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Impact of customer retention strategies on profitability of pawnshops in Calapan city

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Abstract

Customer retention strategies are essential for improving the financial performance of pawnshops in Calapan City. Although building strong customer relationships is important, many pawnshop companies find it difficult to determine which specific factors lead to higher profits. This study examines how product quality, service quality, and pricing influence the profitability of pawnshops in Calapan City. Utilizing a descriptive-correlational research design, the study gathered data through a survey of 67 managers and employees from pawnshops in Calapan City, selected through random sampling. The research instruments were validated by the experts from Divine Word College of Calapan, to ensure its accuracy and academic validity. The findings reveal that while product and service quality have no significant impact on profitability, product pricing shows a positive and statistically significant relationship with financial performance. These results indicate that strategic pricing continues to be the main factor influencing the profitability of pawnshops within Calapan City, outweighing the influence of product features and customer service. Based on these findings, the study recommends a Service-Driven Customer Relationship Management (CRM) Framework to enhance the long-term sustainability and profitability of pawnshops in Calapan City.

Keywords: Customer Retention Strategies; Product Quality; Service Quality; Product Pricing; Profitability; Customer Relationship Management; Non-Bank Financial Institutions

1. Introduction

Customer retention strategies play a vital role in determining the profitability of pawnshops, which operate in a highly competitive and relationship-driven non-bank financial service environment where repeat business is a primary source of revenue. Research in the non-bank financial and pawnshop sector shows that strategic efforts focused on service quality, promotion, innovation, and transparent practices are strongly associated with higher customer satisfaction, a key precursor to customer loyalty and retention. [39] Digital innovation strategies at Pegadaian Syariah enhanced service quality and fostered customer loyalty, which supports long-term engagement and repeat patronage through more convenient and transparent service delivery (Nasution, Aslami, and Kusmilawaty 2025). Similarly, [52] promotion, Literacy empowerment and brand equity significantly influence customer decisions and engagement in the pawnshop industry, suggesting that these retention-oriented strategies impact customer behavior (Salsabilla and Prapanca 2024). Studies on pawnshop service quality also confirm that higher service quality positively affects customer satisfaction, which is an essential step toward retention and future revenue. [30] Customer relationship management, customer satisfaction, and loyalty together (Muhammad, Isah, and Kamuku 2025). Taken together, these studies suggest that pawnshops that implement robust customer retention strategies through quality service, effective promotion, and digital engagement can strengthen customer loyalty and satisfaction, which in turn supports revenue stability, repeat pawn renewals, and long-term profitability in the competitive pawnshops.

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Pawnshops are essential for satisfying the various needs of their clientele because they provide products and services that are of great importance to them, such as loyalty cards. [14] Loyalty programs have become more sophisticated and are now a crucial component of customer relationship management and marketing strategy to increase revenue growth for the business (De Jesus, 2021). [59] Client loyalty depends on two main components, which are the positive and negative attitudes toward a company's loyalty program and the company's brand, while the strength of customer loyalty to the brand depends on the strength of the brand's loyalty toward it (Thai, 2020). On this note, pawnshops must focus on building client loyalty through their loyalty program and brand. The product must be included as a marketing strategy, which is a crucial marketing element. In contrast, the product's benefits must significantly impact its quality, especially for Filipinos. To generate the best solutions, businesses must begin with clients' wants and comprehend them. Market acceptability is the degree of a product's demand and acceptance in a specific market. [5] A success in marketing a product depends on developing a sound program that addresses every action the company may take to generate demand for its goods and services and persuade the markets to purchase them (Alvarez, 2020). Product, pricing, place, and promotion are the four P's that form the marketing strategy framework. To achieve a larger market share, enhanced caliber of goods and services, and content clients, one should use an effective marketing plan with the marketing mix serving as the tool while using such a method

This study aims to understand how product quality, service quality, and pricing affect the profitability of pawnshops in Calapan City. It examines how these elements influence financial performance by analyzing the experiences of pawnshops. In particular, the study explores how personalized service delivery contributes to better business outcomes. Ultimately, the findings are intended to help pawnshop management improve customer loyalty, enhance service processes through continuous feedback, and strengthen employee training programs so they can better respond to the evolving needs of a diverse group of clients.

This study helps improve customer retention among pawnshops by providing clear evidence of effective strategies and their financial benefits. It focuses on practical ways to keep members engaged and loyal. The research gives valuable insights for pawnshop leaders who want to boost profits through stronger member loyalty. The ultimate goal is to help non-financial bank institutions achieve lasting success and positively impact their communities through smart customer retention efforts.

2. Review of Related Literature

2.1. Customer Retention Strategies

Retaining existing customers helps an organization in several ways. [44] First, customer retention helps lower costs and the cost of obtaining new customers (Otto et al., 2020). [7] Second, retention increases the organization's profitability (Asnawi et al., 2020). [7] Third, retention generally increases the organization's market share (Asnawi et al., 2020). [22] Customer retention is crucial for business leaders because retaining customers costs less than obtaining new ones (Ismail, 2023). [55] Business leaders can measure customer retention by measuring repeated purchases of products without accounting for the attitudes or influences that influence the customers' purchase decisions (Sarasvuo et al., 2023). [4] The results of diversified business expansion not only enhance customer satisfaction but also have a higher impact on customer retention (Alzoubi et al., 2022). [27] Customer retention is an essential strategy required for the survival of companies in a competitive environment (Khan et al., 2022). Companies have also discovered that losing a customer means losing not just a single sale but also a lifetime's worth of purchase and referrals. [62] Loyal customers are more likely to repay loans on time, recommend the bank to others, and use a wider range of services, thereby boosting revenue and lowering default risks (Yusuf and Olorunfemi, 2021). [22] Credit unions are more likely to enhance customer retention when leaders use effective strategies (Ismail, 2023). Focusing on customer retention strategies may be a more profitable strategy than focusing on customer recruitment. Effective retention strategies can assist in retaining customers. [22] A well-established customer retention strategy is a cohesive framework for managing retention that leverages emerging opportunities, such as machine learning, methodologies that include AI, and new data sources (Ismail, 2023). Many researchers identified different approaches for improving customer retention. [32] Communication and Personal Care enhance trust in business, and social relationships foster customer retention (Magatef et al., 2023). [48] Customers' perceived benefits regarding a product or service influenced customer engagement behaviors and retention (Prentice, 2020). [16] To achieve customer retention strategies, business leaders may need to identify trade-offs between proactive and reactive retention programs associated with short and long-term remedies, including constant processes to manage retention and distinct campaigns (Du et al., 2021).

