

CUSTOMER RETENTION MANAGEMENT FOR THE
HOTEL INDUSTRY IN GAUTENG

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SUMMARY

The effects of globalisation, local economic conditions, and developments in the service-, tourism-, and hotel industries, as well as increasing competitiveness, have led to major changes in the operating environment of South African hotels, in Gauteng particularly. These changes necessitate marketing responses from the hotels so that they can gain, but also (more profitably) *retain* customers. The present study develops a customer retention framework for Gauteng hotels.

The study's literature review reveals that service businesses, such as hotels, need to put in place competitive marketing strategies to improve competitiveness, and retain customers. Also, once demand is created for the hotel's offering, it needs to manage this demand, as well as its capacity to deliver.

It transpires that customer retention management has several components. It is important to build relationships with customers, manage customer-to-customer interaction to reduce dissatisfaction, as well as try to *reduce* potential defections. Also, service failures should be managed, and hotels have plans for service recovery.

A questionnaire sent to a representative sample of Gauteng hotels determined their customer retention management practices. The majority of these hotels *do* measure customer retention rates *and* consider activities and strategies associated with customer retention management as important in retaining guests. Gauteng hotels also conduct these activities frequently. It transpires too that different types and sizes of hotels, even those which do not measure their customer retention rate, differ very little in the importance they give to customer retention activities, and in the frequency with which such activities are performed. These results enable the formulation of a customer retention framework for hotels in Gauteng, for use by any type of hotel, whatever its size.

OPSOMMING

Die gevolge van globalisering, plaaslike ekonomiese toestande en ontwikkelinge in die diens-, toerisme-, en hotelindustrieë, sowel as 'n toename in mededingendheid, het gelei tot groot veranderinge in die bedryfsomgewing van Suid-Afrikaanse hotelle, meer spesifiek in Gauteng. Hierdie veranderinge noodsaak bemarkingsresponse van hotelle om hulle in staat te stel om kliënte te verkry, maar ook (meer winsgewend) om kliënte te *behou*. Hierdie studie ontwikkel 'n kliëntretensieraamwerk vir hotelle in Gauteng.

Die literatuurstudie bevind dat diensondernemings, soos hotelle, mededingende bemarkingsstrategieë moet vestig om hul mededingendheid te verbeter, asook om kliënte te *behou*. Wanneer 'n aanvraag na die hotel se aanbieding geskep is, moet die aanvraag bestuur word, en ook die hotel se kapasiteit om te presteer.

Daar is ook bevind dat kliëntretensiebestuur oor verskeie komponente beskik. Dit is belangrik om verhoudings met kliënte te bou, om kliënt-tot- kliënt-interaksie te bestuur ten einde ontevredenheid te verminder, asook om te poog om potensiële dislojaliteit te verminder. Diensmislukking moet ook bestuur word en hotelle het ook planne vir diensherstelling.

'n Vraelys is uitgestuur aan 'n verteenwoordigende steekproef van Gauteng hotelle om hul kliëntretensiebestuurspraktyke te bepaal. Die meeste van hierdie hotelle meet wel hul kliëntretensiekoers en beskou aktiwiteite en strategieë wat geassosieer word met kliëntretensiebestuur as belangrik om gaste te *behou*. Gauteng hotelle voer ook hierdie aktiwiteite gereeld uit. Dit blyk verder dat verskillende tipes en groottes hotelle, selfs die wat nie hulle kliëntretensiekoers meet nie, baie min verskil met betrekking tot die belangrikheid wat hulle aan kliëntretensie-aktiwiteite toeken, asook ten opsigte van die gereeldheid waarmee die aktiwiteite uitgevoer word. Hierdie resultate maak die formulering van 'n kliëntretensieraamwerk vir hotelle in Gauteng moontlik, vir gebruik deur enige tipe hotel, ongeag die grootte van die hotel.

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CHAPTER 1

BACKGROUND AND PROBLEM STATEMENT

1.1 INTRODUCTION

Chapter One begins by clarifying the terminology used in this study. The background to the study, which contextualizes the topic under consideration, is then presented. This is followed by the formulation of the problem statement, and the goals and objectives of the study. A brief overview of the research methodology is provided. Chapter One also discusses the restrictions on the study, and indicates what is to come in later chapters.

1.2 CLARIFICATION OF TERMINOLOGY

This section provides definitions of important concepts used in the study. The concepts are defined so as to indicate their meaning within the context of this particular study.

1.2.1 Customer retention

Blattberg, Getz and Thomas (2001:68) state that customer retention occurs when customers continue purchasing a product or service over an extended period of time. For products with short purchase cycles, they define customer retention as occurring when 'the customer continues to purchase the product or service over a specified time period'. For products with long purchase cycles, they define customer retention as taking place when 'the customer indicates the intention to purchase the product or service at the next purchase occasion'.

Payne (2000a:114) defines the customer retention rate as 'the percentage of customers at the beginning of the period who still remain customers at the end of the period'. Payne

warns, however, that other, more complex definitions might be more appropriate in instances where customers frequent more than one business at the same time. In the case of an hotel, it stands to reason that customers may regularly stay at a number of *different* hotels. To measure customer retention, therefore, a number of factors need to be taken into account. These include the customer retention rate over time, the customer retention rate by market segment in terms of the different services or products offered, and the share earned of the customer's wallet (Payne, 2000a:114-115).

1.2.2 A customer retention framework

A framework can be defined as an 'hypothetical description of a complex entity or process' (WordNet, 2005). A framework can also be defined as a 'logical structure for classifying and organizing complex information' (Balance Scorecard Institute, 2005). For the purposes of this study a customer retention framework is defined as a logical structure which describes, classifies, and organizes the factors involved in retaining customers over time.

1.2.3 Hotel industry

The Standard Industry Classification (SIC) coding system classifies the hotel industry under code 64101. The 64101 classification includes (Statistics South Africa, 2002):

- Accommodation hotels, motels, boat hotels and inns;
- Hotels registered with the SA Tourism Board;
- Licensed accommodation hotel operations;
- Licensed drinking hotel operations;
- Licensed hotel dining-room operations;
- Liquor off-sales at hotels;
- Private hotels;
- Seasonal hotel operations;
- Summer resort hotels;

- Licensed tourist house hotel operations; and
- Year-round hotel accommodation.

1.2.4 Hotel

The Tourism Grading Council of South Africa (2004) defines an hotel as an establishment that 'provides accommodation to the travelling public; has a reception area and offers at least a breakfast room or communal eating area. In general an hotel makes food and beverage services available to guests, though these may be outsourced or provided by the hotel'.

1.2.5 Gauteng

Gauteng is the smallest province in Southern Africa. The province covers an area of 18 810 square kilometres. The province constitutes approximately 1.4 per cent of the total land surface of Southern Africa and comprises 23 administrative districts. In the 1996 Census, the population of Gauteng was estimated to be 7 348 423 people. Johannesburg is the provincial capital (Turner, 2000:148).

1.3 BACKGROUND TO THE STUDY

The background to the study starts out with an examination of the factors that have an impact on hotels in South Africa, and Gauteng in particular. The aim here is to provide an explanation of the environment in which hotels find themselves.

The second part of the study's background explores customer retention management – the aim being to illustrate how customer retention fits into a conceptual framework of service strategies, as well as to provide an overview of the issues underlying customer retention management.

1.3.1 The factors impacting on hotels in Gauteng

This section looks at the globalisation of the world economy, the importance and growth of the service economy, and the role of tourism in the South African and Gauteng economies. It ends with an overview of the hotel industry.

1.3.1.1 The globalisation of the world economy

Globalisation involves the integration of economies throughout the world through trade, financial flows, the exchange of technology and information, and the movement of people (Quattara, 1997:1). Globalisation is a reality: it is not just a possibility or something that can be wished away. Nor is it a new phenomenon: a century ago global trade was as much a fact of life as it is today. Globalisation has always been a factor in economic life; today, however, it is an obsession. A complex set of circumstances exists today, which makes the modern world a challenging environment. Power is shifting in unexpected directions. The world is becoming more integrated and interdependent. The more integrated a country's economy becomes with the rest of the world, the more participants in that economy have no option but to engage in a global game (Manning, 1998:1-2).

Two macroeconomic factors seem to contribute significantly towards globalisation. The first is the decline, since the end of World War II, in trade barriers that hamper the free flow of goods, services, and capital. The second is technological advancement – particularly in communications, in information processing, and in transport technology (Erdly & Kesterson-Townes, 2002:12; Hill, 1997:8).

Manning (1998:3) argues that the primary goal of a country should be to integrate its economy into the global economy as fast as possible. The author states, furthermore, that if there is any chance of realizing the goal of the South African government's Growth, Employment and Redistribution plan (GEAR), South African businesses have to earn foreign exchange through export activities, and foreign investors must be enticed to

invest in South Africa.

The globalisation of markets opens opportunities, but it also presents threats to domestic businesses. Powerful international competitors have entered the South African market. Many well known international hotel groups now have a presence in the country, and are making the most of opportunities present in South Africa (Bennett & Strydom, 2001:51). Consumers all over the world are also demanding more from businesses (Cateora & Graham, 2005:28).

South African businesses cannot escape the globalisation of the world economy. In addition, globalisation is causing the service sector to become increasingly important in the overall economy: the South African service sector is indeed growing at a rapid pace.

1.3.1.2 The importance and growth of the service sector

In most developed countries, around 80 per cent of the workforce is employed in the service sector. Service sector industries typically include education, retailing, tourism and hospitality, medical and hospital services, as well as communications and construction services (McColl, Callaghan & Palmer, 1998:43). McColl, Callaghan and Palmer show that service sectors have shown steady growth within the economies of most countries, and that this growth has a positive impact on average annual employment rates as well as on gross domestic product.

1.3.1.3 The role of tourism in the South African and Gauteng economies

Tourism is seen by many as an industry that can be used by governments to provide revenue for them to achieve their political and social objectives. In the case of South Africa, tourism can contribute to economic growth and restructuring, to generating employment, and to developing impoverished parts of the country. Tourism can also contribute to the South African economy by helping to raise the national income, the level of employment, the balance of payments, and foreign exchange rates. Furthermore,

imbalances between rich and poor provinces might also be diminished through a more equitable distribution of gross geographical product and employment (Hall, 2000:25).

Foreign visitors spent approximately 893 million dollars (USD) in South Africa during the first six months of 2000. More than 2.8 million foreigners visited South Africa during this period. Despite negative perceptions and reports about crime, the number of overseas visitors increased by 4.4 percent from 1999 to 2000 (Xinhua, 2001:1).

In January 2002, 18 469 more tourists visited South Africa than in January 2001. This can be ascribed to the fact that South Africa came in the space of that one year to be viewed as a safer tourist destination. The amelioration in perceptions of South Africa is perhaps partly attributable to the September 11, 2001 attacks on the United States of America: South Africa's remoteness from that makes it an attractive proposition to tourists (Pretorius, Jubasi & Horner, 2002:1).

The national survey of domestic tourism in South Africa (South African Tourism, 2001:8) found that tourists undertook approximately 34 million trips during the period May 2000 to April 2001 within South Africa. A 'trip' is defined as at least one night away from the normal place of residence (South African Tourism, 2001:xiii). Trips were undertaken in South Africa for the following reasons (South African Tourism, 2001:10-16):

- visiting friends and relatives (58.7 per cent);
- holiday, leisure and recreational purposes (20.5 per cent);
- religious purposes, or pilgrimages (14.1 per cent);
- receiving health treatment (4.3 per cent); and
- business and professional purposes (2.4 per cent).

Table 1 provides an exposition of expenditure on domestic trips made to Gauteng during the period May 2000 to April 2001.

Table 1: Expenditure on domestic trips made to Gauteng

	Transport	Accommodation	Food	Entertainment	Gifts	Total
Leisure R value Per capita %	R183 210 894 R268 37%	R110 921 361 R162 23%	R128 516 961 R188 26%	R49 077 160 R72 10%	R18 322 864 R27 4%	R490 049 239 R716 100%
Visiting friends & relatives R value Per capita %	R350 827 002 R133 57%	R21 989 065 R8 3%	R149 613 734 R57 24%	R51 912 819 R20 9%	R43 118 318 R16 7%	R617 460 937 R234 100%
Business R value Per capita %	R56 653 819 R369 48%	R32 368 429 R210 27%	R22 025 889 R143 19%	R4 485 038 R29 4%	R2 327 598 R15 2%	R117 860 773 R766 100%
Health R value Per capita %	R12 352 979 R88 36%	R14 907 389 R106 43%	R6 442 316 R46 19%	R412 479 R3 1%	R552 006 R4 2%	R34 667 168 R246 100%
Religion R value Per capita %	R67 479 440 R150 53%	R27 663 134 R62 22%	R29 400 761 R65 23%	R1 175 027 R3 1%	R1 303 825 R3 1%	R127 022 187 R283 100%

Source: South African Tourism (2001:49)

Gauteng attracted 6.6 million tourist trips during the period May 2000 to April 2001, the highest for any province. About half of the R2.1 billion spent on these trips was for visits to friends or relatives, and a quarter was spent on holidays or leisure. Substantial amounts were spent on business trips (South African Tourism, 2001:51-52).

According to Table 1, domestic tourists to Gauteng spent approximately R208 million on accommodation during the period in question. The expenditure on accommodation, according to the table, is of particularly relevance to the proposed study: a portion of this expenditure by local and foreign tourists does, after all, constitute the revenue of hotels in Gauteng.

In 2001 tourism was viewed as a fast-growing industry in South Africa. It contributed R25 billion to the economy in 2000 – about 4.9 per cent of gross domestic product (Dikeni, 2001:519). The country is also ranked 25th on the list of top tourist destinations, according to World Trade Organization (WTO) statistics (Pretorius et al., 2002:1; Awe, 2000:1).

In 2003 the tourism industry in South Africa was viewed as the fastest growing in the world. A total of 24.2 per cent of overseas visitors came from Europe, 20.7 per cent from Asia, 14.5 per cent from Australia, and 9.2 per cent from North America. There was also an increase in visitors from African countries during 2003 (Keppler, 2003:3). The increase from 2002 to 2003 was 4.2 per cent for visitors from overseas, 1.2 per cent for total foreign arrivals, and 5.3 per cent for visitors from the important European market (Anon., 2004:5).

It is widely anticipated that the World Cup Soccer tournament in 2010 – to be held in South Africa – will lead to aggressive growth in tourism in the country. It is thought that the growth will be sustained for many years thereafter (Kloppers, 2005:28).

The hospitality industry has grown phenomenally since 2001. This has been driven by both leisure and business demand (Kloppers, 2005:28). The growing number of tourists to South Africa, and the money that they spend, is creating opportunities for businesses in the tourism and related industries (Saayman & Olivier, 2005:123). In April 2005, 92.6 per cent of overseas travellers indicated that they were visiting South Africa for leisure purposes, while 3.3 per cent were visiting for business. The balance of overseas travellers (4.1 per cent) was made up of transit passengers, contract workers, and foreign students (Statistics South Africa, 2005a).

South Africa is thus an attractive tourist destination, with great potential for further development. The country is striving to position itself as a major player within the global tourism industry. Many existing and new tourism businesses have expanded and

developed new products, and are becoming more competitive.

