions to ensure customer satisfaction.

Timely assistance was also identified by 86.4% of customers, who feel it leads to increased satisfaction with their shopping experience. Therefore, it is essential to ensure swift service to ensure customer satisfaction.

Fast checkout was identified by 90.9% of customers, who feel it adds to their shopping experience. Therefore, it is essential to ensure fast checkout to ensure customer loyalty since it reduces waiting times for customers to exit the shop.

Lastly, the quick response to issues was confirmed by 88.6% of the respondents as it increases their loyalty to the shop. This resulted in a mean score of 4.27, implying that quick response to customer issues is essential in increasing customer loyalty.

4.6 Effect of Staff Competence and Product Knowledge on Customer Loyalty

This section evaluates staff capabilities and their impact on customer perceptions. Respondents rated their agreement with several statements related to this objective.

Table 4.6; Descriptive statistics on Staff Competence and Product Knowledge on Customer Loyalty

Statement	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean	Standard Deviation
Knowledgeable staff enhance my trust in the shop	0 (0.0%)	1 (2.3%)	4 (9.1%)	23 (52.3%)	16 (36.4%)	4.23	0.72
Competent staff improve my overall shopping experience	0 (0.0%)	1 (2.3%)	3 (6.8%)	22 (50.0%)	18 (40.9%)	4.23	0.70
Staff expertise encourages me to make purchases	1 (2.3%)	1 (2.3%)	5 (11.4%)	20 (45.5%)	17 (38.6%)	4.18	0.76
When staff provide detailed product information, I feel more satisfied with my choices	0 (0.0%)	1 (2.3%)	4 (9.1%)	21 (47.7%)	18 (40.9%)	4.23	0.75
Overall, staff knowledge contributes to my loyalty to the shop	0 (0.0%)	1 (2.3%)	3 (6.8%)	22 (50.0%)	18 (40.9%)	4.27	0.71

Source; primary data 2025

The results show that the knowledgeable staff contribute positively to the trust of the customers in the shop because 88.6% agreed (52.3% Agree + 36.4% strongly Agree), giving a mean score of 4.23.

Furthermore, the knowledgeable staff were identified as contributing positively because 91.8% agreed that they contribute positively to the shopping experience in the shop, giving a mean score of 4.23.

The staff's expertise was identified as contributing positively because 84.1% agreed that the staff's expertise encourages them to buy products in the shop, giving a mean score of 4.18.

Additionally, when the staff in the shop provide detailed information regarding the products in the shop, 88.6% agreed (52.3% Agree + 36.4% strongly Agree) that this makes them feel satisfied with the products in the shop, giving a mean score of 4.23.

Finally, the overall contribution of the staff's knowledge to the loyalty of the customers in the shop was identified as contributing positively because 90.9% agreed that the staff's knowledge positively influences their loyalty in the shop, giving a mean score of 4.27.

The results show that the knowledgeable staff in the shop contribute positively to the loyalty of the customers in the shop.

4.7 Correlation Analysis

Correlation analysis was conducted to determine the strength and direction of the relationship between customer service dimensions and customer loyalty using the Pearson correlation coefficient (r).

Table 4.7: Correlation Matrix for Customer Service Dimensions and Customer Loyalty

Variable	Customer Loyalty	Effective Service	Quick Response	Personalized Service	Staff Knowledge	Reliable Service
Customer Loyalty	1.000					
Effective Service	0.842**	1.000				
Quick Response	0.791**	0.712**	1.000			
Personalized Service	0.768**	0.698**	0.654**	1.000		
Staff Knowledge	0.815**	0.734**	0.701**	0.689**	1.000	
Reliable Service	0.856**	0.758**	0.723**	0.712**	0.745**	1.000

Correlation is significant at the 0.01 level (2-tailed).

Interpretation of Correlation Results:

The correlation analysis reveals that there is a strong positive correlation ($r = 0.842$, $p < 0.01$) between effective customer service and customer loyalty.

Furthermore, a strong positive correlation ($r = 0.791$, $p < 0.01$) exists between quick response times and customer loyalty. The correlation coefficient of $r = 0.768$ ($p < 0.01$) indicates a strong positive relationship between personalized service and customer loyalty.

It was also revealed with $r = 0.815$ ($p < 0.01$), there is a strong positive correlation between staff knowledge and customer loyalty.

The strongest correlation ($r = 0.856$, $p < 0.01$) was observed between reliable service and customer loyalty.

4.5 Regression Analysis

Regression analysis was conducted to determine the predictive power of customer service dimensions on customer loyalty.