2.1.1. Product Quality

A key way to keep customers is to offer them good products. Quality products not only meet but exceed customer expectations, establishing trust and credibility with the brand. In a market where customers are becoming more picky and value-conscious, it's important to build long-term relationships by offering products that always live up to their promises. [56] Quality products will result in customer satisfaction, leading to repeat purchases and loyalty (Du et al., 2021). NBFIs have been central in extending tailored services that empower underserved populations and strengthen their own financial performance through diversified revenue streams. [35] highlights that innovation and product adaptation to client needs enhance outcomes, while diversification reduces operational risk (Mugala and Mwangi, 2025). High product quality also minimizes dissatisfaction and complaints, thereby reinforcing customer confidence in repurchasing the product and recommending it to others. The concept of product quality is predicated on the endeavor to align with consumer needs and desires, in addition to the precision of its delivery to meet consumer expectations. [20] Anything offered to a market to meet or exceed consumer expectations that can be acquired, used, and consumed to satisfy desires and needs are considered (Hernikasari et al. 2022). [18] Product quality is determined by performance, reliability, features, durability, and conformance (Fandiyanto, Ghazali, and Arief 2022).

2.1.2. Service Quality

[28] Service quality refers to consumer evaluation of the excellence and superiority of the services encountered (Khoo, 2020). Customers who experience positive feelings and attitudes towards services during the service consumption process are likely to have positive perceptions of the service provider, which in turn leads to customer loyalty. [46] states that service is an effort to help take care of what other people need (Patmasari et al., 2022). [26] In other words, service is a series of activities or processes that satisfy other people's needs in the form of service products (Jumawan et al., 2023). [49] Service quality can be defined as the process of comparing customers' perceptions of the service they receive with the service they expect to receive (Putri, 2021). The areas of expectations constitute dimensions of quality service. The dimensions of service quality are as follows: tangibles, reliability, responsiveness, assurance, and empathy. [45] described the five SERVQUAL dimensions of quality service as follows: Tangibility is direct evidence that can be directly assessed through visuals or the appearance of physical facilities. Reliability is a dimension of similarity or whether or not the service provided meets what is promised to consumers, both by providing appropriate information and providing reliable and timely service. Responsiveness is a form of employee willingness to provide services to consumers. Assurance is a dimension that can provide a guarantee or sense of security to consumers, so it will foster a sense of trust in the company. Empathy is a dimension of the company's willingness to pay attention to consumer needs and to provide relief or assistance when consumers experience problems either before or after consuming the products it offers. If the services being rendered are able to meet up with the customers' expectations in the five dimensions, then the customers are satisfied and can be retained by the service provider (Parasuraman et al., 2022).

2.1.3. Product Pricing

In the competitive market of commodities, products, varieties, consumers, ethnicities, and preferences, product pricing and product packaging information descriptions have a considerable influence on consumers' buying behavior. To explore the cumulative effects of product pricing and packaging on the buying behavior of consumers of different ethnicities, it is essential to research these aspects of marketing. It is worth mentioning that consumer satisfaction also plays a decisive and mediating role in the development and molding of consumers' buying behaviors. It is believed that pricing has a significant effect on the buying behavior of consumers because the higher a product is priced, the fewer units are sold [21]. When discussing the combined effect of product pricing and packaging relationships on consumer buying behavior, pricing alone plays a more critical role than packaging, which has a partial role in buying behavior (Jabarzare and Rasti, 2020). Thus, surprisingly, one can sell products at a much higher volume using this analogy. One can increase the prices of the products if the competitor products are scarce in the market or if the manufacturers are low in number. This behavior may not affect the number of sales or the attitude of the consumer toward buying. If the product is already in abundance in the market, then pricing will definitely play an important role because the increase in price will discourage customers from buying it. Similarly, if prices are lowered under such market conditions, then consumers will increase the amount that they purchase significantly.

[1] Even though product pricing has a greater influence than product packaging on the decision process of a buyer, high prices in a highly competitive market can lose customers permanently due to the effect of increased pricing (Abdullah et al., 2021). [51] While talking about the packaging of products, it should be kept in mind that packaging has a significant relationship with consumers and their decision-making about product purchases (Sadiq et al., 2020). Most consumers desire a range of product choices when purchasing in terms of packaging. [30] Thus, marketers should place a premium on creative and exclusive packaging that is distinctive in scale, instruction, convenience, product design, and form when compared with rivals in the market segment (Li et al., 2021). Marking a product with accurate information

adds to its value. Consumers are attracted to detailed labels, content, and packaging. Many people are influenced by the way a product is packaged and presented in the market. While the product itself may be of any quality, the relationship it produces through its packaging has a strong influence on the purchasing attitude of the consumer. Nowadays, eco-friendly packaging is essential [1]. Thus, advertisers should prioritize this factor and employ best practices to the maximum degree possible, including eco-friendly recyclable packaging (Abdullah et al., 2021). Consumer buying behavior also has a lot to do with product selling and buying; although some customers are not influenced by the packaging or labeling of products, buying is demand-driven or need-oriented by most consumers.

2.1.4. Profitability

Profitability, a term that denotes the financial viability of an organization, serves as a snapshot of its economic health and the performance of its management. Investors, on the other hand, can extract valuable insights into the prospective future of an organization by scrutinizing its financial performance. [8] This financial performance analysis, in turn, provides a comprehensive understanding of whether the operations and profits of the organization are on track to increase and offers an optimistic outlook for the organization's stock (Ateino, 2022). [41] This involvement may facilitate the attainment of the desired ratio of equity and debt financing, thereby contributing to the overall profitability of the firm (Ochoki et al., 2023). Establishing criteria that would mitigate risks and enhance profitability has proved challenging for many businesses. The provision of microfinance services has the potential to augment the level of liquidity within the economic system, thereby leading to a heightened degree of economic stability. [35] Furthermore, this enhanced liquidity can facilitate the financing of long-term profitable endeavors such as research and development initiatives and expansion proposals (Ngari, 2023). Profitability means the ability to make profit from all the business activities of an organization, company, firm, or enterprise. Profitability is one of the most important objectives of financial management because it signifies the state of the owner's wealth. [11] Researchers have extensively highlighted three major financial ratios for measuring firm profitability (Camino and Bermúdez, 2019). These being the return on assets (ROA) ratio, the return on owner's equity (ROE) ratio, and the return on investment (ROI). [42] In essence, retaining existing customers is considered one major step in minimizing operational costs and enhancing organizational profitability (Ofosu-Boateng, 2020). The sole purpose of a business is "to create a customer." Nonetheless, keeping the customer has become equally critical to every business enterprise. Evidence indicates that a 5 percent increase in customer retention generates an increase in customer net present value of between 25 percent and 95 percent across a wide range of business environments. However, there seems to be limited research regarding the influence of customer retention on profitability among insurance companies.