Tourism encompasses a wide array of businesses and activities. Tourism businesses and activities involve airlines, timeshare establishments, travel agencies, resorts, tour operators, entertainment services, marketing research, public relations, as well as physical planning and development (Goosen, 2000:126). Tourism also encompasses restaurants and suppliers of accommodation such as hotels, guesthouses and bed-and-breakfast establishments (Dikeni, 2001:519). The following section addresses the role of hotels in the tourism industry.

1.3.1.4 The hotel industry in South Africa

The growth of the hospitality industry has always been tied to the expansion of business and tourism. Providing accommodation is arguably the oldest professional activity. Giving travellers a place to stay and eat is mentioned in the earliest historical records; and the concept of an hotel-like establishment predates the Bible. The Egyptians, Greeks, and Romans built pleasure and tourist resorts that would have rivalled today's massive complexes in style and grandeur, if not in the sophistication of their facilities (Wearne & Morrison, 1996:2).

Since shortly after the establishment of a replenishment station at the Cape by the Dutch East India Company, South Africa has had hotels. The need for accommodation has grown since then. The South African hotel industry is recognized as one of the most important industries of the South African economy (McManus, 2000:131). In June 2005 there were approximately 48 800 rooms available per night at South African hotels. The occupancy rate for the corresponding period was 55.8 per cent (Statistics South Africa, 2005b:4).

McManus (2000:131) states further that the industry in South Africa is characterized by the presence of many of the world's best known hotel brands. These include Holiday Inn, Sheraton, and Hyatt. Home-grown brands such as Sun International, City Lodge, and

Protea Hotels and Inns offer a further glimpse of the diversity of accommodation available to travellers in South Africa.

Hotels differ in style and size. Some hotels have up to 800 bedrooms. Yet others are full-service establishments, some are medium-sized business-class hotels, others do business in the budget sector, and, finally, there are the small country inns (McManus, 2000:131).

During February and March of 2002, the hotel industry experienced rapid growth. Occupancy rates increased 11.2 per cent over the corresponding period in 2001. The reasons for this included the fact that South Africa is gradually being perceived as becoming a safer and better value destination, offering hotels which are of the same standards as overseas competitors (Fredericks, 2002:3).

Total sales from travel accommodation amounted to R21.3 billion in 2004, up six per cent from 2003. Hotels accounted for R7.6 billion, or 37 per cent of total accommodation sales in South Africa in 2004 (Euromonitor International, 2005).

A study conducted at 6500 hotels world-wide found that hotel room rates in South Africa are among the lowest when compared to developed countries. Increases in hotel room rates were also found to be in line with inflation (Jenvey, 2005:22).

1.3.2 Customer retention

Businesses continually seek new ways to acquire, retain, and increase business due to the fact that the cost of losing customers is rising. Service has long been an important factor in customer retention. The role of service is more critical than ever – a trend which will continue (Potter-Brotman, 1994:53). Choi and Chu (2001:289) show that those businesses (hotels) that can attract, satisfy, and retain customers are more likely to survive than businesses which do not do this.

Reichheld and Sasser (1990:105-108) contend that businesses increasingly find

themselves in a situation where they have to build professional customer retention management systems. Two reasons are cited for this. On the one hand, the costs of acquiring new customers are increasing. Acquiring a new customer entails initial costs, and new customers only become profitable over time. On the other hand, the profitability of a customer grows throughout the duration of the business relationship. A business can increase its profits by almost 100 per cent if it is able to retain five per cent more customers than it was. Successful customer retention allows the business to focus on the needs of its *existing* customers instead of focusing on acquiring new customers. Successful customer retention also allows the business to build relationships with customers (Reichheld & Sasser, 1990:105-108; Hoffman, Kelly & Chung, 2003:334).

Customer acquisition programmes that businesses *initially* consider successful perform poorly when evaluated against the benefits of longer-term growth in customer base – and the profits that arise from such a scenario (Banasiewicz, 2004:23). McIlroy and Barnett (2000:348-350) are of the opinion that profitability has more to do with retaining existing profitable customers and increasing the amount these customers spend than with trying to attract new customers. It is an interesting and well documented phenomenon that a business should allocate more funding to customer retention when its market share is rising, and fund customer acquisition efforts when its market share is falling (Fruchter & Zhang, 2004:12).

Skogland and Siguaw (2004:221) report in the literature review of their study that returning customers are less costly to serve: they have been educated in the offering available from a business, and do not involve any set-up costs. Returning customers buy more from a business and tend, at the same time, to pay higher prices, as well as provide positive word-of-mouth advertising for the business. Regardless of these obvious benefits arising from retaining customers, there is little evidence of businesses seeking increased profitability from a customer-driven approach (Jamieson, 1994:11).

Although many businesses claim that they consider customer retention a primary objective, businesses do not clearly define 'customer retention', nor do they measure their

customer retention rate. If a business is serious about improving customer retention it should firstly define what customer retention means for business and then put in place the necessary measures to quantify its retention rate (Aspinall, Nancarrow & Stone, 2001:87).

Those who study the exchanges that take place between businesses and customers tend to show that shrewd marketers should view existing customers as a major growth opportunity. The relationships between a business and its customers also tend to be viewed as being all-encompassing, inescapable, and highly interdependent. Connections between customers and businesses are vital to both parties (Claycomb & Martin, 2001:385).

Middleton and Clarke (2000:397) conclude that regular customers represent an important strategic marketing asset for an accommodation business like an hotel. Customers may decide to become, or remain, loyal. Customers also provide businesses with a free conduit through which they can reach the customers' associates and friends. This latter group will in all likelihood have likes and requirements that are similar to those of the existing customers.

Kurtz and Clow (1998:380-381&403) suggest that despite the efforts of service businesses to introduce competitive strategies in order to attract customers, and despite their efforts to manage supply, demand, and productivity (with the goal of providing customers with more consistent, higher levels of service quality), customers do not always remain loyal or purchase from the same business. Customers may purchase from a competitor because of lower prices or superior service. Service businesses must therefore reach beyond simply satisfying customers: they must build relationships that will result in customer retention (Kurtz & Clow, 1998: 380-381&403). Relationship marketing efforts enable businesses to build stronger relationships with customers – relationships on which long-term business success depends (Claycomb & Martin, 2001:385&396). The relationship a business builds with a particular customer has value attached to it. If a business knows what the value of the relationships is – as well as what the cost of losing

a customer is – the business will be able to accurately evaluate its investment in retaining a customer (Zeithaml, Bitner & Gremler, 2006:187).

Another important factor in retaining customers is managing customer-to-customer interactions (Kurtz & Clow, 1998:380-381). As the study of service experience within a wide range of service environments has developed, there has been an increased recognition that customer satisfaction is often dependent upon customer interaction within the service facility's physical environment. Interaction between customers may significantly affect customer satisfaction *and* the likelihood of return visits. It is thus important for service businesses to be sensitive to the relationships between customers. The behaviour of customers can strengthen or weaken these relationships (Rowley, 1996:15). A service business should therefore develop a customer compatibility programme to promote positive encounters and discourage negative encounters between customers (Martin, 1996:165).

Service businesses should also develop programmes to minimize customer defections (Kurtz & Clow, 1998:380-381). The customer defection rate refers to the pace at which customers leave a business (Page, Pitt & Berthon, 1996:821). Businesses with high defection rates lose more customers than businesses that have identified a need to reduce the defection rate – and have allocated resources to accomplish this. Once customers are lost it is unlikely that they will be regained. The reduction of the customer defection rate increases profits to a far greater extent than do growth in market share, higher profit margins, or a distinctive competitive advantage (Colgate, Stewart & Kinsella, 1996:23-24).

'Service failure' can be defined as the inability to meet the expectations of customers regarding the standard of service delivery (Ahmad, 2002:19; Palmer, 2001:74&492). From the customer's perspective service failure refers to any situation where something regarding received service has gone wrong (Palmer, 2001:74&492). When a service failure occurs, the fail-point needs to be documented and the service delivery system should be reviewed and modified to prevent similar future service failures (Ahmad,

2002:19).

The recovery of customers who complain is equal to, if not more important than, providing good service *initially*. If a complaint is resolved, customers will tell more people about the successful service recovery than if they had received good quality service in the first place (Eccles & Durand, 1998:68). According to Baron and Harris (2003:64) service businesses need to plan for service recovery.

This and other such considerations form the background against which the study can proceed, and provide a context for factors that will come into the study at a later stage. The following section states the problem to be addressed in the study.

1.4 PROBLEM STATEMENT

The background to the study outlines the factors impacting hotels in Gauteng. It also emphasizes issues surrounding customer retention management. The foregoing discussion (in Section 1.3.1) leads to the following assertions:

- The more integrated a country's economy becomes with that of the rest of the world, the more players in the economy have to engage in a global game. The primary goal of a country should be to integrate its economy into the global economy as fast as possible.
- The globalisation of markets poses threats for local businesses. Strong overseas competitors have entered the Southern African hotel industry and major international hotel groups are taking advantage of the opportunities present in South Africa.
- South African businesses cannot escape the globalisation of economies. Given the trend towards globalisation, the service sector increases in importance. Service-oriented economies have shown consistent growth.
- The tourism industry can positively contribute to the South African economy by

improving the national income, the level of employment, the balance of payments, and the foreign exchange rate.

- Gauteng attracted 6.6 million domestic tourist trips during the period May 2000 to April 2001 – the highest of all the provinces. About half of the R2.1 billion spent was for visits to friends or relatives; a quarter was spent on holidays or leisure. Substantial amounts were spent on business trips. Domestic tourists to Gauteng spent approximately R208 million on accommodation during this period.
- Tourism is a fast-growing industry in South Africa. Tourism was the fourth-largest industry in South Africa in 2001, and the fastest growing tourism industry in the world in 2003. This has obvious relevance to a study of the hotel industry such as the present one.
- In June 2005 there were approximately 48 800 rooms available per night at South African hotels with an occupancy rate of 55.8 per cent.
- The hotel industry comprises more than 1500 establishments countrywide, with in excess of 70 000 bedrooms available every day.
- The hotel industry experienced rapid growth during the early months of 2003 with occupancy rates up by 11.2 per cent over the corresponding period in 2002 and hotels accounting for 37 per cent of all accommodation sales in South Africa.
- The standard of hotels in South Africa is comparable to that of hotels around the world. Furthermore, hotel room rates in South Africa are considered very competitive.

The discussion in Section 1.3.2 emphasizes the following points:

- Businesses (such as hotels) that can attract, satisfy and retain customers are more likely to survive than those that do not do these things.
- Businesses increasingly find themselves in a situation where they have to build professional customer retention management systems.
- The costs of gaining new customers in highly competitive markets are increasing considerably.
- The profitability of an individual customer grows throughout the duration of the

business relationship.

- Businesses can expect increased profitability through customer-driven approaches to customer retention.
- Existing customers represent a major growth opportunity and marketing asset. They also provide free advertising.

During the course of the literature review it was discovered that much research has been done on customer retention and on the different components of customer retention and how it should be managed. But it was also found that a comprehensive customer retention framework for hotels has not yet been proposed. Kurtz and Clow (1998) write about customer retention management for the service industries as a whole. An opportunity exists, therefore, for establishing a customer retention framework for hotels in Gauteng.

Coming up with such a framework is all the more pressing because of the effects of globalisation, of local economic conditions, and of developments in the service, tourism, and hotel industries. Furthermore, increased competition has led to major changes in the environment in which South African (and Gauteng) hotels operate. In order to survive and prosper hotels need to come up with marketing responses that enable them to retain customers.

The aim of the present research is to suggest a customer retention framework for hotels in Gauteng. The research entails a literature review of customer retention management principles, and an investigation into the customer retention practices of hotels in Gauteng. This two-pronged approach will enable the researcher to propose a framework for customer retention management in the Gauteng hotel industry.

From the literature review it seems likely that proposing a customer retention framework will be beneficial for service industry businesses such as hotels:

- Building strong relationships with customers not only helps businesses to retain customers but also leads to long-term success and survival.

- Customer-to-customer interaction may significantly affect the likelihood of customer retention and customer satisfaction.
- When customers are retained, the defection rate is reduced. This reduction can increase profits far more than growth in market share, better margins, and other factors usually associated with competitive advantage.
- When a service failure is documented and the service delivery system is reviewed and modified, similar future service failures can be prevented.
- If a customer complaint is resolved or a service failure rectified customers will more readily tell people about the successful recovery than if they had received good quality service in the first place.

The problem statement of this study is once again addressed in Section 5.2, where the insights gleaned from the literature review (presented in Chapters Two, Three and Four) are taken into account in a brief restatement of the problem the study. The research propositions stated in Section 1.6 are also restated, and motivations for the formulation of the specific research propositions are provided, based on the insights gained in Chapters One through Four.

This section dealt with the problem statement of the study. The logical progression from this is an identification of the research objectives of the study. Section 1.5 does this, explaining the goal of the study and its subsidiary research objectives.

1.5 THE GOAL AND RESEARCH OBJECTIVES OF THE STUDY

1.5.1 Goal

The goal of this study is to develop a customer retention framework for hotels in Gauteng.

1.5.2 Research objectives

The goal of the study is supported by the following research objectives:

1.5.2.1 To investigate different competitive marketing strategies for hotels in Gauteng.

1.5.2.2 To investigate the management of demand for services, and supply of services, at hotels in Gauteng.

1.5.2.3 To investigate the management of yield at hotels in Gauteng.

1.5.2.4 To determine the customer retention measurement practices of hotels in Gauteng.

1.5.2.5 To determine the importance of customer retention management practices of Gauteng hotels by investigating:

- relationship marketing activities hotels engage in;
- compatibility management activities hotels embrace;
- means whereby hotels manage customer defection;
- activities hotels utilize to manage service failure;
- service recovery activities hotels make use of.

1.5.2.6 To establish customer retention activities at hotels in Gauteng by looking at:

- relationship marketing activities;
- compatibility management activities;
- activities to manage customer defection;
- activities to manage service failure;
- service recovery activities.

1.6 RESEARCH PROPOSITIONS

The research propositions are stated below. These propositions are motivated in Section 5.3.

Proposition 1

Hotels in Gauteng consider competitive marketing strategies to be important in an hotel's efforts to become competitive, and remain so.

Proposition 2

Hotels in Gauteng think it is important to manage the demand and supply of an hotel's services.

Proposition 3

Hotels in Gauteng consider it to be important to manage yield to maximize revenue.

Proposition 4

Hotels in Gauteng measure their customer retention rate.

Proposition 5

Hotels in Gauteng consider relationship marketing activities as important in retaining customers.

Proposition 6

Hotels in Gauteng consider compatibility management activities to be important in retaining customers.

Proposition 7

Hotels in Gauteng consider activities to manage customer defection as important for retaining customers.

Proposition 8

Hotels in Gauteng consider activities to manage service failure as important for retaining customers.

Proposition 9

Hotels in Gauteng consider service recovery activities as important in retaining customers.

Proposition 10

Hotels in Gauteng perform relationship marketing activities to retain customers.

Proposition 11

Hotels in Gauteng perform compatibility management activities to retain customers.