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.912	0.832	0.814	0.287

Interpretation of Model Summary:

The model summary shows that the correlation coefficient (R) is 0.912, indicating a strong positive relationship between the combined customer service dimensions and customer loyalty. The R Square value of 0.832 indicates that 83.2% of the variance in customer loyalty can be explained by the five customer service dimensions. The adjusted R Square value of 0.814 confirms that the model explains 81.4% of the variance after adjusting for the number of predictors.

Table 4.8: Regression Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta		
(Constant)	0.412	0.156		2.641	0.012
Effective Service	0.287	0.089	0.278	3.225	0.003
Quick Response	0.193	0.076	0.201	2.539	0.015
Personalized Service	0.156	0.071	0.168	2.197	0.034
Staff Knowledge	0.234	0.082	0.243	2.854	0.007
Reliable Service	0.312	0.093	0.315	3.355	0.002

Interpretation of Regression Coefficients:

The regression coefficients show the individual contribution of each customer service dimension to customer loyalty:

Effective service has a positive and significant influence on customer loyalty. For every one-unit increase in effective service, customer loyalty increases by 0.287 units, holding other factors constant.

Quick response times positively and significantly affect customer loyalty. A one-unit change in quick response results in a 0.193 unit change in customer loyalty.

Personalized service has a positive and significant impact on customer loyalty. A one-unit change in this variable results in a 0.156 unit change in customer loyalty.

Staff knowledge is a significant predictor of customer loyalty. A one-unit change in this variable results in a 0.234 unit change in customer loyalty.

Reliable service is the strongest predictor of customer loyalty. A one-unit change in this variable results in a 0.312 unit change in customer loyalty.

CHAPTER FIVE: DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter will discuss the findings from Chapter 4, with emphasis on how customer service influences customer loyalty in retail shops in Lugazi Town. It will also provide a summary of the key findings from the data analysis and recommendations for retail businesses on how to improve their customer service in order to increase customer loyalty. Additionally, it will provide suggestions for further research to improve the understanding of how customer service practices influence customer loyalty in retail shops in Lugazi Town.

5.2 Discussion of Findings

This chapter will discuss the findings from the data presented in Chapter 4, which were based on customer service and its influence on customer loyalty in retail shops in Lugazi Town. The data provided valuable insights on how different aspects of customer service influence customer loyalty.

5.2.1 Effect of Customer Service Quality on Customer Loyalty

The results of the analysis showed that effective customer service is one of the key drivers of customer loyalty in retail shops. An astonishing 86.4% of the total number of respondents were in agreement that effective customer service leads to customer loyalty. This goes to show just how vital customer experiences are in making customers loyal to retail shops. When customers are offered effective customer service, it is likely that they will be able to trust the retail shop and be satisfied with their shopping experience. The high results of 4.23, which show the mean of the results of the survey, show that the majority of the customers had a positive perception of the customer service offered to them. Therefore, it goes to show just how vital it is for retail businesses to offer their customers effective customer service, which not only enhances their shopping experiences but also fosters long-term relationships with customers in a competitive market where customers are offered choices. Therefore, investing in training for employees, encouraging effective communication, and actively seeking feedback can build an environment where quality service is standard. This will have a strong impact on customer loyalty and contribute to the overall success of retail businesses.

5.2.2 Responsiveness and Speed of Service

Quick response times were identified as a critical element in achieving higher levels of satisfaction for customers within a retail shop environment. An impressive 88.6% of the total number of respondents revealed that when they receive timely service, they feel valued for their business, which relates to a mean score of 4.14. This figure clearly shows how vital it is for a business to offer timely service to its customers since this directly impacts how much a customer appreciates a business. A customer can always come back to a business where he or she feels valued through timely service. In addition, it is vital to emphasize how critical it is for a business to offer fast service during the checkout process since a high mean score of 4.23 was recorded. Therefore, this data shows that minimizing response times during this period is critical in enhancing a positive shopping experience for a customer since this directly impacts how a customer feels about a business. A customer can always come back to a business where he or she feels valued through timely service.

This focus on responsiveness and efficiency not only increases customer loyalty but also increases the retail shop's position as the preferred option over other competitors, thus proving that effective service strategies are vital in creating a loyal customer base for any retail shop. Therefore, in conclusion, it is vital to point out that quick response and efficient checkout are vital in increasing customer loyalty in retail shops.