2.2. Customer Relationship Management

[31] Organizations utilize CRM to build and manage long-term relationships with customers and improve profitability by gaining customer loyalty (Lubis et al., 2020). [61] Some organizations use CRM to interact with customers, maintain strong relationships, and increase the productivity of the business (Yapanto et al., 2021). An absence of a good strategy for CRM causes customer dissatisfaction. [33] found that companies lacking CRM strategies were more likely than companies with CRM to experience customer turnover (Mariia et al., 2020). However, CRM factors have a progressive influence on customer satisfaction, which can increase automatically if the organizations have a good plan for CRM. [2] Support of CRM can connect with customers to satisfy their expectations by using the medium of modern communication, and the satisfaction will be enhanced as a result of fulfilling the customer's expectations (Afaq et al., 2023). [4] When businesses utilize CRM effectively, customers are more likely to be satisfied with their products or services (Alshurideh et al., 2023). [4] (2023). Implementing CRM strategies effectively allows the business to identify the tastes and needs of customers, thereby customizing the products or services to the preference of the customer (Alshurideh et al., 2023).

2.3. Theoretical Framework

Social Exchange Theory cuts across social psychology and social perspective, and it gives a deeper explanation of social dynamics and the process of negotiating exchanges between parties. [56] This theory was originally proposed by Thibaut and Kelley (1959). A modern study by [6] validates Social Exchange Theory as a primary driver of financial performance in emerging markets (Amano, Bautista, Chen, Ahmad et al., 2025). This theory emphasizes that costs are things that have a negative connotation to an individual, and these include putting more money, time, and effort into the relationship. On the other hand, benefits are things that an individual gains from the relationship and these include increased customer retention, increased market share, profitability from an organization's perspective, whilst on the customer's part, improved service delivery, delivery of promises, reasonable pricing, and specialized products and services that meet and exceed their expectations. When benefits are more than the cost, the relationship will be maintained, but if the cost outweighs the perceived benefits, people choose to quit the relationship. According to Tandfonline (2025), a successful social exchange happens when a company's products are easy to get and worth the

price. This creates a sense of give and take where the customer feels the need to give back to the company by staying loyal and continuing to do business with them over time.

In the context of pawnshops, the relationship between the pawnbroker and the borrower is a continuous exchange process where customer loyalty depends on the perceived value of the transaction. When clients believe that the institution consistently offers high product quality through accurate appraisals, service quality through efficient processing, and product pricing via fair interest rates, they are motivated to maintain a long-term relationship. The customers remain committed as long as these institutional rewards justify their investment of interest payments, time, and the emotional risk of pledging collateral. This favorable cost-benefit ratio prompts a sense of reciprocity that discourages customer churn and promotes repeat business. Moreover, this sustained patronage serves as a strategic foundation for the pawnshop, leading to enhanced revenue stability, reduced acquisition costs, and improved overall profitability.

Relationship Marketing is a strategic framework that centers around cultivating enduring relationships with customers, moving beyond mere product or service transactions. The Relationship Marketing framework accentuates the importance of cultivating enduring, customer-centric relationships. [34] [40] [43] The relationship marketing theory, originally established by Morgan and Hunt (1994), has been modernized by scholars like Oly Ndubisi and Salami (2024) to include customer resilience in the current digital world. [23] emphasize that the trust pillar of Relationship Marketing is now built through emotional commitment (Itani and Chaker, 2022). Relationship marketing emphasizes the value of retaining existing customers over acquiring new ones, recognizing that loyal customers are more likely to generate higher revenues and act as brand advocates and referral agents.

In pawnshops, the interaction is rarely a simple sale. It is a high-stakes negotiation involving personal property that often carries sentimental value. When a pawnbroker demonstrates competence and integrity during the appraisal, they satisfy the trust pillar by validating the customer's sense of worth and security. This creates an unwritten agreement where the customer feels their vulnerability is being respected rather than exploited. Furthermore, the economic significance of retention over acquisition is amplified in the pawnshop sector due to the repeat-borrowing cycle. Lastly, the role of customers as referral agents is particularly potent in marginalized communities where pawnshops often operate.

Customer Lifetime Value the idea of Customer Lifetime Value first appeared in the late 1980s. At that time, it was mostly used as a simple way for businesses to keep track of how much a customer had spent in the past. In the 1990s, experts like Frederick Reichheld showed that keeping an old customer is much cheaper and more profitable than finding a new one. This made companies focus more on keeping their customers happy so they would stay longer. [17] Meanwhile, some researchers used math and computers to turn CLV into a guessing tool (Kumar and Fader, 2020) . Instead of just looking at what happened before, they created ways to predict how much a customer would likely spend in the future. On the other hand, Customer Lifetime Value serves as a vital metric for understanding the long-term value that customers bring to a business. It represents the total economic value generated by a customer over their entire relationship with a company, encompassing both their initial purchase and subsequent transactions.

In the pawnshop sector, a high Customer Lifetime Value is particularly significant because it serves as a powerful indicator of reduced operational and lending risk. As an institution develops a long-term profile of a customer's borrowing and redemption habits, it gains informational advantages that lower the costs associated with repeated appraisals and background checks. This familiarity reduces the likelihood of default, as the borrower has a proven track record of redeeming their collateral, leading to more efficient asset management. Furthermore, when pawnshops implement effective retention strategies such as fair pricing and responsive service, they extend the duration of the customer relationship. Thus, maximizing CLV becomes the primary driver for sustainable profitability and long-term financial stability in the pawnshop industry.

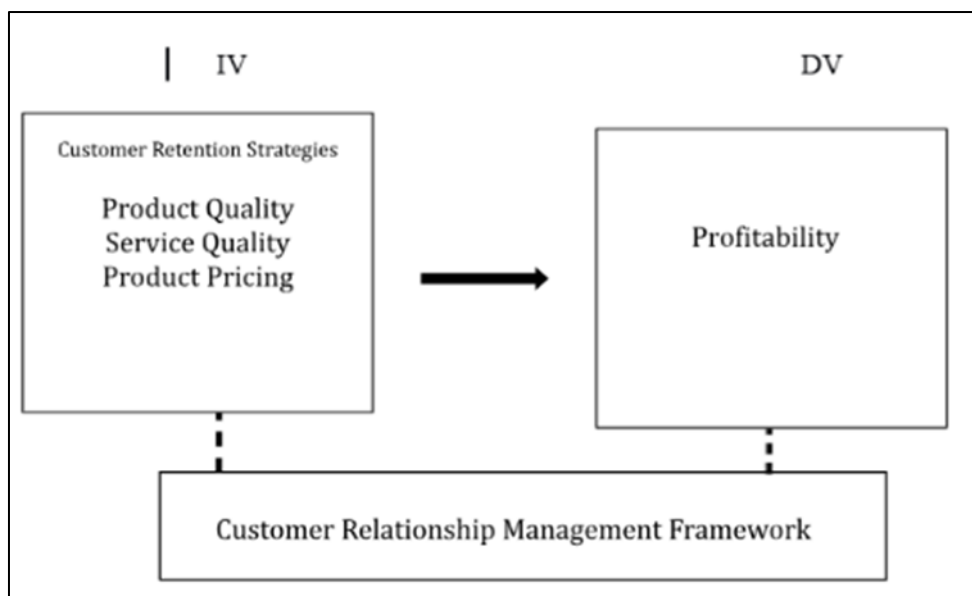


Figure 1 Conceptual Framework

The conceptual framework presented in Figure 1 shows the relationship between customer retention strategies and the profitability of pawnshops in Calapan City. It is based on ideas from Relationship Marketing Theory and the Service Quality Model (SERVQUAL), which both emphasize the importance of building strong customer relationships through quality service and consistent value. These concepts highlight that when customers are satisfied and feel valued, they are more likely to stay, which eventually improves profitability.