Proposition 12

Hotels in Gauteng perform activities to manage customer defection.

Proposition 13

Hotels in Gauteng perform activities to manage service failure so as to retain customers.

Proposition 14

Hotels in Gauteng perform service recovery activities so as to retain customers.

1.7 RESEARCH METHODOLOGY

This research was conducted in accordance with the research process outlined by Burns and Bush (2000:70-84). The research process involves the following eleven steps:

- Establish the need for marketing research;
- Define the problem;
- Establish the research objectives;
- Determine the research design;
- Identify information types and sources;
- Determine methods for assessing data;
- Design data collection forms;
- Determine the sample size and plan;
- Collect data;
- Analyse data;
- Prepare and present the final research report.

The first three steps of the research process are addressed in Sections 1.3, 1.4 and 1.5 of this chapter. The research design is descriptive in nature. The research describes the nature and extent of the customer retention practices of hotels in Gauteng. Although the other steps in the research process outlined above are discussed at greater length in Chapter Six, a brief explanation of the research process is provided here.

An extensive literature review was conducted. Secondary sources such as textbooks, scientific journal articles, and previous studies on the subject were consulted in order to obtain relevant information on competitive marketing strategies, the management of supply and demand, and customer retention practices that service businesses like hotels put in place to retain customers. The literature on these topics is presented in Chapters Two, Three, and Four.

Empirical research was also conducted. An interviewer-administered in-office survey was used to collect data from hotel managers in Gauteng. A questionnaire was designed based on the information presented in Chapters Two, Three and Four. The questionnaire focused on addressing the research objectives of the study (see Appendix B). The questionnaire contained structured and unstructured questions and was pre-tested among

hotel managers (general and marketing managers) before it was fielded.

A representative sample of 125 hotels was drawn from the population under study (the target population contains 182 hotels). A probability sampling technique, namely stratified sampling, was used to draw a sample from the population under study. The population was separated into different strata according to the ownership type and size of the hotels. A sample was then selected from the different strata using systematic sampling. Drop-down substitution was used to compensate for non-response error. A total of 56 hotels participated in the study.

The data collected from hotel managers was edited, coded, and captured. The representativity, validity, and reliability of the results was assessed. The Statistical Package for Social Sciences (SPSS) was used for statistical analyses. Descriptive-, inferential-, and difference analyses were conducted. The results, major findings, and evaluation of the research propositions of the study are presented in this document. Finally, conclusions are reached and recommendations made, based upon the major findings of the study.

1.8 RESTRICTIONS ON THE STUDY

Limitations on the research arose out of the empirical part of the study. Methodological limitations occur due to time and budget constraints, sample size, as well as other unforeseen factors. Errors might arise due to problems with sample selection and data collection.

Methodological limitations may be caused by the fact that the survey is restricted to one province of South Africa – Gauteng. The necessity for this restriction arises because of time limitations and budget constraints. The results of the study can thus not be generalized to the rest of South Africa: only hotels in Gauteng were surveyed.

The use of field workers to conduct interviews with hotel managers might have led to interviewer error. Interviewer error includes respondent selection error, questioning error, recording error, and cheating error (Malhotra, 1999:101). These errors were minimized through the use of well trained field workers.

Non-response error occurred. Some respondents were not willing to take part in the research and others may have provided incorrect answers – intentionally or unintentionally (Burns & Bush, 2000:458-462). A total of 56 hotels of a sample of 125 hotels – out of a possible 182 hotels contained in the sampling frame – participated in the study. The sample size that was realized raises issues about the representativity of the results. This is addressed in Section 7.2.

The realized sample size imposed a number of restrictions in terms of the statistical comparisons that could be made between the different strata of hotels identified, and the statistical procedures that could be used in the study. These limitations are addressed in Section 7.4.

1.9 DIVISION OF THE STUDY

The thesis is divided into eight chapters. The current chapter commences with a description of the concepts on which the study is based, the background to the study, and the problem statement. This is followed by the goals and objectives of the study, the research methodology, and the restrictions of the study.

Chapter Two examines relationship marketing. The chapter attends to a service business's relationship with its customers. It shows how relationship marketing involves internal and external relationships. And it explores how relationships with customers are managed.

Chapter Three presents an overview of service strategies to illustrate the relative position

of customer retention in services marketing. Competitive marketing strategies to improve hotel competitiveness are discussed, as is the management of customer demand and service capacity.

Chapter Four explores customer retention management. It briefly discusses customer retention measurement and addresses factors that play a key role in managing customer retention in a service business such as an hotel. The factors include compatibility management, the management of customer defection, as well as service failure and recovery.

Chapter Five focuses on the problem definition of the study. Furthermore, it motivates the research propositions formulated in Chapter One.

Chapter Six provides a theoretical background to the research methodology adopted in this study. It also discusses in detail the actual research methodology followed in this study.

The results of the study are presented in Chapter Seven. The main findings are stated and summarized. The research propositions of the study are evaluated against the literature review *and* the main findings of the empirical part of the study.

Finally, in Chapter Eight, a summary of the study is provided. The conclusions of the study are drawn, implications are communicated, and recommendations are made – all of which is based on the findings of the study as stated in Chapter Seven.

1.10 SYNOPSIS

The current environment in which hotels operate requires that these hotels retain existing customers in order to survive and prosper. In an environment characterized by globalisation, competition and growth, it is necessary for hotels to pay attention to

customer retention management in order for them to remain effective players in a competitive industry. This study investigates customer retention practices at hotels in Gauteng with the aim of proposing a customer retention framework for hotels.

CHAPTER 2

RELATIONSHIP MARKETING

2.1 INTRODUCTION

According to Bennett and Strydom (2001:17) the focus in the marketing process has shifted from single once-off transactions to ongoing relationships. The sale is not seen as the end of the process; rather, it is beginning of a relationship in which the buyer and seller become interdependent. The authors maintain, furthermore, that the purpose of relationship marketing is not to secure a sale, but to maintain long-term relationships between a business, the government, the public, suppliers of raw materials, employees, and current and potential customers.

The adoption of a relationship marketing approach is necessitated by the fact that customers are becoming evermore sophisticated and cynical – and competition in the market-place where service businesses such as hotels are operating is becoming more multifaceted and vigorous (Appiah-Adu, Fyall & Singh, 2000:100). Customers also tend to shop around more before a purchase decision is taken (Bond & Stone, 2004:170). Relationship marketing provides the basis for building and enhancing relationships with customers. A stronger relationship with customers results in competitive advantage, and the long-term success of the business depends on its skill to build positive relationships with customers (Claycomb & Martin, 2001:385&396). Gilpin (1996:148) shows that relationship marketing is increasingly being referred to and incorporated into hospitality marketing theory – as well as practice. And Ryals (2002:241) shows that relationship marketing focuses on customer retention and the management of customer relationships over the lifetime of the customer. Retaining customers and building loyalty have become key driving forces in the implementation of relationship marketing practices in many businesses (Nasir & Nasir, 2005:37).

This chapter provides an exposition of what the concept 'relationship marketing' entails. It provides insights into relationship marketing and its role in customer retention. Since the focus of the study is customer retention, the chapter addresses in some detail the business's relationship with its customers. It also elucidates the fact that relationship marketing involves *other* relationships as well – both internal and external. Subsequent sections of this chapter cover how relationships with customers are managed, and, finally, what the future of relationship marketing is.

2.2 RELATIONSHIP MARKETING DEFINED

The term 'relationship marketing' has not acquired unchallenged status or, indeed, meaning. Over time authors have had contradictory views on the subject of what relationship marketing entails (Buttle, 1996:13).

Harker (1999:13) argues that these differing opinions arise for two reasons. The first is that the concept of relationship marketing has not been around for very long, and has not yet developed into a fully formed paradigm. The second reason is that contributors to relationship marketing theory vary in terms of their socio-political tradition and academic credentials. And relationship marketing has different meanings in different cultures (Palmer, 1997:321). Palmer (1997:321) cautions, therefore, that marketers should be careful of prescribing universal solutions for different markets, or universal products and promotion policies for all markets.

Gummesson (1997:270) compares the search for a universal and comprehensive definition of relationship marketing with a 'ghost hunt'. Every definition says *something* about the concept – but does not describe all of its aspects. The present author believes that no single definition of relationship marketing will ever prevail. Definitions can only be used as mediums for thought, as perspectives, or as indicators of indispensable properties of an occurrence – as is evident in the following definitions of relationship

marketing, which provide some insight into contemporary views of the subject.

Relationship marketing is seen as indicating a genuine concern to meet, or exceed, the expectations of customers, and to provide excellent service in an environment of trust and devotion to the relationship. In the service sector, businesses see relationship marketing in the context of increasingly finding ways of creating close, long-term relationships with customers (Buttle, 1996:13).

Gordon (1998:9-10) says of relationship marketing that it:

- Seeks to build value for customers and then share this value with the customer.
- Recognizes the important role of individual customers in shaping the value they want. With relationship marketing the customer helps the business provide the benefits the customer values. Value is thus created with the assistance of the customer.
- Requires that a business creates and brings its business processes, communications, technology and people in line to support the value individual customers want.
- Demands uninterrupted co-operative effort between the buyer and the seller.
- Recognizes the value of customers over their purchasing lifetimes. This influences a business to seek to bond increasingly more closely with customers.
- Seeks to build a series of relationships within the business to create the value the customers want, and between the business and its main stakeholders.

The theory of relationship marketing developed by Christopher, Payne and Ballantyne identifies the following key elements within relationship marketing (Christopher, Payne and Ballantyne, 2002:4; Payne, 2000b:17):

- Emphasizing a relational instead of transaction-based approach to marketing.
- Understanding the finances of customer retention and ensuring a suitable amount of monetary and other resources are suitably shared between retaining and attracting customers.
- Highlighting the important role of marketing to employees in the business, as well as achieving success when marketing externally.
- Illustrating how the basics of relationship marketing can be applied to a range of different markets, not only customer markets but business markets as well.
- Recognizing the importance of combining quality, customer service, and marketing needs in a much closer way than has previously been the case in many businesses.
- Illustrating how the conventional conception of marketing mix – the four Ps – does not suitably encapsulate all the key elements which must be addressed in building and keeping relationships with customers.
- Making sure that that marketing is considered in a cross-functional context.

Gummesson (2002:3&27) identifies thirty tangible relationships a business may find itself in, and goes on to define relationship marketing as marketing that is based on interaction within networks of relationships. The concepts that constitute relationship marketing include the following: *relationships* where at least two parties are in contact with each other; a *network* which is a set of relationships that can grow into extremely complex patterns; and *interaction*, which involves the parties entering into lively contact with each other.

Harker (1999:16) attempts to come up with a single definition of relationship marketing based on an examination of twenty-six existing definitions. The resultant definition reads as follows: 'An organisation engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers (partners) over time is engaged in relationship marketing'.

Table 2 provides a summary of the different components of relationship marketing

according to Palmer (2001:115).

Table 2: Components of relationship marketing

Relationship marketing
<ul style="list-style-type: none">• Focus on customer retention• Long-term orientation• Tracing identifiable buyers• Various levels of relationship between the buyer and the seller• High level of customer dedication• Quality is the responsibility of every employee

Source: Palmer (2001:115)

The preceding discussion provides different definitions of relationship marketing. For the purposes of this study relationship marketing is defined as the process of building and maintaining long-term value, and creating relationships with customers.

With this definition of relationship marketing in mind, the context in which it occurs can be discussed.

2.3 THE CONTEXT IN WHICH RELATIONSHIP MARKETING TAKES PLACE

Businesses selling high-priced capital goods, have always known the significance of taking a long-term view of business, and engaging in relationship marketing practices. Producers of fast-moving consumer goods also benefit from relationship marketing practices. It is, however, in the arena of the services industry marketing that relationship marketing is practised most widely. Services provided by hotels amongst others, are particularly suited to relationship marketing initiatives because these businesses supply

multiple services, delivered via multiple contacts, in person. Customers come face-to-face with employees and are able to form an interpersonal relationship with the service provider (Buttle, 1996:10).

McIllroy and Barnett (2000:348-350) contend that before a business can endeavour to develop a relationship marketing strategy, it is important that three underlying principles be appreciated:

- *Loyalty* refers to the customer's dedication to deal with a particular business, to purchase from the business repetitively, and to recommend the business and its offerings to others. Loyalty will only grow if the customer perceives value received as better than that offered by competitors. Satisfaction measures how well the expectations of a customer are met, but loyalty focuses on how likely a customer is to purchase again and get involved in the relationship.
- Businesses recognize that retaining existing profitable customers and increasing their expenditure is more *profitable* than trying to attract new customers.
- *Customer retention* is the heart of relationship marketing. If a business is unable to retain customers and build long-term relationships it will continue to operate on a single transaction basis.

According to Egan (2001b:381) a number of scholars in the field of relationship marketing (Buttle, 1997; Hallowell, 1996; Reicheld, 1996) consider the causal links between satisfaction, loyalty and profitability as rather tenuous. They maintain that this model cannot be accepted without any criticism. Accepting this model unconditionally will deceive the marketer (Egan, 2001b:381). The aim of the present study is, however, not to propagate the unconditional acceptance of this model; its focus is rather to examine customer retention as the heart of relationship marketing. And in order to do this an overview of relationship marketing is required. This is what the rest of the chapter provides.

It is argued that relationship marketing is about healthy relationships. These relationships

are characterized by concern, commitment, trust and service. Relationship marketers should be concerned with the wellbeing of their customers, and they should display their dedication to the relationship and inspire trust in their relationship partner. The outcome of this concern for customers should be a yearning to provide outstanding customer service (Buttle, 1996:8-9).

Gummesson (1997:271-272) asserts that relationship marketing represents a paradigm shift in marketing and is not just an add-on to some solid 'core'. The author highlights four reasons for seeing relationship marketing in such a light:

- Relationship marketing is an ancient and universal business practice.
- Services marketing and the network approach to business-to-business marketing (which are relatively new areas in marketing) both offer the same key variables: networks, interaction, and relationships.
- Relationship marketing stresses the collaboration between customers and governments, competitors and suppliers.
- Marketing is part and parcel of a network of relationships, a fact that has not really been recognized in marketing theory.

Businesses have realized that their success in the market is mainly dependent on the network of relationships they maintain. Relationship marketing provides an approach that assists businesses to create relationships with customers and other stakeholders. The result of relationship marketing is profit and the accomplishment of the objectives of everybody concerned (Kandampully & Duddy, 1999:317).

Approaches to relationship marketing, especially in the hotel industry, have in the past focused largely on transactional devices, such as frequent-user programmes, gifts for repeat customers, and trips for meeting planners to familiarize themselves with the hotel and its facilities. As the weaknesses of the transactional approach became obvious, new concepts of relationship marketing began employing a more strategic perspective: a business would develop a guest's loyalty by acting in a way that could not be easily

duplicated by competitors (Bowen & Shoemaker, 1998:12). In this approach a business is able to encourage the development of relationships through, firstly, the way the customer or other parties are treated by the business; secondly, by controlling the location where the interaction takes place; thirdly, by attending to the atmosphere in which interaction takes place; and, fourthly, by raising the interaction from the merely personal to the 'socio-emotional' level (Varey, 2002:76).