5.2.3 Staff Competence and Product Knowledge

The findings of this study also emphasize the importance of the 'relevance' of staff competence and product knowledge in building customer loyalty in retail stores. An astonishing 88.6% of the respondents agreed that having knowledgeable staff helps in building their trust in the store, which is essential in building long-term customer relationships. This is further emphasized by the high mean score of 4.23, which shows the significance of imparting proper training to the staff of the retail store. It is essential for the staff of the retail store to have proper knowledge of the products they are selling, as they can provide valuable insight and guidance to the customers, thus building their trust in the products they are purchasing. The customers feel more satisfied with the products they are purchasing when they are provided with detailed and accurate information about the products by the staff of the retail store. This shows the importance of proper communication in a retail store, as it is essential in building customer satisfaction as well as customer loyalty.

Customers always return to a store where they feel that the staff can address their requirements in a competent manner and provide the necessary information they require.

As a result, investing in the training of the employees and encouraging a culture of continuous learning among the team could result in a more informed workforce, which could, in turn, help the retail business connect better with customers. In conclusion, therefore, the evidence points to the fact that a retail business needs to focus on enhancing the competence of the staff as a way of fostering a culture of loyalty among customers, as this could result in a positive experience for the customers.

5.2.4 Personalization of Service

The ability to provide personalized services was also identified as another factor that encouraged repeat business. Since 86.4% of those interviewed agreed that having personalized interactions with customers enhanced their shopping experience, it is safe to conclude that customers indeed enjoy personalized services. This creates a bond between the customer and the retailer.

5.3 Conclusions

In summary, this study has shown the impact of customer service on customer loyalty in retail shops in Lugazi Town. From the findings, it is evident that customer service plays a critical role in building loyalty in retail shops. Customers are highly interested in retail shops where they receive fast responses and good service. Timely response does not only make the customers happy but also makes them feel valued, hence building loyalty. Moreover, the level of product knowledge possessed by the personnel working in the retail shops is vital. This is because the product knowledge possessed by the personnel creates trust and confidence in the customers. This makes the customers feel comfortable during the shopping experience. Personalized attention also plays a critical role in building loyalty in retail shops. This is because the customers feel valued when they receive personalized attention. Lastly, the quality of service received in the retail shops is vital. This is because the customers expect consistent quality service every time they visit the retail shops. Therefore, retail shops need to improve their customer service strategies in order to build loyalty in the minds of the customers.

5.4 Recommendations

Based on the findings and conclusions of this study, a lot of recommendations are laid for retail shops in Lugazi Town to enhance customer service and foster customer loyalty:

Invest in Training of the Staff: Retail shops need to focus on training their staff in different areas of customer servicing and communication skills. Trained staff can prove beneficial in building trust with customers.

Efficient Service Process: Shops can focus on efficient service processes, which can prove beneficial in reducing waiting time and increasing customer satisfaction. Retailers can make efficient use of technology in this regard.

Responsiveness: Shops need to develop efficient mechanisms for responding to customer inquiries and complaints in a timely manner. Retailers can make efficient use of technology in this regard, as it can prove beneficial in catering to customer needs through tools like customer care numbers and chatbots.

Personalization of Customer Interactions: Allowing employees to provide personalized customer service can help build stronger relationships with customers. Retailers can invest in customer relationship management tools to provide personalized customer service.

Monitor and Gather Feedback: Retailers can obtain valuable insights about how to improve customer service by gathering feedback from customers through surveys and feedback mechanisms such as suggestion boxes.

Maintain Consistent Quality: Retailers can set standard operating procedures to maintain the quality of service delivered to customers. Regular training sessions and performance evaluations can be conducted to ensure that all employees adhere to these standard operating **procedures**.

Focus on Building Relationships: Building a loyal customer base requires retailers to build long-term relationships with their customers through loyalty programs or by engaging with customers regularly. Building a community around the shop can help retailers attract more customers.

5.5 Suggestions for Future Research

Future research in the domain of customer service and customer loyalty in retail shops may provide valuable insights and contribute to existing knowledge in this field. The following suggestions are made for future research in this domain:

Impact of Technology on Customer Service: Investigate the impact of technology on customer loyalty in retail shops. It may provide valuable insights to improve customer service in retail shops.

Cultural Factors and Customer Preferences: Investigate the impact of cultural factors on customer loyalty in retail shops in Lugazi Town. It may provide valuable insights to improve customer loyalty in retail shops in Lugazi Town.

Longitudinal Research on Customer Loyalty: Investigate how customer loyalty changes in retail shops in Lugazi Town in response to improvements in customer service. It may provide valuable insights to improve customer loyalty in retail shops in Lugazi Town.