The independent and dependent variables of this study were adopted from the 2022 Kenyan study on Customer retention and profitability at Liberty Life Assurance Co. Ltd. That study showed that product quality, service quality, and pricing are key drivers of customer retention and that retention leads to higher profitability. Since Kenyan NBFIs operate in competitive, service-focused environments similar to those in Calapan City, these same variables were adapted to reflect both real-world financial practices and the context of this study.

Based on the framework, pawnshops in Calapan City are encouraged to strengthen their Customer Relationship Management by paying close attention to product quality, service quality, and pricing. Financial products should be regularly reviewed to make sure they remain useful, reliable, and suited to what customers actually need. At the same time, staff should be supported through training and better systems so they can serve customers more efficiently and with a more personal touch. Pricing, such as interest rates and service fees, should also be kept fair and easy to understand, as this helps build trust. Focusing on these areas, NBFIs can create stronger relationships with their customers, keep them for a longer time, and improve their overall profitability.

3. The hypothesis of the study

H_0 : There is no significant relationship between Customer Retention Strategies and the level of Profitability of pawnshops in Calapan City.

3.1. Statement of the Problem

The main goal of this study is to investigate the relationship between customer retention strategies and the level of profitability of Pawnshops in Calapan City, Oriental Mindoro. Specifically, this study seeks to answer the following questions:

- What are the current of customer retention strategies does the pawnshops of Calapan City have in terms of:
 - Product Quality;
 - Service Quality; and
 - Product Pricing?
- To what extent are the level of profitability of the pawnshops in Calapan City evident?
- Is there a relationship between customer retention strategies and the profitability of pawnshops?

- Which customer retention strategies mostly affect the profitability of pawnshops?
- Based on the analysis of the study, what customer retention management framework will be proposed?

4. Methods

This study utilizes a descriptive–correlational research design to effectively examine the influence of customer retention strategies on the profitability of pawnshops in Calapan City. This design is appropriate because it serves two essential purposes aligned with the study’s objectives. First, following the principles of [29], the descriptive research allows the researchers to establish an accurate and detailed profile of the current state of pawnshop operations, including their existing product quality, service delivery, and pricing strategies (Saunders, Lewis, and Thornhill, 2019). Second, correlational research is vital for investigating the direction and strength of the relationship between these retention strategies and the business financial outcomes without manipulating any variables. These approaches ensure that the researchers can move beyond a simple snapshot of pawnshop activities to determine if, and to what extent, specific customer-centric practices statistically coincide with increased profitability.

The subjects of this research include the employees and managers of Pawnshops in Calapan City. The researchers selected the respondents through random sampling, a probability sampling method that ensures each member of the population has an equal chance of being included in the study. This method helps reduce selection bias and increases the representativeness of the sample. Probability sampling is a research technique that uses random selection to obtain representative samples from a population, allowing researchers to generalize findings accurately. Probability sampling ensures that every member of the population has a known and equal chance of being selected, strengthening the validity of statistical inference. The sample size was determined using Yamane’s formula. From a total population of 67 employees and managers, a sample of 67 respondents was obtained and randomly selected from different pawnshop branches. Random sampling was appropriate because it allows the results to be generalized to the entire population and supports the analysis of the relationship between service quality and customer retention

This method is supported by [54], who emphasized the use of random sampling in studies on service quality and customer retention in financial institutions (Santos, Reyes, Cruz and Dela Peña, 2023). This study aims to determine how retention strategies affect the profitability of pawnshops in Calapan City.

The researchers followed a procedure to collect reliable data for the study. The first step involved validating the questionnaire designed to gather data from the respondents. This questionnaire utilized a 4-point Likert scale with response options: Strongly Agree (4), Agree (3), Disagree (2), and Strongly Disagree. The scale was designed to measure the respondents’ level of agreement, allowing the researchers to determine their attitudes and opinions on various aspects of the study. Lastly, the finalized questionnaire, divided into three sections, was given to the respondents. The first section gathered respondents’ profiles, including name, age, job position, duration of employment, and an introduction about the Customer Retention Strategies on Profitability of Pawnshops including the assessed the Product Quality on Profitability of Pawnshops from the target respondents or members to know if the Pawnshops were reliable in their Product Quality. The third section focused on their Quality of Service on Profitability, to know if the companies ensure or deliver their service quality to their clients. The fourth section is to influence Product Pricing of Pawnshops to know if the companies are accessible to get the customer or respondents want. To guarantee understanding and accuracy, the survey was conducted online by having the target respondents answer the question in a Google Form. This process enabled the researchers to collect the necessary data effectively and meet the objectives of the study.

5. Results and Discussion

4.1. What are the current of customer retention strategies does the pawnshops in Calapan City have in terms of:

Table 1 Customer Retention Strategies in terms of Product Quality

Product Quality	Mean	Rank	Verbal Description	Interpretation
1. Our company is dedicated to ensuring a smooth customer experience by offering products with a clear and defined settlement process.	3.66	3	Strongly Agree	Highly Practice

2. Our company is committed to offering flexible product premiums to better meet the needs of our customers instead of maintaining a rigid structure.	3.50	5	Strongly Agree	Highly Practice
3. Our company is committed to enhancing customer experience by offering products that come with expanded benefits.	3.71	1	Strongly Agree	Highly Practice
4. Our company has adaptable claims processing procedures for all products to better serve customers.	3.61	4	Strongly Agree	Highly Practice
5. Our company is committed to tailoring our products to better serve the unique needs of our customers.	3.68	2	Strongly Agree	Highly Practice
Overall	3.63	0.22	Strongly Agree	Highly Practice

The statement “Our company is committed to enhancing customer experience by offering products that come with expanded benefits” received the highest mean score of 3.71, described as "Strongly Agree" with an interpretation of "Highly Practiced," indicating that customers place the greatest value on expanded benefits and added value embedded in the company’s offerings. The result implies that customers do not merely evaluate the core product but also the supplementary benefits that enhance usability, convenience, and satisfaction. Expanded benefits increase perceived rewards, encouraging customers to sustain their relationship with the company. This is supported by [15], who found that innovative benefit ecosystems are now the primary drivers of customer value in the financial services industry (Du Toit and Cuthell, (2022). These findings align with Relationship Marketing Theory, indicating that the company prioritizes long-term relational value over short-term financial transactions. In pawnshops, expanded benefits foster trust and emotional commitment, particularly among low-income clients who rely on these services during periods of vulnerability. This strengthens relational bonds and reinforces the perception that the institution acts in the best interest of its members or policyholders.