Relationship marketing is to be found in most industries, but is especially present in the services industry. Customer retention is, as we have seen, the crux of relationship marketing. And relationship marketing focuses on the importance of creating and maintaining healthy relationships with customers in order to encourage customers to return to the business and, ultimately, to retain them. Section 2.4 highlights the different dimensions of relationship marketing.

2.4 THE DIMENSIONS OF RELATIONSHIP MARKETING

It is important to study how the relationship between a business and its customers is formed. The importance of loyalty in these relationships, and the economic value of these relationships to the business are considered in this section. Finally, there is a discussion of the factors that drive the formation of these relationships in the first place.

2.4.1 How relationships are formed

Middleton and Clarke (2001:166-167) state that the ability of a business to recognize repeat buyers right away and address them individually by name provides the initial drive behind relationship marketing. Although the cost of gaining new customers is declining through the use of the Internet, international businesses with large market shares cannot uphold profits unless their repeat purchase levels are at fifty per cent or more, for certain key sectors.

One, or even a series of transactions, do not constitute a relationship. A relationship requires the joint recognition and understanding between the business and the customer that a relationship does indeed exist. Some services involve isolated transactions while others involve the customer receiving services on a continuous basis. Even where services involve isolated transactions, the opportunity exists to create a continuous relationship with the customer. Services involving isolated transactions can be transformed into formalized relationships either by selling the service in mass or by offering additional benefits to customers who choose to conduct business with the business. The advantage for the business to have such formalized relationships is that its current customers are identifiable and the customer data are readily available and accessible (Lovelock, 2001:146&149-150).

2.4.2 Relationship satisfaction and loyalty

Every business should seek to satisfy its customers, be it profit and non-profit businesses. The business's success is no longer merely decided by its aptitude to satisfy customers, but by its knack to build up loyal relationships with customers (Kandampully & Duddy, 1999:320). A loyal relationship between the business and a customer is a powerful switching barrier (Patterson & Smith, 2001:438).

Stum and Thiry (1991:34) aver that 'customer satisfaction' was the most discussed topic of the 1980s. The focus of many programmes during that decade was on businesses making great efforts to meet, or exceed, customers' expectations. At the core of these programmes was the all-encompassing, principal belief that customer satisfaction produces positive financial results, specifically through repeat purchases (Stum & Thiry, 1991:34). A later study conducted on hotel guests' satisfaction and repeat patronage did indeed find that customers' overall satisfaction levels and their likelihood of returning to the hotel where they had stayed were greatly – and positively – related (Choi & Chu, 2001:289).

Page, Pitt, Bherton and Money (1996:626-627) suggest four customer satisfaction

initiatives that can lead to customer retention. The first is to do something distinct for existing customers. It is, they maintain, a good idea to identify individual employees to take accountability for existing customers. The second suggestion involves expressing gratitude to existing customers for their business. A third suggestion, which the authors credit to Berry and Parasuraman (1991), has to do with the principle of fair play. Some hotels charge a non-arrival fee, but are frequently overbooked – without compensating guests for not having a room available. An hotel that practices one-to-one marketing tailors services to a guest's specific requirements – and might therefore consider some sort of scheme whereby the hotel pays a penalty to a guest who has booked but does not get a room.

In the 1990s, Richards (1996:49) proposed that customer satisfaction is important, but not important enough to actually retain customers. Satisfaction assists to make customers more dedicated, but building customer dedication to a business involves more than only satisfying customers. Skogland and Siguaw (2004:221) discovered in a study of hotel guests that the connection between satisfaction and loyalty is fairly weak. Khalifa (2004:645) states that customer satisfaction should only be seen as a way of thinking – that it is only an *indicator* of a customer's intention to return and his or her willingness to provide positive word-of mouth advertising.

Researchers indicate that due to competitive pressures during the 1990s service businesses should re-evaluate the gains derived from loyalty programmes. Loyalty programmes were typically aimed at satisfaction, and not at true customer *loyalty* (Stum & Thiry, 1991:34-35). This view is echoed by Skogland and Siguaw (2004:231) who hold that hotels should reconsider loyalty programmes and rather spend the money usually expended on loyalty programmes on developing improved guest accommodation and common use areas, which would create a more memorable encounter for guests.

The concept of customer loyalty requires an outside-in focus that is geared towards the behaviour of a customer, rather than the inside-out focus, which is geared towards *influencing* customer attitude. A customer who is satisfied with a business's service

might become a repeat customer. A loyal customer, on the other hand, will come back over time and will even refer other customers (Stum & Thiry, 1991:34-35).

In the late 1990s an international trend toward loyalty marketing became apparent. Nowadays many businesses are making use of loyalty strategies to build strong and lasting relationships with chosen customers. Lasting relationships encourage customers to bring problems to the attention of the business – this instead of defecting and migrating to another supplier (Duffy, 1998:435&439). Instead of hotels losing customers when there is a problem, those that foster loyal and lasting relationships between the customer and the hotel can bring about positive retention of their customers.

A study conducted by Bowen and Chen (2001:215) involving hotel guests supports the notion that there is a positive relationship between loyalty, repeat business, and profitability. The study also indicates that providing customers with a non-smoking room as well as having convenient check-in and check-out times boosts feelings of loyalty and increases the customer ratings of hotel performance.

It is important to note that customer retention should not be viewed as a synonymous with loyalty. Service businesses need to understand *why* their customers remain with them. Service businesses should not assume that when customers remain it is a positive, mindful choice. Customers may stay with a service business due to any number of sometimes intangible ties or links with the service business. Some links are positive, and increase the dedication of the customers – as with, for example, increased satisfaction. Other links are negative and tie the customer to the service business – as when, for example, a sales representative is obliged to stay at a particular hotel every time the rep travels in the area because of an agreement between his or her company and the hotel. Retained customers represent an opportunity to increase profitability as well as loyalty. Research shows, however, that it is not automatic that long-term relationships with customers lead to profitability. The relationship needs to be managed for this to follow (Colgate et al., 1996:24&25).

Over the past decade there has, in short, been an increase in emphasis on estimating the relationship value of customers. This involves seeing the increased importance attaching to the financial benefits for businesses when loyal customers are retained (Zeithaml et al., 2006:190).

Kurtz and Clow (1998:385) state that businesses must look at ways of creating even stronger relationships with customers; this, they maintain, can be achieved through the creation of a customer value package. Evans (2002:134) views value as simply the ratio of perceived gain to perceived cost. A customer value package consists of a fair price, technical and functional service quality, and an appropriate product image. The perception of the value of this package should create a sense of exceptional value in the customer's mind. Customers tend to support businesses that offer the best value (Kurtz & Clow, 1998:385). The focus of businesses should also not be on the amount of value that businesses might add to their offerings, but rather on the amount of value that customers can *extract* from these offerings (Kippenberger, 1998:16).

It is recognized that loyalty has a behavioural as well as an attitudinal aspect (Baloglu, 2002:49; Colgate et al., 1996:24; Stum & Thiry, 1991:35). The focus has indeed shifted from an attitude-*changing* effort at creating a satisfied customer, to a behaviour-changing approach that seeks to create a loyal customer who will keep coming back and will refer others. Recent research suggests, furthermore, that gauging customer loyalty on behaviour and attitude is both in line with how customer loyalty is viewed today, and it is also practical to assess loyalty in this way (Baloglu, 2002:49).

The following behaviours are typical of a loyal customer (Townsend & Gebhardt, 2005:35; Stum & Thiry, 1991:35):

- Makes recurring purchases;
- Purchases a wide range of product and service lines;
- Refers new customers to the business;
- Demonstrates resistance towards the efforts of competitors to promote defection from the business;

- Pardons service failures up to a point;
- Registers complaints before a service failure worsens into a serious problem.

Businesses in most industries are studying, evaluating, and implementing loyalty strategies and programmes aimed at developing strong relationships with their important customers (Duffy, 1998:435). Service businesses, however, are dependent on their *employees* to develop loyal relationships with customers, while manufacturing businesses require *channel members* to develop these loyal relationships (Kandampully & Duddy, 1999:320). To generate loyalty with key customers businesses should develop strategies aimed at fostering social ties and the other benefits that arise from a relationship (Patterson & Smith, 2001:438).

When a business properly adopts, develops, and implements loyalty marketing strategies, it becomes integrally linked to the market offer. The customer cannot experience the market offer without experiencing loyalty. Loyalty strategies seek to build stronger and more durable relationships with customers. Durable relationships help encourage customers to do something about a problem they have had with a product or service rather than defect quietly from the business. A carefully crafted and a painstakingly executed loyalty strategy can create a disinclination on the part of the customer to defect. This disinclination can be either economic or psychological in nature. Economic disinclination refers to customers feeling they are losing something by defecting to another business. Psychological disinclination refers to customers feeling involved with the business – and feeling that a mutually successful relationship will be lost if they defect (Duffy, 1998:439-440).

Duffy (1998:440) furthermore identifies various loyalty marketing strategies. The author professes that the value of transactions *and* the frequency with which they take place will determine the strategies a business should follow in order to create loyal customers. Table 3 provides an exposition of these strategies.

Table 3: Loyalty strategies based on the size and frequency of transactions for

various products

	Infrequent (at least one year between purchases)	Frequent (less than one year between purchases)
High value transactions (above \$100 per transaction)	Gauge customer satisfaction Ensure brand presence Reinforce brand characteristics Anticipate readiness to buy	Recognize/reward status Develop/deliver soft benefits Communicate special values Maximize share of customer
Low value transactions (under \$100 per transaction)	Co-op programmes Brand building Distribution Promotion Communicate new uses	Recognize/reward status Communicate special values Promotion Maximize share of customer

Source: Duffy (1998:440)

Table 3 shows that when a customer conducts frequent high-value transactions with a business, the business may, amongst other things, recognize or reward the customer for the business, deliver additional benefits to the customer, communicate special values to the customer, or try to maximize the share of business it obtains from the customer. An hotel should therefore examine the size and frequency of guest transactions and decide on the most suitable loyalty strategies to follow.

Patterson and Smith (2001:438) suggest that a service business may make use of the following strategies to generate customer loyalty:

- Keep the rotation of staff to a minimum to allow for the development of social ties between staff and customer.
- Allow rewards and special offers to be given to a regular customer through the maintenance of a database of customer preferences and details.
- Persuade staff to remember customers' names and details.

Staff should furthermore be put on training programmes to facilitate the delivery of relationship benefits. This involves empowering staff to allow them to decide to provide customers with special benefits when appropriate. It also involves recruiting and training staff with the development of social bonds in mind – as well as using staff nametags to encourage dialogue and interaction between customers and staff (Patterson & Smith: 2001:438).

A study of customer loyalty at luxury hotels established that loyalty can be encouraged by, on the one hand, offering certain *benefits or features*, and, on the other hand, earning the *trust* of customers (Bowen & Shoemaker, 1998:20). The benefits or features that have the greatest impact on loyalty in luxury hotels are (Bowen & Shoemaker, 1998:20):

- The hotel provides customers with room upgrades.
- A customer is able to check in and out of the hotel at any convenient time.
- Information on stays is used to customize service for subsequent stays.
- A customer is able to request a particular room.
- Employees of the hotel exhibit the attitude that problems experienced by the customers are important to them.
- A return visit will result in an accelerated registration process.

The results of the study indicate that loyalty is created when an hotel allows for flexibility in terms of room upgrades, and when the hotel offers continuous front desk services to allow customers to arrive and leave as they wish. Database management is also an important feature in supporting loyalty: databases allow for the customization of service based on records of customer preferences; and they expedite the registration process. Empowerment, training and management of employees to listen to complaints when a service failure has occurred are also important in supporting customer loyalty (Bowen & Shoemaker, 1998:20&23-24).

Although the above benefits constitute the first and most basic elements of loyalty, they

are relatively easy for competitors to copy. For an hotel to merit the trust of customers, it must behave in a dependable manner. Reliability is important in creating loyalty, since competitors cannot easily 'copy' it (Bowen & Shoemaker, 1998:20&23-24).

Foster and Cadogan (2000:194) maintain that trust in a business represents a customer's perception of the business's likelihood of acting in a manner that will benefit the customer and not negatively affect him or her. In order to inculcate trust, an hotel may ensure that (Bowen & Shoemaker, 1998:24):

- Management and employees keep promises;
- Personal property is secure in the room;
- Faxes for customers are delivered to the guest's room;
- Employees provide fast and accurate answers;
- Customers believe that the management of the hotel have faith in employees.

The authors believe that the causes and consequences of loyalty are essentially the same for all customers, although the specific attributes that develop trust may be different in various product segments, or for different guests. The study demonstrates, in conclusion, that relationship marketing and loyalty building is far more than sporadic, or a tactical effort. Instead, hotels should take an integrated, *strategic* approach to nurturing customer loyalty (Bowen & Shoemaker, 1998:24).

2.4.3 The economic value of building a relationship

Relationship marketing seems charitable and co-operative to some, but the primary reason that businesses adopt relationship strategies is to bring about sustainable profitability (Egan, 2001a:51). Grönroos (1997:327) sees the process of establishing a relationship with a customer as being divided into two parts: attracting the customer, and then building a relationship with the customer in order to achieve the economic objectives of that relationship. The objective of a business can be put simply: to create relationships with customers, which support future profits and growth (Doyle, 1995:32).

In order to achieve profitability, the dual strategies of customer acquisition and customer retention must work in tandem. A business must have a constant flow of new customers – and at the same time try to stop customers from leaving (Egan, 2001a:52).

A business should focus its promotional strategies on desirable new target-markets. The business should also try to avoid customers who do not fit the desired profile. Businesses should be cautious, however, not to overemphasize customer acquisition. Well managed businesses understand the importance of hard work in retaining and developing existing customers (Lovelock, 2001:144).

Storbacka, Strandvik and Grönroos (1994:23) suggest that customer relationship profitability is the result of an improved quality of the service provided by a business. A satisfied customer creates a strong relationship with the provider; this leads to relationship durability, and customer retention or customer loyalty.

Customer retention generates steady revenues; over time this profitability becomes greater. The business can in this way fully utilize the *potential* economic opportunities in a customer relationship (Storbacka et al., 1994:23; Reichheld & Sasser, 1990:105). Egan (2001a:106) states, however, that various researchers now consider this model too basic – even misleading for many businesses: customers who are less profitable are frequently more satisfied than the more profitable customers.

A ‘relationship’ only exists if the customer *recognizes* the relationship. Even if the business regards the process as a long-term dedication, it is the customer who ultimately defines the relationship. Some businesses make use of membership-type relationships that presuppose the *mutual* recognition of a relationship of some sort. To similar effect, other businesses offer different levels of relationship, where customers are assigned a particular status (Egan, 2001a:62).

Another factor related to the economic value of a relationship with the customer is the ‘switching barriers’ put in place by the business. According to Jones, Mothersbaugh and

Beatty (2000:256) switching barriers are important factors in a customer's decision to remain with a particular business. Switching barriers make customer defection difficult or expensive. Switching barriers include: the interpersonal relationship between the customer and the business; the customer's perceived switching costs (the customer's perceptions about the time, money and effort associated with switching); and the attractiveness of alternatives – or customer perceptions regarding how many viable competing alternatives are available in the marketplace. Ranaweera and Prabhu (2003:390) state that businesses which are first and foremost interested in preserving market share should use switching barriers to retain customers. Furthermore, when a business experiences strong competition, switching barriers are a useful alternative to pursuing the ever-increasing levels of customer satisfaction.