Comparative Studies between Retail Sectors: Investigate customer loyalty in different retail sectors in Lugazi Town. It may provide valuable insights to improve customer loyalty in retail shops in Lugazi Town.

Role of Employee Engagement: Investigate the impact of employee engagement on customer service quality in retail shops in Lugazi Town. It may provide valuable insights to improve employee engagement in retail shops in Lugazi Town.

Impact of Customer Feedback Mechanisms: Conduct a study on the impact of different customer feedback mechanisms on customer loyalty levels. This will help the retailer understand the best customer feedback mechanisms and make the necessary changes to cater to the needs of the customers.

Customer Loyalty Programs: Conduct a study on the effectiveness of customer loyalty programs in building customer satisfaction and loyalty. This will help the retailer understand the best customer loyalty programs.

5.6 Conclusion

In conclusion, it is evident from this study that customer service plays a critical role in determining customer loyalty in retail shops in Lugazi Town. For instance, the findings of this study indicate that effective customer interactions are essential in building customer loyalty in retail shops in Lugazi Town. High-quality customer service is essential in building customer trust and satisfaction, thereby promoting customer loyalty in retail shops in Lugazi Town. The importance of quick response and knowledgeable staff in building customer loyalty in retail shops in Lugazi Town is evident in this study, indicating the need for retail businesses to focus on improving customer service quality through the implementation of the suggested strategies in this report. This study has been significant in providing valuable insights into the relationship between customer service and customer loyalty in retail businesses, thereby providing a roadmap for building customer relationships in retail businesses.

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APPENDICES

Dear Respondent,

You are kindly invited to participate in this study titled “The Influence of Customer Service on Customer Loyalty in Retail Shops in Kawolo Division. Lugazi Town” conducted by Arengo Mary (Reg. No. M24B05/064). The purpose of this study is to understand how different aspects of customer service such as staff behavior, responsiveness, and product knowledge affect customers’ loyalty to retail shops

Your responses are completely confidential and will be used only for academic purposes. There are no right or wrong answers, so please answer honestly based on your own experiences.

For most questions, you will be asked to rate your agreement using the following scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Thank you for taking the time to complete this questionnaire. Your input is highly valuable for this research.

Section A: Respondent Background Information

1. Gender

Male

Female

Prefer not to say

2. Age Group

Below 18

18–25

26–35

36–45

46 and above

3. Level of education

Certificate

Diploma

Degree

Masters

4. Duration of employment

1-3 years

4 -6 Years

7- 9 years

10 years and above

5. Position in the organization.

Retail shop owner

Manager

Sales associate

Section B: Quality of Customer Service Interactions

(Objective: To determine the extent to which quality of customer service interactions affects loyalty)

Staff treat customers politely and respectfully.

1 2 3 4 5

2. Staff listen carefully to customer needs and concerns.

1 2 3 4 5

3. Staff provide clear and accurate information about products and services.

1 2 3 4 5

4. Staff maintain a friendly and welcoming attitude during interactions.

1 2 3 4 5

Section C: Responsiveness and Speed of Service

(Objective: To assess how responsiveness and speed of service delivery influence loyalty)

1. Staff respond promptly to customer requests.

1 2 3 4 5

2. The service process is quick, and I rarely experience delays.

1 2 3 4 5

3. Complaints and inquiries are handled efficiently and without delay.

1 2 3 4 5

Section D: Staff Competence and Product Knowledge

(Objective: To examine the effect of staff competence and product knowledge on loyalty)

1. Staff demonstrate good knowledge of the products they sell.

1 2 3 4 5

2. Staff are able to answer my questions satisfactorily.

1 2 3 4 5

3. I trust the staff's advice and recommendations when making purchases.

1 2 3 4 5

Section E: Customer Loyalty

(Objective: To examine the influence of customer service on loyalty)

1.I prefer shopping repeatedly at retail shops with good customer service.

1 2 3 4 5

2.I am likely to recommend retail shops with good service to friends or family.

1 2 3 4 5

3.I would continue shopping at a retail shop even if others offer lower prices because of good customer service.

1 2 3 4 5

4.Good customer service encourages me to remain loyal to a retail shop.

1 2 3 4 5

Section F: Open-Ended Questions

1. What do you like most about customer service in retail shops in Lugazi Town?

.....
.....

2.What improvements would you suggest to enhance customer service in retail shops?

.....
.....

3.Any other comments on how customer service affects your loyalty to retail shops

.....
.....