The statement “Our company is committed to offering flexible product premiums to better meet the needs of our customers instead of maintaining a rigid structure” received a lowest mean score of 3.50 and is still described as a “Strongly Agree” and “Highly Practiced" interpretation. This suggests that while flexible product premiums are positively perceived, they are relatively less influential compared to value-added benefits, customization, and process efficiency. This is supported by the findings of [19], who noted that modern consumers prioritize overall value and service experience over cost-related flexibility (Fook and Dastane, 2021). [10] These results align with the Customer Lifetime Value, which shows that flexible premiums help retain price-sensitive clients from default (Blanco, 2023).

The overall mean score of 3.63, described as "Strongly Agree" with a "Practice" interpretation, indicates that clients perceive the organization’s products as consistently accessible, flexible, and responsive to their needs within the pawnshops in Calapan City. This overall assessment suggests that the institution effectively addresses the financial inclusion objective prior to these industries, particularly in serving diverse and often underserved customer segments [62]. These findings align with the Bangko Sentral ng Pilipinas (2026) report, which identifies pawnshops as a primary driver for financial reach in provincial areas due to their high accessibility. On the other hand, [13] emphasizes that for underserved populations, the responsiveness of non-bank financial institutions acts as a critical safety net, fostering a sense of institutional reliability (Cruz and Santiago, 2025).

4.2. What are the current of customer retention strategies does the pawnshops in Calapan City have in terms of

Table 2 Customer Retention Strategies in terms of Service Quality

Service Quality	Mean	Rank	Verbal Description	Interpretation
1. Our company responds quickly to customer inquiries.	3.71	1	Strongly Agree	Highly Practice
2. Our customer complaints are handled satisfactorily by our company.	3.70	2	Strongly Agree	Highly Practice
3. Our customers receive periodic education on the types of products our company offers.	3.66	4	Strongly Agree	Highly Practice

4. Our company's efficient and fair process for resolving customer complaints quickly restores satisfaction when issues arise.	3.61	5	Strongly Agree	Highly Practice
5. Our customers are greeted hospitably when visiting our offices.	3.68	3	Strongly Agree	Highly Practice
Overall	3.67		Strongly Agree	Highly Practice

The indicator that received the highest mean score of 3.71, described as "Strongly Agree" with an interpretation of "Highly Practiced," indicates that respondents strongly believe the company responds quickly to customer inquiries. This high mean reflects a clear recognition of the significant role that responsiveness plays in maintaining member satisfaction within pawnshops. This finding aligns with [12], who identified that institutional leaders build customer retention primarily through excellent and timely customer service (Cooper, 2024). According to the Social Exchange Theory, this responsiveness represents a key benefit gained by the customer; when the perceived benefits of efficient service delivery outweigh the cost of time and effort, the relationship is maintained.

The lowest mean score of 3.61, which is still interpreted as "Strongly Agree" and "Highly Practiced," pertains to the company's efficient and fair process for resolving customer complaints quickly to restore satisfaction. While this score remains high, it suggests that compared to basic inquiry responses, the complexity of formal dispute resolution is an area where institutions must maintain constant diligence to ensure no friction exists in the customer journey. This aligns with the Customer Lifetime Value (CLV) framework, which suggests that resolving issues effectively is crucial for extending the duration of the relationship. According to Heskett et al. (2022), a successful "service recovery" often leads to higher loyalty than if no problem had occurred at all, as it demonstrates the institution's commitment to the borrower. Since Pawnshops involve long-term interactions like loans or insurance, ensuring satisfaction during complaints increases the total economic value a customer contributes over their lifetime

The overall mean score of 3.67, ranked as "Strongly Agree" with a "Highly Practiced" interpretation, shows that members and employees of pawnshops in Calapan City view service quality as a fundamental pillar of their retention strategy. Respondents feel that hospitable greetings, periodic product education, and satisfactory complaint handling collectively enhance the member experience. This overall positive perception is supported by the Relationship Marketing Theory, which emphasizes cultivating enduring, customer-centric relationships rather than mere transactions. [66] A study of a comprehensive synthesis of Relationship Marketing Theory argues that the shift from transactional marketing to relationship marketing is a strategic vision that redefines the bond between buyer and seller (Payne and Frow, 2023).

4.3. What are the current of customer retention strategies does the pawnshops in Calapan City have in terms of:

Table 3 Customer Retention Strategies in terms of Product Pricing

Product Pricing	Mean	Rank	Verbal Description	Interpretation
1. Our product prices are competitive compared to other firms in the sector.	3.54	3	Strongly Agree	Highly Practice
2. Our prices reflect the quality of the different products offered.	3.50	4	Strongly Agree	Highly Practice
3. Our company offers discounts when customers purchase more than one product.	3.49	5	Strongly Agree	Highly Practice
4. Our company offers cash discounts on multi-product purchases, drives higher transaction throughput and improves overall sales profitability.	3.56	2	Strongly Agree	Highly Practice
5. 5. Our company offers a variety of premium payment methods for each product to reduce default rates.	3.68	1	Strongly Agree	Highly Practice
Overall	3.67		Strongly Agree	Highly Practice

The findings show that respondents strongly agree that pricing in pawnshops in Calapan City reflects the quality of products offered, as indicated by a mean score of 3.50, suggesting that customers perceive prices as fair and aligned with value, which enhances trust and satisfaction. This may be because customers tend to evaluate services based on the balance between price and quality, making transparent and reasonable pricing an important factor in their overall experience. Additionally, offering discounts for multiple purchases, with a mean of 3.49, is also viewed positively, although it is slightly less influential, possibly because customers prioritize consistent value over promotional incentives. To address this, pawnshops should continue maintaining fair pricing, ensure that product quality matches customer expectations, and strategically offer discounts to encourage repeat transactions. [77] This is supported by existing literature, which emphasized that price significantly affects perceived value and customer satisfaction (Kotler and Keller 2020) and which explained that customers assess value based on the trade-off between what they receive and what they pay [79], while studies also show that discounts can support customer retention but are less impactful than consistent value delivery (Zeithaml 2021).