Apart from the economic value in creating and maintaining relationships, other factors influence businesses *and* customers to enter and/or stay in relationships with each other. The high cost to the business of acquiring customers, and the high cost imposed by exit barriers for customers who want to leave the relationship are just two of the 'drivers' of such relationships. Section 4.4 provides an exposition of these drivers.

2.4.4 Relationship drivers

Several factors have been identified that act as drivers of the relationships between businesses and customers. The following is a summary of some of the most important of these (Egan, 2001a:54-107; Jones et al., 2000:256; Reichheld & Sasser, 1990:105-108):

- *High costs of acquiring customers.* It is generally accepted that the cost of acquiring customers surpasses the cost of retaining them. It is thus advantageous for the business to focus on retaining customers rather than acquiring new ones.
- *High switching barriers.* The costs created by the business, the customer, or the relationship itself make it difficult for customers to switch from one business to another.
- *Sustainable competitive advantage.* Where competitive advantage is perceived to

be low, the ability of relationship strategies to develop lasting competitive advantage is low. The easier it is to replicate the competitive advantage of a business, the greater becomes the need to constantly develop and refine relationship-marketing strategies in order to keep ahead.

- *Variable/growing markets.* A business cannot expect income to grow without keenly increasing its offer in relation to those of its competitors. In some industries customer growth is low, while in others, service levels may fluctuate due to external factors, only to level out over a period of years.
- *Risk, salience, and emotion.* These psychological factors are involved in some or other way in every relational exchange or purchase. Although entirely prejudiced, these factors will affect the choice of product or service, as well as the choice of supplier. Such psychological factors also affect the level of involvement in the relationship that the customer will look for, or agree to.
- *Trust and commitment.* The necessity in a business for trust and dedication seems to be an important gauge of when relationship marketing strategies may be possibly valuable.
- *The perceived need for intimacy between the business and customer.* The more vital the perceived need for intimacy for either party in the relationship, the stronger the force will be to build a relationship.
- *Customer satisfaction.* The need (on either side) for customer satisfaction in a relationship is an important driver in the relationship.

This section has provided an overview of the different dimensions of relationships: forming relationships, relationships themselves, satisfaction and loyalty, the economic value of building relationships, and drivers of relationships. Section 2.5 focuses on the diverse relationships and different kinds of relationships that businesses build.

2.5 THE EXTENT OF A BUSINESS'S RELATIONSHIPS

A business has varied and complex relationships. Businesses build relationships with

customers in order to retain them over time. A business may co-operate with another business in some ways, but compete in others. Businesses try to develop good relationships with suppliers and even governments. They also focus on internal relationships with employees. Based on contemporary definitions of relationship marketing, as discussed in Section 2.2, different models have been proposed to describe the business and its internal and external relationships.

Kandampully and Duddy (1996:320) propose a model that describes the relationships that are essential to enhancing the business's core competency, which is perceived by the customer as the 'value' offered by the business. The authors propose two sets of relationships (1996:320):

- The *primary relationships* refer to the business's relationships with customers which are offered through employees or channel members. These relationships are recognized as the irrefutable and elementary objective of the business.
- The *secondary relationships*, on the other hand, identify a range of relationships the business has to set up and foster with other stakeholders on an continuous basis. Secondary relationships include relationships with employees or channel members, suppliers, and shareholders. The efficiency of the business's primary relationships is determined by the strength of its secondary relationships.

Egan (2001a:112) categorizes the possible relationships identified in the models of prominent researchers (Gummesson, 1999 & 1996; Hunt & Morgan, 1997; Doyle, 1995; Christopher, Payne & Ballantyne, 1991 & 1994) into four principle groupings. These are customer partnerships, internal partnerships, supplier partnerships, and external partnerships. The model proposed by Christopher, Payne and Ballantyne (1991 & 1994) is replaced in the table with the revised Six Markets model of Peck, Payne, Christopher and Clark of 1999 (Peck, Payne, Christopher & Clark, 2004:22-23). Table 4 provides an exposition of the core relationships identified.

Table 4: A business and its relationships

Core relationships				
	Customer partnerships	Supplier partnerships	Internal partnerships	External partnerships
Doyle (1995) The core firm and its partnerships	Customer partnerships	Supplier partnerships	Internal partnerships Employees Functional departments Other Strategic business units B (SBUs)	External partnerships Competitors Governments External partners
Hunt and Morgan (1994) Four partnerships and ten relationships	Buyer partnerships Intermediate Final customer	Supplier partnerships Goods suppliers Service suppliers	Internal partnerships Business units Employees Functional department	Lateral partnerships Competitors Non-profit organizations Government
Peck et al. (1999) Six markets	Customer markets	Supplier and alliance markets	Internal markets Recruitment markets	Referral markets Influence markets
Gummesson (1999; 1996) 30 Rs	Classic market relationships Classic dyad (customer/supplier) Classic triad (customer/supplier + customer) Classic network (distribution channels) Special market relationships Full-time/part-time marketers The service encounter Many-headed customer/supplier Customer's customer relationship Close versus distant relationship Dissatisfied customer relationship The monopoly relationship The customer as a member The electronic relationship Para-social relationship The non-commercial relationship The green relationship The law-based relationship The criminal network		Meta relationships Profit centres Internal customer Quality (e.g. design manufacturing) Employee Matrix relationships Marketing services Owner/financiers	Mega relationships Personal/social Mega (e.g. government) Alliances Knowledge relationship Mega alliances (e.g. EU, NAFTA) Mass media

Source: Egan (2001a:112) and Peck et al. (2004:22-23)

2.5.1 Customer partnerships

Customer partnerships involve partnerships with the business's customers, the final customers, and channel members (Doyle, 1995:34). Relationship marketing focuses on these customers and is directed towards guarding the customer base of a business. The customer is recognized as an asset and the focus is directed toward upholding and improving customer relationships (Lewis, 1989:44).

Widespread accord exists that long-term business success depends on the business's ability to build positive relationships with customers (Claycomb & Martin, 2001:396). In a very real sense customers take control of the destinies of businesses, and have the power to transform industries. Customer loyalty, or the lack thereof, has become pressingly important for managers of businesses. The customer seems suddenly to have become the rarest, most essential resource of a business. Businesses that continue to operate without viewing customers in this way will find themselves out of business. Furthermore, the key to continued existence for a business is to manage itself in terms of customer value (Seybold, Marshak & Lewis, 2001:1-2).

2.5.2 Supplier partnerships

Supplier partnerships involve partnerships with the suppliers of raw materials, components and parts, and services (Doyle, 1995:34). A growing trend has been identified: a trend towards long-term relationships between businesses and their suppliers. Businesses, in other words, are moving towards higher-level relationships with their suppliers. They are also moving away from transactional relationships towards strategic relationships with the latter – the aim being to increase the business's *ability* to add value. Preferred suppliers are also nowadays treated in a comparable manner to good customers. This stands to reason: businesses and their suppliers invest in shared technology, resources, and expertise for the benefit of *both* parties. In short, shared relationship marketing and planning skills are required where businesses and suppliers have common business interests (Knox, 2000:73-74).

In some instances supplier relationships are dependent on organizational and contractual agreements – such as in a franchise or agency relationship. The organizational architecture in such cases is more formalized, and there is typically a greater focus on role segmentation. The interaction here is different from instances where both parties must ensure that general positive relationships are maintained – as both parties in such instances are far more reliant for their own success on the overall success of their partner (Carruthers, 1996:29).

2.5.3 Internal partnerships

A business has internal partnerships with stakeholders, amongst whom are employees, functional departments, and strategic business units (Doyle, 1995:34). Internal partnerships require the finding, developing and motivating of qualified employees (Conway & Willcocks, 2000:81). Indeed, employee performance and attitude play a significant role when service delivery is an indispensable part of the product offering. It is difficult, after all, for an employee to sell a product or service that he or she does not have faith in. The foremost task of marketing should be to market the product offering and the role that employee plays in it, to the *employee*. Employees are, in a sense, the business's internal customers. It is important to keep employees satisfied since their attitudes and performance play a pivotal role in the success of the business (Lewis, 1989:41).

2.5.4 External partnerships

There are, finally, the business's external partners: competitors, strategic alliances, and government (Doyle, 1995:34). Substantial growth exists in the relationships between businesses, and their competitors and complementary players. External partnerships also sometimes involve relationships between competitors that could have as a spin-off, access to different skills, competencies, and assets (Egan, 2001a: 169&181).

It is increasingly widespread for relationships of this nature to be based more on information exchange than on human interaction. Such information relationships have been made possible by technological innovation. The exchange of information has become the crucial activity of most marketing processes, what with swift developments in IT and its application to marketing problems (Naudé & Holland, 1996: 40-41).

A businesses builds relationships with customers, suppliers – and there are both internal and external partnerships. Section 2.6 examines how a business should mange these relationships.

2.6 RELATIONSHIP MANAGEMENT

A *valued relationship* exists between a business and its customers when the customer discovers value. Value results when benefits received from service delivery significantly surpass the costs of obtaining these benefits. The business, on the other hand, derives profit over time from the relationship, as well as certain intangibles – such as knowledge and, indeed, pleasure from dealing with that customer. A business should focus on creating and upholding valued relationships between itself and its customers (Lovelock, 2001:146). A service business needs to consider relationship building practices in light of the links that they provide. These practices provide links between the customer and the business entity, its products, its personnel – or other customers (Claycomb & Martin, 2001:397).

A three-phase approach consisting of a design phase, an implementation phase, and an assessment phase should be used to implement a programme of relationship marketing (Lindgreen and Crawford, 1999:235). Figure 1 provides a graphical representation of the phases.

Figure 1: Three-phase programme of relationship marketing



Source: Lindgreen and Crawford (1999:235)

2.6.1 The design phase

The first phase of the process involves conducting an audit of the business. The audit is conducted by getting feedback from customers – using, for example, focus groups and questionnaires. The strengths and the weaknesses of the business are identified in this phase (Lindgreen & Crawford, 1999:235&237). A service business should also conduct business-wide relationship building audits to discover the range of relationship building practices or opportunities currently present in the business (Claycomb & Martin, 2001:397).

2.6.2 The implementation phase

Small project teams are put together to address problem areas identified in the design phase of the programme. These teams are given the necessary training, resources, and support to devote all their efforts to the handling of customer-focused activities. These activities include, for example, the handling of customer complaints and effecting market communications between the business and its customers. Communication is achieved through telephone contact, newsletters, trust-building activities, and customer-care activities (Lindgreen & Crawford, 1999:235&237).

A service business should also examine all possible relationship building practices such as its continuity of communication, its service quality, its service differentiation or augmentation, and determine their suitability for the business. The business should determine whether these practices should be modified, pooled with other practices, or be applied in an exceptional fashion (Claycomb & Martin, 2001:397).

There are a number of requirements for the successful implementation of relationship marketing programmes (Buttle, 1996:13):

- A compassionate business culture must be developed.
- The relationship marketing idea should be marketed to employees.
- The business must closely understand customer expectations.
- A detailed customer database, which provides information in actionable format, must be created and upheld.
- Employees should be organized and rewarded in such a way that the objective of relationship marketing – customer retention – is achieved.

2.6.3 The assessment phase

The assessment phase involves putting systems in place to monitor and measure the programme's returns in terms of customer loyalty, customer retention, customer share, and employee satisfaction (Lindgreen & Crawford, 1999:236). According to Claycomb and Martin (2001:397) a service business should clearly determine, and *uniformly* recognize the relationship building priorities throughout the business, or efforts to build relationships will be misguided and impractical to measure.

This three-phase programme also includes a five-fold procedure for achieving employee satisfaction: setting standards, hiring the right personnel, providing training, monitoring performance, and giving rewards (Lindgreen & Crawford, 1999:237).

Gordon (1998:10-16) contends that with relationship marketing, the business focuses on:

- *Using technology to communicate with, and serve, individual customers.* Businesses use the Internet to reshape the process of purchasing, and to mass customize their marketing offers. Businesses doing this have the potential not only to get closer to their individual customers, but also to attain competitive advantage.
- *Growing through reach and collaboration.* Businesses work with other businesses with stronger or more appropriate customer relationships to distribute their own products and services.
- *Customer selection and rejection.* Businesses focus on customers apposite to their strategy and rebuff others that do not fit (Lovelock 2001:144).
- *Web of relationships.* Businesses need to develop and align a web of relationships to provide for changing demands. This web comprises stakeholders such as resellers and retailers, employees, suppliers, and bankers and investors. Each stakeholder has different needs and each will want to benefit from its own input.
- *Rethinking the Four Ps of marketing.* The customer is seen as the centre around which each element of the marketing mix is designed.
- *Using relationship managers to manage relationships.* Managing the relationship includes the responsibility of listening to the customer and collaboratively integrating communications, technologies, employees and processes with their customer counterpart. The relationship manager will be there for the customer and work with him or her to ensure that both parties get the value they seek. The relationship manager also leads an internal process of review and value creation with all those who deal with the customer.

Each service business needs to determine a mixture of objectives and practices that is spot on for the business. Just as a generic marketing mix cannot be prescribed for all businesses, so a single recipe cannot be prescribed for all businesses to build relationships with their customers (Claycomb & Martin, 2001:396).

In practice, various methods are proposed and used to build and maintain or uphold relationships with customers. These methods reward customers for the accruing value of purchases made over time. A business may offer rewards on an increasing scale, provide special offers, and rewards may also be tied to other promotions. These methods are more than simply loyalty schemes that benefit the customer: they offer the additional benefit of providing information on customers' spending habits and patterns (Clemmet, 1998:164). They can also involve discount cards, customer clubs, and promotion currency, amongst other things.

Discount cards are used to increase awareness and to encourage new customers and entice past customers to return. The card is sold to customers and provides a variety of discounts. In the case of the hotel industry it can include 'two for one' deals at hotel restaurants, bars, and other facilities. Accommodation deals may also be provided. However, the use of discount cards does not appear to increase customer loyalty. Many customers buy the cards because they perceive them as good value for money – at the time. Many customers do not remain customers once the cards have expired (McIllroy & Barnett, 2000:351&355).

Customer *clubs* are used to make customers feel welcome. The aim of a customer club is to make customers members of an exclusive and private club. Customers who become members are offered benefits to reward their membership and loyalty. A club is one of the most effective forms of relationship marketing. It can help strengthen relationships with customers by focusing activities on the customers – their wants and requirements (Slight, 1995:20).

Promotional *currency* involves customers earning promotional currency as a result of some predetermined behaviour. Members redeem their currency (when it reaches certain levels, or at predetermined intervals) for free or discounted goods and services (Duffy, 1998:440). This approach to loyalty marketing entails the following important considerations (Duffy, 1998:441-443):

- Label the promotional currency: the business should decide on a 'currency' like 'miles', 'points' or 'eBucks'.
- Select a proper unit of measure: the unit of measure should be large enough so that members do not have thousands of points, miles or eBucks that translate only into a small monetary reward. On the other hand, the unit of measure should be small enough that bonuses or partnership deals can be worked out without splitting the points into fractions.
- Select the right level structure: one of two approaches can be followed – either 'the more you spend the more you earn', which motivates spending without saving, or 'the more you save the more it's worth', which increases the cost of defection for the customer when he/she has a fair amount of currency saved up.
- Require redemption in fixed units: members should be required to redeem their currency in fixed increments, almost always ensuring a remaining balance.
- Use redemption to drive sales: the business should offer a 'redemption' option where currency can be exchanged for its own products.
- Programme accounting: a promotional currency requires an accurate accounting system – it is important not to overlook the cost to company of redemption.

According to Slight (1995:20-21) the schemes proposed have an important role to play to build and maintain relationships with customers, especially when:

- Customers make frequent high value purchases whilst falling into a specific age-group, and the business wishes to retain the loyalty of the customers for the rest of their life;
- There is a chance to add value, when customers pay a single annual fee for a service and the business wishes to retain their membership year on year;
- There is a chance to make regular offers and sell related products to customer groups with special interests;

- There is a chance to differentiate an offering by presenting customers value-added services that enhance the basic product;
- There is a chance to offer regular subscribers special benefits in order to increase their loyalty.

McIllroy and Barnett (2000:355) found that the use of discount cards at hotels does not appear to increase customer loyalty. Many customers buy the cards because they perceive them to be good value for money. Few of the customers, however, remain loyal to the hotel once the card has expired. Customer clubs, on the other hand, are found to be effective in building, maintaining, and growing customer loyalty (Slight, 1995:24).

Building customer loyalty to cultivate strong relationships is a business strategy, not just a marketing programme. Every business should attempt to enhance loyalty and maximize market share. There are, however, no clearly defined directives for any particular industries to build customer loyalty for strong relationships. This insight depends on a comprehensive understanding of the background and development of loyalty marketing. Different approaches will work for the airline industry, convenience stores, department stores, and for hotels (Duffy, 1998:443). Clemmet (1998:165), however, states that notwithstanding the *devices* used by a business to build loyalty, the key to competitive marketing lies in fulfilling identified, relevant, customer expectations better than the competition. This, it seems, is as close as one can get to a generalization that covers all possible scenarios across all the business sectors.

2.6.4 Relationship marketing in the hotel industry

Gilbert, Powel-Perry and Widijoso (1999:25) argue that relationship marketing is highly suitable for the hotel industry. Hotels already possess certain information about customers based on accommodation bookings and the guest registration process. As a result, it is possible for hotels to identify who customers are, where they come from, how frequently they stay over, and how much they spend. All of this can be achieved through accurate data collection (Gilpin, 1996:148). And all of this information can be entered

into a database system and used to identify and target the more profitable customers. Relationships can then be established with these customers (Gilbert et al., 1999:26).

Hotels have various options open to them to build relationships:

- Hotels may customize the relationship by an appreciation of customers' needs and the types of facilities most suitable to them.
- Hotels could augment the hospitality product by building more into their service gamut.
- As the relationship develops the prices offered to the customer could be reduced to provide a more approvingly perceived price/value relationship.
- Hotels might attract and keep high quality personnel: it is these people, after all, with whom guests come into contact (Gilpin, 1996:152-153).

According to a study conducted by Gilbert et al. (1999:35-37) regarding the Internet as a relationship marketing tool in the hotel industry, it was found that hotels use the Internet to generate additional sales, to increase product awareness among customers, and to provide a reference tool for customers. These findings suggest that the marketing strategy behind the use of the Internet is still transaction-oriented and not relationship-oriented, despite the relationship marketing potential of the Internet. The Internet can lead to a powerful competitive advantage for an hotel, especially in an era of increased competition over a declining customer base (Gilbert et al., 1999:35-37).

This section has explained the process of managing relationships, and has referred in detail to the design, assessment, and implementation phases of such management. The section gives some insight into relationship marketing in the hotel industry. Section 2.7 looks at the role of relationship marketing in the future.

2.7 THE FUTURE OF RELATIONSHIP MARKETING

Marketing mix management is reaching the end of its term as a widespread approach to marketing. Relationships between the business and its customers, suppliers, competition and government do not function by themselves. Marketing needs new points of view, which are more oriented to the market, and less manipulative. A perspective is needed, in short, in which the customer is the centre. Relationship marketing is likely to develop into such an approach to managing marketing problems. In many cases relationship marketing is still a foreign concept, but that has already started to change and will do so to an even greater extent in the future (Grönroos, 1997:333).

Several important findings regarding developments in relationship marketing are identified (Piccoli, Spalding & Ives, 2001:38; Duffy, 1998:435; Buttle, 1996:188-195; Petsky, 1995:32; Shani & Chalasani, 1992:37-38):

- There is evidence in profit and non-profit businesses that the core of marketing is becoming more enduring when it comes to the development of relationships.
- There is varied proof from different industries that relationship marketing is serving the joint interests of both customer and marketer. In the hospitality industry, loyalty programmes provide supplementary benefits to the customer.
- Businesses now focus more clearly on building longer-term relationships because they understand the concept of the lifetime value of a customer.
- Trust and commitment or dedication, especially in relationships within the supply-chain, are becoming more significant. Information seen as being advantageous to both parties is being shared more easily.
- If a business has the wellbeing of relationship partners at heart it is clearly articulated through excellent service. Electronic data interchange (EDI) has allowed manufacturing businesses to deliver improved service to retailers. Retailers, in turn, can serve their customers better.
- The Internet is transforming the relationships businesses have with their customers, and will continue to do so.

- Businesses are less likely to be successful in the outside world if the expectations of internal relationship partners are not met.
- Some industries are effecting changes to their organizational structures and reward systems in an attempt to bring about long-term relationships advantageous to both parties concerned.
- There is a worldwide trend towards loyalty marketing, and towards creating an affinity toward businesses. Businesses in most industries are putting strategies and programmes in place to nurture strong relationships with their best customers.
- Due to increased fragmentation of the market, it is becoming necessary to change marketing methods. The mass market has been broken down into narrow niches. Relationship marketing with individuals in niche markets is seen as the most useful way to take advantage of these increasingly narrow niches.

The following future trends in relationship marketing have been identified (Sheth & Kellstadt, 2002:591; Gordon. 1998:291):

- Intangible assets will become more valuable. Relationships will be the fundamental assets of businesses. Relationships determine the future of the business, and will in themselves be the creators of value.
- Connections between businesses will change more frequently. Only value-creating relationships will hold links in place, and for this to occur relationships must be enduring and mutually beneficial.
- Relationships will require more investment in strategy. Relationship marketing should strategically unify initiatives taken by the business.
- A business's technology will have to allow for virtually any shift that can be foreseen in areas such as industry structure and technology. Technology will have to be open to customers and other stakeholders, but secure from competitors. Good databases will become increasingly important.
- Databases will have to extensively cover the customer, and not be limited to customer transactions.
- Processes will have to be open, adaptable, and incessant. Strategic planning will

have to avoid being a two-day exercise and become a continuous process.

- Businesses will need to reorganize around their customers and the stakeholders who create value for end-customers. To make this move the business will have to enable employees to adjust more often to changes, learning what works in the business – and what does not.
- The Internet and information technology will have an even bigger impact on businesses, especially in situations where there is a direct relationship with customers.
- The question regarding the contribution of relationship marketing to the bottom line will become more relevant. A strong belief is emerging that a business should be discerning in its use of relationship marketing, not applying it to all its customers.
- Many businesses are realizing that as much as a third of their customers might not be profitable in the long-term. Businesses are trying to reduce the cost of serving these customers – often without success. It seems likely, therefore, that theories will arise on how to outsource unprofitable customers.

2.8 SYNOPSIS

Chapter Two presents an exposition of relationship marketing. The chapter addresses the concept of relationship marketing. It puts relationship marketing in context, discusses the dynamics of relationships, and identifies the relationships a business is involved in. It also establishes that relationship marketing is a process that is focused on building relationships with customers and other partners, over time. Customer retention is identified as the crux of relationship marketing. Relationships, it transpires, do not happen by chance: the business has to manage its efforts by actively building and maintaining relationships with its different partners. The chapter ends by highlighting current and future developments in the field of relationship marketing.

CHAPTER 3

COMPETITIVE MARKETING STRATEGIES AND THE MANAGEMENT OF DEMAND AND SUPPLY – A SERVICE INDUSTRY PERSPECTIVE

3.1 INTRODUCTION

Businesses in the tourism industry have been slow in adopting the principles of marketing. It is evident, however, that if these businesses were to focus on achieving a proper marketing culture they would probably improve performance and customer retention (Appiah-Adu et al., 2000:96&109). For a service business like an hotel to acquire customers it is important that it put marketing strategies in place to improve its own ability to compete with other hotels. Competitive marketing strategies enable a service business to create demand for its offering by satisfying the needs and the wants of customers better than its competitors can. However, when demand has been created for the offering, the business needs to manage the demand for the offering – as well as its capacity to meet this demand. The business should not only focus on successfully acquiring customers in the short term, but also on retaining them in the long-run.

Chapter Three focuses on the competitive marketing strategies a service business like an hotel can put in place to improve its competitiveness. It also focuses on the management of customer demand and service capacity. This chapter alludes at times to the concept of customer retention management, which is then examined in detail in Chapter Four.

3.2 COMPETITIVE MARKETING STRATEGIES

Every service business has to develop something it does better than its competitors. It is

important that customers of a service business also perceive this 'something' as valuable. A business should position itself and/or its offering competitively in relation to the offerings of its competitors. It is important, too, for the business to take cognisance of the phase in the product lifecycle in which its offering finds itself. The phase determines the marketing strategies that the business follows to aptly attend to the challenges of that particular phase. The ultimate objective of the business should be to put strategies in place to retain customers (Kurtz & Clow, 1998:308).

The following sections provide insights into the way in which a service business like an hotel could gain and sustain a competitive advantage, and how service positioning could be used as a tool to establish and maintain a particular position for the business or its individual service offerings. What is also considered is the use of the service life cycle as a tool to competitively manage an offering throughout its existence.

3.2.1 Gaining and sustaining a competitive advantage

The concepts 'competitive advantage' and 'sustainable competitive advantage' are explained in this section. Also, there is an exposition of how an hotel can gain and sustain competitive advantage.

3.2.1.1 Definitions of 'competitive advantage' and 'sustainable competitive advantage'

Ma (1999:259) defines competitive advantage as the attribute that allows a business to provide a more enhanced service to customers than its competitors can. If the business is able to provide a better service, it can create better or superior customer value and achieve superior service (Ma, 1999:261). The value that is created by a business is assessed by the price customers are willing to pay for the service (Passemard & Kleiner, 2000:112). If the value is perceived as producing the benefits a customer wants, a customer will purchase the service, and, more importantly, will continue to purchase the service (Wood, 2004:59).

Hill and Jones (2002:123) state that a business has competitive advantage if its profits are higher than that of the industry standard; the business has sustainable competitive advantage when it maintains this situation for a period of time. Anderson and Vincze (2000:76) define sustainable competitive advantage as achieving success over the long term by relying on the unique assets and skills owned the business. These assets and skills determine the strategic direction and ‘pull’ of the business towards attaining success.

Chaharbaghi and Lynch (1999:49) view sustainable competitive advantage as a process that meets the competitive needs of the present without negatively influencing the ability of the business to meet its future competitive needs. Sustainable competitive advantage is thus *conservation-oriented* and is founded on the idea that no business has endless resources. Furthermore, sustainable competitive advantage is *needs-based* because the economic activity of the business is concerned with the needs of its customers. Finally, it is *future-oriented*, or focused on the long-term enhancement of resources to gain advantage.

Hitt, Ireland and Hoskisson (2001:5) view competitive advantage and sustainable competitive advantage as the same thing. The authors define it as ‘something’ that occurs when a business has a strategy in place that creates value – a strategy whose benefits cannot be duplicated by its competitors, or which would be too costly to copy.

In summary, competitive advantage can be defined, most simply, as the value a business is able to create. The value should be something that customers want – and something that competitors find difficult or impossible to imitate. If a business manages to hold on to this value over time, it may be said that the business has a sustainable competitive advantage.

3.2.1.2 How to gain and sustain competitive advantage

Given the current business landscape, it is necessary for a business to keep ahead of competitors by utilizing a strategy of differentiation. Differentiation is accomplished through gaining and sustaining a competitive advantage (Colgate, 1998:80).

Slater (1996:80-81) identifies three main requirements for competitive advantage. Firstly, a business needs to offer value. Value refers to the benefits the customer gets from using the product or service in relation to the cost encountered in finding, acquiring, and using it. For a business to gain a competitive advantage against competitors, it should provide at least equal value to that provided by competitors. The business should, however, be competent in producing the service offering, or be able to broaden those activities that produce the most value and thus enable the business to ask higher prices (Passemard & Kleiner, 2000:112). Secondly, a business should constantly improve the value it provides to stay ahead of competitors. Lastly, a business needs to uphold this superior value if it is going to achieve long-term performance (Slater, 1996:80-81).

It is important to understand how a business is able to gain a competitive advantage. According to Passemard and Kleiner (2000:113) a competitive advantage comes into being when a business finds or creates a new or more resourceful way to enter an industry and render its offering in a more concrete form than its competitors can. Defining the *source* of innovation is therefore tantamount to describing the ways of creating competitive advantage. Five main sources of innovation, or spurs to creating competitive advantage, can be distinguished (Passemard & Kleiner, 2000:113):

- Innovative technologies;
- Changes in the costs or ease of access of resources;
- Variation in demand or creation of new demand;
- New market segments arising;
- Amendments in regulations.

The creation of competitive advantage requires the business to move forward, to innovate and to uncover the best competitive opportunities – and then take advantage of them. A business should never stop the practice of improving the quality of its offering and processes. The safeguarding of competitive advantage requires the advantage to be continuously improved through ongoing investment in that advantage (Passemar & Kleiner, 2000:115).

Aaker (2001:134) sees four factors that are needed to create a sustainable competitive advantage. These factors are: firstly, the way the business competes in terms of its product strategy, positioning strategy, production strategy, and the like; secondly, the basis of competition, which has to do with the assets and proficiencies of the business; thirdly, the product-market selection of the business (or where the business competes); and, fourthly, the competition that the business has to contend with. Aaker (2001:138) furthermore identifies five 'strategic thrusts', or routes to sustainable competitive advantage:

- Differentiation, or including an element of distinctiveness that offers value to the customer;
- Offering a cost benefit to customers;
- Targeting only a specific segment of the market, or marketing only a particular product line;
- Forestalling competition by being the first to offer an advantage or to prevent others from copying some advantage;
- Working with other business units in the same organization in order to generate synergy and utilize a mutual skill or capability.

In terms of differentiation, branding seems to be the only sustainable differentiating strategy that hotels might use. Traditional differentiation strategies based on cost and product adjustment may also work, but are not immune to copying by competitors. Using branding as a sustainable differentiating strategy requires the hotel to build emotional bonds and foster long-term relationships with customers through the provision of

consistent messages about their brand (Cai & Hobson, 2004:206-207).