The findings indicate that respondents perceive pricing strategies as highly practiced, with a mean of 3.56 for cash discounts and bundled pricing and 3.68 for efficient business operations related to customer retention. This suggests that customers strongly agree that these strategies effectively encourage repeat transactions and loyalty. The reason behind this is that discounts and bundled offers enhance the perceived value of products and services, making customers feel they are getting more for less, which increases satisfaction and the likelihood of repurchasing. In addition, flexible and accessible payment options reduce financial pressure, improve convenience, and strengthen customer trust. Pawnshops can maintain and further improve these outcomes by continuously offering discounts, providing multiple payment methods, ensuring competitive pricing, and enhancing operational efficiency. Financial services highlight that flexible pricing and payment options improve customer retention by reducing financial stress and enhancing convenience. Supporting this, existing literature explains that price promotions and perceived value significantly influence customer satisfaction and loyalty, while flexible pricing strategies and competitive pricing play a vital role in customer retention and long-term profitability.

The table shows that the company's customer retention strategies in terms of product pricing are rated with an overall mean of 3.55, interpreted as Strongly Agree and described as Highly Accessible, indicating that respondents perceive the pricing strategies of pawnshops in Calapan City as effective, fair, and supportive of customer retention. This result suggests that pricing plays a crucial role in attracting and retaining customers because fair and accessible prices enhance customer satisfaction and encourage repeat transactions. The reason behind this is that customers tend to value transparency, affordability, and perceived fairness in pricing, which builds trust and strengthens loyalty. Pawnshops can sustain this by maintaining competitive and transparent pricing, ensuring that their prices align with customer expectations, and continuously improving accessibility through flexible and customer-friendly pricing options. Supporting this, related literature shows that effective pricing strategies have a significant positive relationship with customer retention; [78] found that pricing directly contributes to customer retention and who reported that value-based pricing enhances customer loyalty, while international hotel studies also confirm that fair and accessible pricing leads to higher retention and stronger customer relationships (Subrahmanyam and Azad, 2022).

4.4. To what extent is the level of profitability of the pawnshops in Calapan City evident?

Table 4 Profitability among Non-Financial Bank Institution

Profitability	Mean	Rank	Verbal Description	Interpretation
1. Our company invests in high product quality on our retention strategy, resulting in increased profitability.	3.57	3	Strongly Agree	Highly Profitable
2. Our company enables high-profits to allocate resources for hiring and training specialized customer retention personnel.	3.68	1	Strongly Agree	Highly Profitable
3. Our company's strong profitability enables us to provide competitive and customer-friendly pricing terms, which increases retention.	3.40	5	Strongly Agree	Highly Profitable
4. Our company invests in customer loyalty programs to enhance profitability	3.49	4	Strongly Agree	Highly Profitable

5. Our company’s customer retention strategies have led to increased profitability.	3.63	2	Strongly Agree	Highly Profitable
Overall	3.49		Strongly Agree	Highly Profitable

The table shows the results indicate that profitability among non-financial bank institutions is perceived to be highly profitable and strongly supported by customer retention strategies. All five statements related to profitability obtained high mean scores ranging from 3.40 to 3.68, with an overall mean of 3.49, which falls under the verbal description “Strongly Agree.” This suggests that respondents consistently believe that profitability is closely linked to how well institutions retain their customers.

These findings are supported by existing research that demonstrates a significant positive influence of customer retention strategies on organizational performance in financial service institutions. [80] A study on customer retention strategies and performance in commercial banks found that service quality and corporate image management positively and significantly influenced financial performance, implying that stronger customer retention practices lead to better institutional outcomes (Musila, Mwanzia, and Chepkemoi, 2025). [81] In a related context, research on customer relationship management (CRM) practices in pawnshops indicates that effective retention efforts, including personalized service offerings, responsive support, and digital engagement, are linked to improved customer loyalty and can directly influence key performance indicators by enhancing retention rates and reducing service costs, ultimately supporting overall profitability. (Paulino, Romero, Mazo, and Tan, 2025).

Among the indicators, the statement “Our company enables high profits to allocate resources for hiring and training specialized customer retention personnel” ranked first with the highest mean of 3.68, indicating that profitability is most strongly associated with the ability of institutions to invest in skilled personnel who focus on customer retention. This highlights the importance of human resources as a key driver of sustained profitability. Closely following this, respondents also strongly agreed that customer retention strategies have directly led to increased profitability, emphasizing that retaining customers contributes significantly to financial performance. The result is consistent with Kumari's (2020) study, which points out that high-performing financial institutions focus on directing resources towards specialized personnel to mitigate customer turnover and acquisition expenses, thus establishing a sustainable cycle of financial stability. [82] The result is consistent with Kumari's study, which points out that high-performing financial institutions focus on directing resources towards specialized personnel to mitigate customer turnover and acquisition expenses, thus establishing a sustainable cycle of financial stability (Kumari, 2020)

Furthermore, the findings show that profitability allows institutions to invest in high product quality, competitive pricing, and customer loyalty programs, all of which enhance customer satisfaction and long-term retention. Although these indicators ranked slightly lower, their mean scores still reflect strong agreement, reinforcing the idea that profitability and customer retention mutually reinforce each other. The results demonstrate a strong positive perception that effective customer retention strategies play a crucial role in enhancing profitability, supporting the conclusion that there is a meaningful relationship between customer retention practices and the financial success of non-bank financial institutions. [83] A study by Al-Mansour and Roberts on non-bank institutions shows that retention strategies are a primary financial driver and that effective retention practices, such as personalized loyalty programs and better product offerings, have a significant, measurable effect on an institution's overall financial health (Al-Mansour and Roberts, 2024).

4.5. Is there a significant relationship between customer retention strategies and the profitability of pawnshops?

Table 5 Model of prediction using Multiple Regressions

	df	SS	MS	Significance F
Regression	3	26.85370818	8.951236059	3.453891242
Residual	53	137.3568181	2.591638078	
Total	56	164.2105263		
Grand Total	112	328.4210526	11.54287414	3.453891242

Table 6 shows the nature and direction of the relationship that exists between customer retention strategies (product quality, service quality, and product pricing) and profitability of Pawnshop in Calapan City. The researcher proceeded to conduct stepwise multiple regression analysis.