Kim and Oh (2004:65) identify three conceptual frameworks that may assist businesses to identify the sources of their competitive advantage:

- The *ownership-based* source refers to any assets or aspects a business may have which allow the business to gain superiority in some way over competitors. An hotel may have unique technological resources to speed up the check-in or check-out process, for example.
- The *access-based* source refers to the strength of the business's external relationships with stakeholders. For instance, an hotel may have good relationships with suppliers, local authorities, or government.
- The *proficiency-based* source refers to the business's ability to embark on the production, selling, and delivering of services. Examples of such proficiencies include technical know-how, a detailed knowledge of one's customers, or the capacity to identify opportunities in the market (Kim & Oh, 2004:67; Ma, 1999:261-264).

The basic message of this approach is that the source of competitive advantage differs from business to business. This only serves to highlight the fact that competitive advantage results from *internally* developed resources (Kim & Oh, 2004:66). In the hotel industry, hotels differ in terms of the resources that each possesses, has access to, or has proficiency in. Competitive advantage depends, thus, on how resources are developed and employed. A chain of hotels might, for example, gain competitive advantage through a matchless reservation system developed for the chain.

Another approach to obtaining competitive advantage is through Porter's 'five-forces' approach. According to Porter (1998:35) the nature of competition depends on five competitive forces: the threat caused by new entrants into an industry; the threat caused by substitute products or services; the bargaining strength of suppliers; the bargaining strength of buyers; and the rivalry that exists among existing competitors in any industry.

This approach is an outside-in approach, and is based on the assumption that businesses in the industry hold similar resources. Competitive advantage stems from these five forces and the resultant value that could be created (Kim & Oh, 2004:66&68). If an hotel is successful in preventing its business or commercial customers from switching to another hotel, it is able to limit the threat of substitutes and new entrants. This in itself could lead to competitive advantage.

A third approach is known as the 'relational' approach. In this view linkages between business enable a business to improve its competitive position. The linkages between businesses include strategic alliances and joint ventures (Kim & Oh, 2004:67-68). An hotel that is able to form a strategic alliance with a tour operator can gain a competitive advantage when the tour operator aggressively promotes the hotel over competitors.

Having looked at these three approaches Kim & Oh (2004:69) suggest an integrated approach for an hotel to gain competitive advantage. The authors are of the view that an hotel's competitive advantage results from its internal resources (as described in the resource-based approach), its inter-business resources (as described by the relational approach), and the influence of the external environment on the hotel (as described in Porter's five-forces approach).

There is a further consideration in discussing the dynamics of competitive advantage. Slater (1996:82) argues that what was once a source of competitive advantage may only be sufficient today to provide a business with competitive *parity* or *equivalence*. For example, at one time quality was seen as a powerful source for competitive advantage. In many instances quality has become necessary for achieving competitive parity. Achieving a high level of quality will thus not automatically lead to differentiation: it might only put the business on equal footing with its competitors.

McDonald (2002:460) states that even if a business is able to gain a competitive advantage, competitors can procure the competitive advantage or rapidly draw alongside the business. Mazzarol and Soutar (1999:290&292) propose that in order to sustain

competitive advantage, the business should craft barriers to imitation. These barriers bar competitors from imitating the actions of the business, and may eventually lead to sustainable competitive advantage.

Dubé and Renaghan (1999:28-33) identify several factors that lead to sustained competitive advantage in the hotel, or hospitality industry:

- *A competitive strategy based on capability and matchless value.* A basic prerequisite for competitive advantage is that the competitive strategy should be based on (1) a value proposition that sets the hotel apart from competitors; and (2) the core competencies the hotel has developed.
- *A resolute strategic position where all the functions in the hotel focus on supporting the overall strategic position.* If an hotel offers extended stays to customers it should also offer larger rooms and a grocery service to support the extended stay offering.
- *Structural alignment.* The property itself, IT systems and operational systems represent an hotel's structure. An hotel should align these with how it positions its service offering. An hotel should offer a larger, well equipped room if it positions itself as a home-away-from-home to its customers.
- *Alignment with the human resources strategy.* Hotels should select the right employees to create the hotel experience for the guests. The way in which the hotel positions itself determines, in large part, the selection of employees.
- *The universal reflection of strategic positioning in day-to-day operations.* The idea underlying an action – the spirit in which it is carried out – is evident to hotel guests. Management should therefore pay attention to this underlying message because it expresses the strategic positioning, or spirit, of the hotel. This spirit is typically expressed in a concept such as 'hospitality', or 'magic', or 'no-nonsense business'.
- *Alignment of stakeholders.* The hotel industry involves diverse stakeholders, including owners and franchisees. Stakeholders have their own priorities, agendas, and abilities. All stakeholders, however, come together in the desire to

realize a sufficient return on investment. All stakeholders should have a common understanding of the hotel's strategic positioning. Stakeholders should also be aware of their responsibility in terms of what should be done to deliver on the chosen positioning.

- *Balance between consistency and innovation.* Another success factor relates to being consistent over time with a chosen position, but at the same time having a unbroken stream of new products and services. An hotel's ability to maintain a competitive advantage depends on its ability to balance consistency and innovation.
- *Growth by operational and financial effort.* The decision by an hotel to grow consciously is arguably central to sustainable competitive advantage. In market segments that are growing fast, early movers are able to take a large share of the market. In other words there should be a willingness to invest in ownership of the brand, and in new developments (Dubé & Renaghan, 1999:28-33).

This section has covered the things an hotel can do to gain and sustain competitive advantage. It ends with an identification of the success factors needed to sustain competitive advantage in the hotel industry.

Service positioning is closely related to competitive advantage and is a tool that can be used to create and preserve a competitive position for the business and its service offerings. Service positioning is what brings the competitive advantage of the business to the attention of its customers.

3.2.2 Positioning the service offering

This section illustrates the role of service positioning in the competitive ability of a business. The concept of service positioning is defined. Also under discussion is the process behind service positioning, as well as the different positioning factors that a business like an hotel can use to influence the attitudes of its customers.

3.2.2.1 Service positioning defined

The positioning of a service is the image that a consumer has in mind, as well as the qualities the consumer associates with the service (Belch & Belch, 2004:51). Positioning is a process that involves the creation and maintenance of a particular 'attitude' for a service business, or its individual service offerings (Lovelock, 2001:200). According to Cravens, Lamb and Crittenden (2002:8) positioning situates the business, the brand, the product or service, in the eyes *and* mind of the customer. Positioning involves perceptions about the image and benefits of an offering – images and benefits that set it apart from competitors (Cravens et al., 2002:8; Anderson & Vincze, 2000:209). Positioning is used to offer competitive advantage in the market (Palmer, 2001:177). Positioning is thus about creating a distinctive competitive stance for the business.

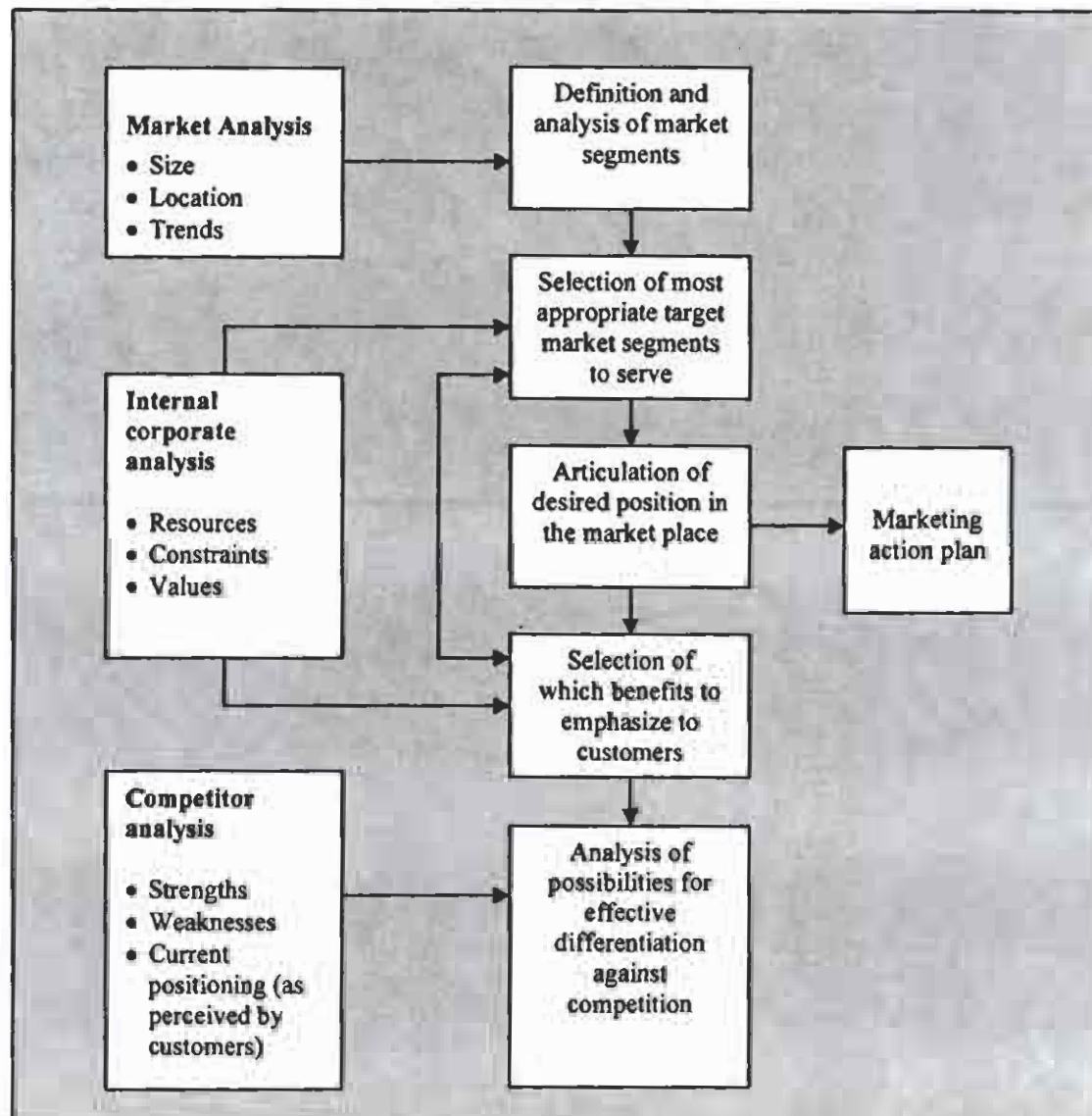
3.2.2.2 The positioning process underlying a service offering

Once a service business has identified its target market it is necessary to clearly position the service offering. The business should identify the basis on which it wants to compete and then position its services in a clear and unique way (Meek, Meek & Ensor, 2001:169). According to Lovelock (2001:204) the development of a suitable market position involves three forms of analysis:

- A *market analysis* is needed to determine the size of the market, the geographic location of the market, and the level and trend of the market's demands.
- An *internal corporate analysis* identifies the resources, the constraints of the business, as well as the values of management and the objectives that management wants to achieve.
- The *competitor analysis* involves identifying and analysing the business's direct and indirect competitors. During this analysis the competitors' strengths and weaknesses are determined. This process assists in identifying opportunities for differentiation.

These three analyses identify a suitable market position for the business by taking into account market conditions, the situation within the business, and competition. Figure 2 provides an exposition of the basic steps involved in this process.

Figure 2: The development of a market positioning strategy



Source: Lovelock (2001:205)

It is evident from Figure 2 that the three forms of analysis are instrumental in determining

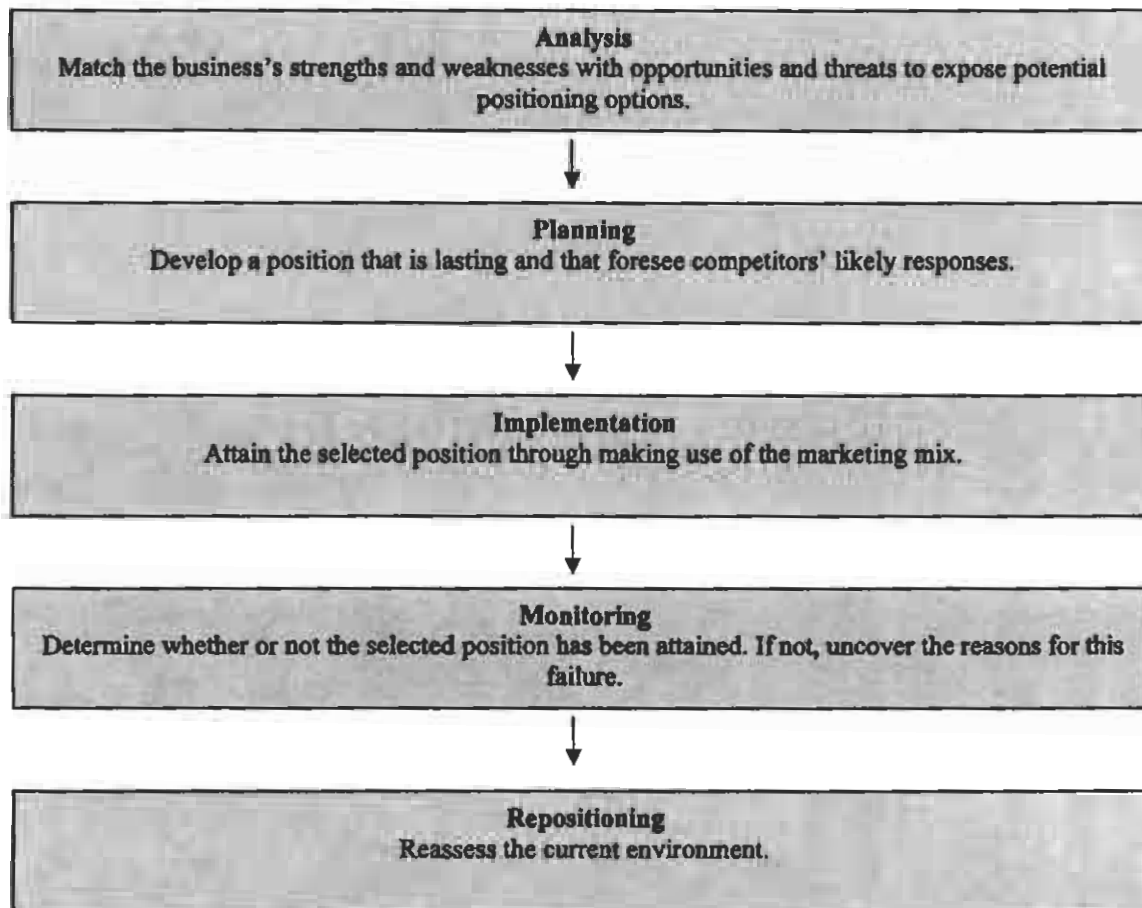
the articulation, or the desired position in the market place, on which the marketing action plan is based. The *market analysis* involves the definition and analysis of market segments; it influences the selection of the appropriate segment(s) to serve. The *competitor analysis* involves the analysis of possibilities for effective differentiation from competition; it influences the selection of the benefits to emphasize to customers. The *internal corporate analysis* influences both the selection of the most appropriate segment(s) to serve as well as the selection of benefits to emphasise to customers.