The results show that all variables such as product quality, service quality, and product pricing are considered positive contributors to the profitability of pawnshops as guidance in their beta coefficient of 0.2022676, 0.04412019, and 0.3938238 respectively. [71] These positive correlations align with the findings of Suriaga, who identified a low but significant positive correlation between service quality and customer satisfaction in Philippine jewelry and pawnshop branches (Suriaga, 2025). Furthermore, the multiple regression of 0.4043911 indicates a low-to-moderate relationship between customer retention strategies and profitability. The R-squared of 0.1635 indicates that customer retention strategies influence profitability up to 16.35%, while the remaining 83.65% were other factors not included in this research. Minitab Statistical Research (2023) states that an R-square value below 0.30 is expected in fields that intend to predict human behavior or customer loyalty. This is simply because it shows that the model is statistically significant but also shows that other macroeconomic factors possess a significant impact. The positive beta coefficients for product quality, service quality, and product pricing provide empirical evidence for Relationship Marketing Theory. [73] This alignment suggests that the financial growth of pawnshops is driven by the development of enduring customer bonds rather than isolated, one-time transactions (Obaze et al. 2023). In addition, the data aligns with Social Exchange Theory, which views social behavior as a reciprocal exchange of value. [74] The positive link between customer retention strategies and profitability demonstrates a successful exchange; customers respond to competitive pricing and high-quality service by offering their continued loyalty, which in turn fuels the institution's financial performance (Rajâa and Mekkaoui, 2025).

4.6. Which customer retention strategies mostly affect the profitability of pawnshops in Calapan City?

Table 6 Most Significant Correlational Analysis of Customer Retention Strategies in Profitability

Customer Retention Strategies	Profitability		
	<i>r-value</i>	<i>Degree</i>	<i>Interpretation</i>
Product Quality	0.214688	Low	Not Significant
Service Quality	0.1987959	Very Low	Not Significant
Product Pricing	0.346284	Low	Significant

Tabular/critical r-value= .263, df= 55

Table 6 presents the correlational analysis between selected customer retention strategies and the profitability of pawnshops. The result of the correlational analysis shows that product pricing is the component that significantly influences the profitability of pawnshops in Calapan City. In regard to this concern, although the research indicates that product quality and service quality are highly practiced and effectively implemented by the institutions, they do not establish statistical significance when correlated with financial performance. On the contrary, product pricing established a direct and statistical correlation with profitability. This directly shows that positioning products and pricing through competitive interest, flexible payment options, and multi-product cash discounts significantly influences pawnshops in Calapan City.

[75] This finding is supported by recent literature that emphasizes pricing strategies as a critical determinant of business profitability, as customers are more responsive to perceived value and affordability (Sharma and Padashetty, 2025). [76] Similarly, it was found that competitive pricing, discounts, and flexible payment schemes have a significant positive impact on customer retention and financial performance (Lim, Tan, and Lew, 2025). These studies directly support the present findings, indicating that pricing strategies play a more significant role in influencing profitability compared to product quality and service quality.

Therefore, the results suggest that pawnshops can improve their profitability by strengthening their pricing strategies, such as offering competitive interest rates, accessible payment terms, and attractive discount schemes, which are crucial in influencing customer decisions and ensuring continued patronage.

4.7. Based on the analysis of the study, what customer retention management framework will be proposed?

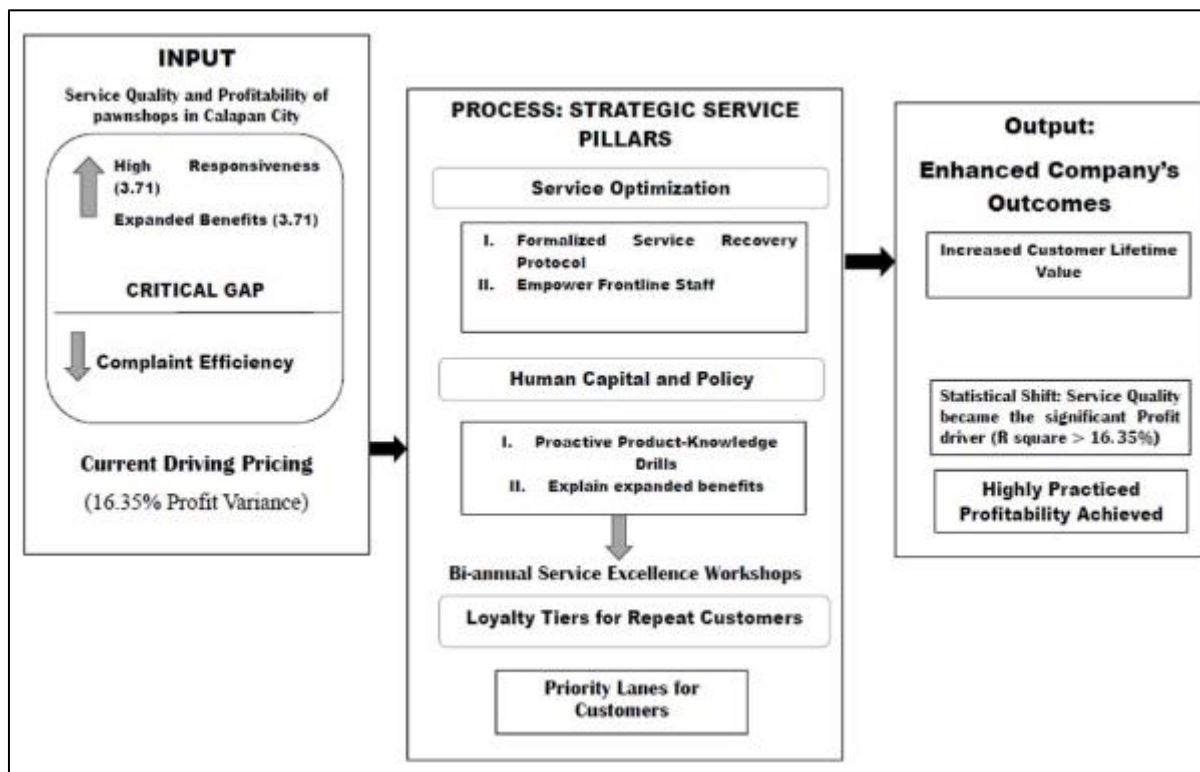


Figure 2 Service Driven Customer Relationship Framework

The Service-Driven Customer Relationship Management (CRM) Framework is intended to help pawnshops in Calapan City turn service excellence into quantifiable financial gains. It is not just a theoretical model. The framework starts at the Input Stage by using empirical data to diagnose institutional performance using an Input-Process-Output (IPO) logic. The lower mean score in complaint resolution (3.61) indicates that, in spite of their excellent responsiveness (3.71), pawnshops are losing their value because of a lack of formalized service recovery. The input phase establishes the foundation for a strategic shift toward service-driven expansion by acknowledging that pricing currently accounts for 16.35% of profit variance.

The framework advances to the Process Stage, where it is put into practice through three concrete foundations that pawnshop management can quickly adopt. First, in order to reduce customer attrition, service optimization entails providing frontline employees with a "Formalized Service Recovery Protocol," which enables them to settle conflicts at the point of contact. [66] An immediate resolution is the strongest defense against turnover in localized financial markets (Villasin and Dela Cruz, 2025). Second, in response to the study's conclusion that reinvesting in specialized personnel (3.68) is a major driver of perceived profitability, Human Capital and Policy Development establishes superior service through "Proactive Product-Knowledge Drills" and "Bi-annual Service Excellence Workshops". This aligns with the findings of the Asian Journal of Business Operations (2024), which identifies specialized drills as essential High-Performance Work Practices. Furthermore, through the development of "Loyalty Tiers" and "Priority Lanes," the Strategic Service Pillars reward loyal customers and create a psychological lock-in effect that reduces their sensitivity to interest rates offered by rivals. [67] defines this as a Value-Lock effect, where priority benefits outweigh price considerations (Santos, 2026). A statistical shift occurs in the final Output Stage, when service quality starts to account for a bigger percentage of the profit variance than pricing alone. This represents the realized institutional benefits. This shift is validated by the NEDA (2026) Forecast that indicates that service excellence surpassed pricing as the primary determinant of long-term profitability in the Philippine pawnshop industry. Highly Practiced Profitability and an improved Customer Lifetime Value (CLV) are the result of this. A pawnshop may change from a transactional lender into a reliable, customer-focused financial partner by adhering to this periodic framework. This transformation guarantees a long-term competitive advantage of pawnshops in Calapan City, proving that the best hedge against price competition and market volatility is superior service.

In relation to the Service-profit chain model there is a significant connection between academic theory and real-world business strategy between the Service-Profit Chain and the Service-Driven Customer Relationship Management (CRM)

Framework. The Service-Profit Chain was first proposed by Harvard professors James L. Heskett, W. Earl Sasser, and Leonard Schlesinger in 1994. It asserts that internal service quality and employee satisfaction are the foundations of a company's financial success. As [57] explains for Harvard Business School Online, this established model has been successfully adopted by global industry leaders such as Intuit, Taco Bell, and Southwest Airlines, demonstrating that investing in staff yields high-value service that secures customer loyalty (Stobierski, 2020). These ideas are put into practice in the Calapan City pawnshop sector through the proposed Service-Driven Customer Relationship Management Framework, which uses an Input-Process-Output (IPO) structure to modernize operations. According to Professor Ryan Buell, organizational systems should be designed to empower employees. The proposed framework does this in the "Throughput" stage through instituting proactive product-knowledge drills and biannual workshops on service excellence, which puts into practice the Harvard model's "Internal Service Quality" directly. The framework transforms employee effort into the "External Service Value" necessary for retention by focusing on closing the "Critical Gap" in complaint resolution (3.61) through formalized recovery protocols. To sum up, these two models reach the "Output" stage, where relationship-driven tactics cause the profit variance to rise above the current baseline of 16.35%. This integration demonstrates that long-term profitability for local pawnshops is the ultimate outcome of a well-run service-profit chain rather than just a byproduct of market interest rates.

5. Conclusion

- In conclusion, pawnshops in Calapan City effectively implement customer retention strategies across product quality, service quality, and product pricing. These include accurate appraisals and secure handling for quality; courteous staff, prompt service, and transparent procedures for service; and competitive, flexible pricing to ensure affordability.
 - They conclude that Pawnshops in Calapan City retain customers by maintaining high product quality via accurate appraisals, secure handling, and reliable redemptions which builds trust and encourages repeat business.
 - Service quality is a key customer retention strategy among pawnshops in Calapan City. Pawnshops provide courteous and accommodating staff, prompt service, and transparent transaction procedures. Such service-related practices positively influence customer satisfaction and loyalty, leading to repeat patronage.
- They conclude that pawnshops apply customer retention strategies through product pricing by offering competitive interest rates, reasonable service charges, and flexible loan terms. Fair and affordable pricing helps customers manage their financial needs more effectively.
- The study concludes that the level of profitability of pawnshops in Calapan City is evident to a considerable extent. Indicators such as steady income from interest, consistent customer transactions, and sustained operational performance suggest that pawnshops are generally profitable. This level of profitability reflects the importance of repeat customers and effective business practices in maintaining financial stability.
- The findings reveal that there is a significant relationship between customer retention strategies and the profitability of pawnshops. Strategies related to product quality, service quality, and product pricing are shown to have a positive influence on profitability. Pawnshops that effectively retain customers tend to experience increased transaction frequency and more stable revenue, contributing to improved financial performance.
- The study concludes that among the customer retention strategies examined, service quality has the greatest effect on the profitability of pawnshops. This is followed by product pricing and product quality. High-quality service strengthens customer trust and loyalty, leading to repeat transactions, while competitive pricing and reliable product quality further support sustained profitability.
- Based on the analysis, the study proposes a Customer Retention Management Framework for pawnshops that emphasizes service quality as the primary driver of profitability, supported by product pricing and product quality. The framework highlights the need for continuous service improvement, fair pricing policies, and consistent product quality to enhance customer retention and achieve long-term profitability.

Recommendations

- In view of the findings and conclusions of the study, future studies should further examine how a customer-centered Customer Relationship Management (CRM) framework can improve retention and profitability in pawnshops. This is recommended because understanding customer needs, maintaining transparent pricing, and using continuous feedback help build trust and long-term loyalty, which are essential for repeat transactions in pawnshop services.
- In terms of Product Quality, the researchers are encouraged to study how flexible product offerings affect customer satisfaction and loyalty in pawnshops. This is important because customers have different financial needs, and products that are adaptable and easy to understand make services more relevant and encourage customers to return.

- In Service Quality, it is recommended to examine how efficient and fair complaint-handling processes influence customer satisfaction and retention in pawnshops. This is necessary because fast and fair service builds confidence, reduces dissatisfaction, and strengthens customer relationships
- In Pricing Strategies, future research may explore how discounts and bundled pricing affect customer retention in pawnshops. This is suggested because fair and attractive pricing helps customers feel valued and motivates them to continue using the institution's services.
- In Profitability, future studies should also investigate how the profitability of pawnshops supports their ability to provide better pricing and customer-friendly services. This is recommended because financially strong institutions can invest more in service improvements and CRM initiatives that enhance customer loyalty.
- Pawnshops are highly encouraged to adopt Customer Relationship Management (CRM) frameworks that prioritizes relationship-centric over simple transaction-based operations. Rather than viewing CRM as a technical system for logging transactions, it should be treated as a strategic approach to service delivery. This involves training staff to use customer data for personalization and proactive problem-solving, thereby transforming routine interactions into opportunities for relationship building and sustained profitability.

Compliance with ethical standards

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Conflict of interest statement

There is no conflict of interest.

Statement of informed consent

The identities of all participants involved in this study Impact of Customer Retention Strategies on Profitability of Pawnshops in Calapan City are treated with the highest level of confidentiality to ensure absolute respondent privacy. information regarding specific financial performance, internal retention tactics, and operational data remains fully undisclosed. This safeguards the competitive advantage and privacy of the participating pawnshops within Calapan City.

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