Other forms of external analysis also exist that could impact on the positioning process. Meek et al. (2001:31-33) and Pearce and Robinson (2000:86-94) refer to industry analysis, as suggested by Porter, as a form of analysis to be undertaken. Industry analysis involves the analysis of buyers, suppliers, substitutes, potential entrants, and the competitive rivalry that exists in a particular industry (Porter, 1998:35).

Palmer (2001:180) views positioning as a process that involves identifying the strengths and weaknesses of a business, as well as the market opportunities and threats that can be exploited. On the basis of this the business develops a marketing mix and establishes the position that has been decided upon.

Anderson and Vincze (2000:209) view the positioning process as consisting of 'key elements' or steps that provide the basis for designing a marketing mix strategy that is in line with the selected market-segmentation strategy. Anderson and Vincze (2000:209) capture many aspects of the positioning processes described by Palmer (2001:180) and Lovelock (2001:204) and see these aspects as part of a step-by-step positioning process. Figure 3 illustrates the five steps in the positioning process of a service, as identified by Palmer (2001:181).

Figure 3: The service positioning process



Source: Palmer (2001:181)

The 'key elements' or steps in the positioning process include the following (Anderson and Vincze, 2000:209):

- Identify one or more target markets to engage.
- Ascertain what is needed, wanted, and desired by each target market.
- Analyse current and potential competitors.
- Compare the business and competitors' positions in terms of factors perceived as crucial by the target market(s).
- Identify a distinctive position that is attractive to the target market(s).
- Design a marketing programme to convince customers to purchase from the

business instead of from competitors.

- Constantly assess and reassess current and possible target markets and competitors.
- Persistently examine the market for opportunity.

It is evident from the preceding discussion that the positioning process of a business and/or its offering commences with an analysis of the internal and external environments in which the business finds itself. The analysis typically includes an internal-, a market-, a competitor-, and an industry analysis. A unique position – for the business and/or its offering – which is desirable for the target market is identified, based on this analysis. A suitable marketing strategy is then designed to convey the chosen position to the target market. Over time the business monitors the results of the positioning process. If necessary, the business eventually considers repositioning.

3.2.2.3 Repositioning a service

Repositioning is defined as the changing of the position of an offering (brand, service, or product) in the market (Belch & Belch, 2004:55; Jooste, 1999:191). An offering is repositioned to attempt to improve its appeal to the target-market (Jooste, 1999:191).

As is evident from the previous section, the positioning process of a service does not end once the initial positioning has been completed. A business may decide to reposition services due to a number of reasons. Typical reasons for repositioning include (Belch & Belch, 2004:55; Lovelock, 2001:206; Meek et al., 2001:176; McColl et al., 1998:121):

- Sales are waning or stagnant.
- A service business repositions its services because the original positioning strategy is deemed to be unsuitable.
- Since the demand and the structure of the market might change over time a business could decide to focus on meeting the needs of a part of a market segment that are becoming more profitable.

- Repositioning may also be required due to changes in technology, the activities of competitors, or changes in the business itself

3.2.2.4 The positioning criteria for service offerings

It is important to establish the different positioning criteria along which service offerings can be positioned. Positioning can take place based upon several criteria. These criteria include (Aaker & Shansby, 1982 cited in Belch & Belch, 2004:52-54; Trout, 1995 cited in Kotler, Brown, Adam & Armstrong, 2004:365; Clow & Baack, 2001:130; Wind, 1982 cited in Palmer, 2001:179-180):

- *Specific product or service attributes.* An hotel promotes the fact to business travellers that it is located in the heart of a financial centre, for example.
- *Benefits or needs.* An hotel decides, for example, to focus on specific services offered to the business segment. These services might include Internet access and document delivery.
- *Usage occasions.* An hotel positions itself to conference organizers as ideally suited for hosting conferences, for example.
- *User categories.* An hotel positions itself as meeting the needs of business customers rather than individual customers. This would involve associating the service with a particular user or group of users.
- *Positioning by competitor.* An hotel could position itself as having the best facilities of all the hotels located in the financial district, for example.
- *Positioning by product class.* An hotel might position itself as a 'conference' hotel instead of a 'leisure' hotel.
- *Positioning by price and quality.* An hotel might position its brand at the high end of the market as a premium hotel, or at a more competitive price at the lower end of the market.
- *Positioning by cultural or national symbols.* An hotel could tie itself to something that is a cultural symbol. Sun International's Table Bay Hotel in Cape Town associates itself with Table Mountain and Table Bay, which are South African

landmarks.

Mittal and Barker (2002:60) highlight three ways of positioning that are suitable for hospitality service businesses, and hotels in particular. These relate closely to the criteria identified above.

The authors suggest that a hospitality business like an hotel position itself by focusing on the differences between itself and its competitors in terms of service inputs, the processes followed, or the outcomes that are achieved. The service inputs that can be focused on include the excellence of personnel, amenities, and the technology used in the hotel. The business can use the physical elements of its service as cues to communicate its position. An attractive lobby, for example, may act as a cue for superior service (Mittal & Barker, 2002:60-61).

The second strategy highlighted by Mittal and Barker (2002:61) involves concentrating on a feature of the service process that is dissimilar from that of competitors. The hotel may, for example, provide a faster, more responsive or more reliable service than competitors. This position can be communicated to customers using a 'performance-documentation strategy', or a 'performance-episode strategy'.

The last positioning strategy involves positioning the hotel in terms of outcomes or benefits received by the customer. The benefits may be tangible (a full stomach after having a meal) or intangible (the enjoyment of that meal). These benefits can be communicated by using a service- or benefit-consumption strategy (Mittal & Barker, 2002:61).

In this section several criteria have been discussed according to which a business such as an hotel can position its offerings. As discussed in section 3.2.2.2, the successful positioning of the offering will depend on several factors, including the analysis of environments, the market to be targeted, the stance to be adopted, and the marketing strategy to be employed. Semenik (2002:139-140), however, identifies a number of

elements that are essential to a good positioning strategy. A business must be dedicated to creating considerable value that customers can experience; it must not make empty promotional promises. The positioning strategy must also be internally coherent. Everything should work in combination to enforce a clear-cut perception. The positioning strategy should also be coherent over time so as to break through the clutter of a mass of messages. A successful positioning strategy must be clear-cut, yet plain.

To sustain competitive advantage and suitably position an offering for the duration of its existence, it is crucial for the business to identify the phase of the life cycle the offering finds itself in. As stated earlier, the placement of the offering in the service life cycle will determine the marketing strategies that appropriately address the challenges of the phase in question.

3.2.3 The service life cycle

In this section a definition of the service life cycle is furnished. The characteristics of the service life cycle phases are discussed, and the marketing strategies that might be used to manage a service offering throughout its life cycle are also presented.

3.2.3.1 Service life cycle defined

Anderson and Vincze (2000:219&232) define the product life cycle as a diagrammatic portrayal of the sales history of a product or 'physical commodity or idea, cause, or other intangible that provides customer satisfaction'. According to Palmer (2001:190) the service life cycle illustrates the ever-changing character of a service or a collection of services marketed by a business. A service offering will go through a number of phases from the time of entering to finally leaving the set of services offered by a business (Palmer, 2001:190). Each of these phases requires modifications in the way the particular service is marketed. Kurtz and Clow (1998:318) refer to these modifications as strategies or adjustments based on the characteristics of each of the phases.

The service life cycle thus represents how the offering is sold throughout its life from its introduction to the market until it is removed from a company's portfolio. The marketing of the offering depends on the phase of the service life cycle in which the offering stands.

3.2.3.2 Characteristics of the service life cycle phases

Five phases of the service life cycle have been identified. The five phases of a service's life cycle include (Palmer, 2001:190; McColl et al., 1998:188-189):

- *Introduction.* This phase involves the introduction of a new service to the market. Diverse problems may be experienced by a business when a new service is introduced. Customers, for example, are not always keen to try a new product. Sales can therefore be low.
- *Growth.* The service has now gone through the initial stage and the problems associated with the introduction stage have been resolved. There is a considerable increase in sales because customers see the relative advantage that can be achieved from utilizing the service.
- *Maturity.* Most customers in the market have by now procured the service. This phase may be characterized by an increase in the number of competitors.
- *Saturation.* Too many competitors are marketing the service. Stagnancy in sales typifies this phase. Price competition is also severe.
- *Decline.* Sales slump because of plunging demand for the service; a number of competitors leave the market.

It is important to remember that there are certain shortcomings in the abovementioned approach – for products as well as for services. According to McColl et al. (1998:191) and Palmer (2001:191-192) the life cycle concept is more useful for longer-term planning and control than for shorter-term applications. It is difficult for a business to ascertain where exactly a service *is* in its life cycle, after all.

To complicate issues further, Herbst (2001:304) found in a study on small manufacturing

businesses and small dealer businesses that current product life cycle theory requires further evaluation and adaptation through empirical research. The author states that marketing practices need to be tested, and comparisons made between what happens in practice and what is suggested in theory.

3.2.3.3 Marketing strategies for the service life cycle phases

Table 3.1 provides an exposition of the marketing strategies a service business like an hotel could follow during the phases of the offering life cycle. Kurtz and Clow (1998:319-324) combine the characteristics and marketing strategies of the 'maturity' and 'saturation' phases – as identified by McColl et al. (1998:188-189) and Palmer (2001:190) – under the 'maturity' phase. The marketing strategies are presented accordingly.

Table 5: Marketing strategies for the service life cycle phases

Service life cycle phases →	Introduction phase	Growth phase	Maturity phase and saturation)	Decline phase
Marketing strategies for each service life cycle phase ↓	<p>Involve the potential users of the service in the actual design of the particular service</p> <p>Identify the consumers who will adopt the service first – early adopters</p> <p>Get feedback from early adopters regarding the service they have experienced</p> <p>Create and grow demand for the service</p> <p>Use special offers as a means to introduce the service to the market</p> <p>Encourage optimistic word-of-mouth communications</p>	<p>Create a competitive advantage over competitors</p> <p>Influence customers to prefer the particular brand over competing brands</p> <p>Create loyalty towards the business and encourage repeat purchase</p>	<p>Decrease operational costs</p> <p>Improve the quality of technical service associated with the service offering</p> <p>Centre marketing efforts on particular segments</p> <p>Include services that compliment the core service</p> <p>Use advertising to persuade customers</p> <p>Match the sales promotion efforts of competitors</p> <p>Create a competitive advantage in the segments the business is centring its marketing efforts on</p>	<p>Get out early in the decline-, or late in the maturity phase</p> <p>Decrease spending and gain the most profit possible from the service</p> <p>Get rid of unprofitable services and keep profitable services</p> <p>Do away with unprofitable accounts while retaining and growing profitable accounts</p> <p>Endeavour to turn the situation around by offering innovative services and targeting new markets</p>

Source: Kurtz and Clow (1998:319-324)

An hotel needs to determine the phase in which a particular service offering finds itself. The hotel needs to proactively manage the service mix it is offering, by applying a suitable selection of the strategies expounded in Table 5. An hotel finding its service

offering in the growth phase of the service life cycle will, for example, focus on getting customers to prefer its brand to the brands of those competitors that might decide to enter the growing market. On the other hand, an hotel finding its service offering in the maturity phase of the service life cycle might rather focus on creating competitive advantage in a specific segment of the market.

An hotel that is able to compete successfully in its industry through (1) the creation of a sustainable competitive advantage for its service offering; and (2) positioning its service offering successfully in relation to its competitors throughout the life cycle of the offering, will eventually retain customers. Such an hotel should ensure that it has the necessary systems and strategies in place to manage the demand for its offering. In addition to managing demand, the hotel needs to manage its capacity or ability to supply the demands of its customers. The following section addresses this issue.

3.3 MANAGING DEMAND AND SUPPLY

Demand and supply do not always match. Supply may exceed demand in quiet times and demand may exceed supply in peak times. When supply exceeds demand an hotel is left with resources like hotel rooms that are unused. When demand exceeds supply – and consequently there are no rooms available – the hotel may have no other option than to turn a number of its customers away (Kurtz & Clow, 1998:345).

In a properly designed and managed service business, the capacity of the facility, the supporting equipment, and the service personnel should all be in balance with each other, as well as with the demand for the service. Operations should be designed to minimize the possibility of bottlenecks occurring in the system. This is, however, difficult to achieve since the level of demand fluctuates, and demand patterns are difficult to foretell. Minimizing bottlenecks is difficult to achieve, also, because of the diverging time and effort it takes to process each customer *and* because of the fact that the presence of the customer is key in most cases when the service is being delivered (Adenso-Díaz,

Conzález-Torre & García, 2002:286; Klassen & Rohleder, 2002:527; Lovelock, 2001:401).

Since services are perishable, managing demand and capacity or supply is a fundamental factor in the hospitality industry (Kotler, Bowen & Maken, 2003:59). Palmer (2001:389) states that a service business's financial achievement depends on its capability to closely match supply with demand. The following section attends to the management of customer demand and the management of the capacity or supply of services by the service business. It also examines yield management as a strategy to more profitably utilize the relatively fixed capacity of the service business.

3.3.1 The management of customer demand

The fact that a service business like an hotel cannot store its services is not problematic when demand is steady and foreseeable. Most service businesses including hotels do, however, experience demand that varies significantly. This variation in demand can take a number of forms (Palmer, 2001:389; Kandampully, 2000:12):

- *Daily variation.* The demand levels vary depending on the time of day. An hotel restaurant is busier during meal times than during the rest of the day.
- *Weekly variation.* An hotel located out in a scenic area away from a city is busier over weekends than during the week.
- *Seasonal variation.* An resort hotel's occupancy is higher during holidays than during out-of-season periods.
- *Cyclical variation.* The demand for hotel accommodation varies depending on the economic conditions in its home country, its region – or even the world.
- *Unpredictable variation.* Demand for hotel accommodation can decrease sharply when a terrorist attack or natural disaster occurs in proximity to where the hotel is located.

Several strategic initiatives have been identified to resolve *foreseen* imbalances, by

changing demand to fit supply. In a situation when demand is overloaded or supply is at a low level, the service business, or hotel, has several options (Lovelock, 2001:402-406; Palmer, 2001:391; Shemwell & Cronin, 1994:16; Sill, 1991:81):

- The business can coach customers to cap demand during peak periods. It might charge a higher price for services during such periods, thus encouraging off-peak demand and support waiting.
- Services and products with a low return on investment can be 'de-marketed'.
- The service business can develop a system to trace customers as they move forwards through the service delivery system.
- A reservation system – or a formal queuing system – can be implemented.

In a situation of under-demand or oversupply, the business could seek greater diffusion into the market by contacting customers, it could reposition service offerings, it might offer different and alternative services including complimentary and convenience services (such as valet parking), it could increase advertising, or offer discounts, or lower prices, or track segments with seasonal demand. It could also kick off marketing programmes targeted at particular segments, or use unused employees as walking advertisements, or market services under exchange agreements (Palmer, 2001:391; Shemwell & Cronin, 1994:16; Sill, 1991:81).

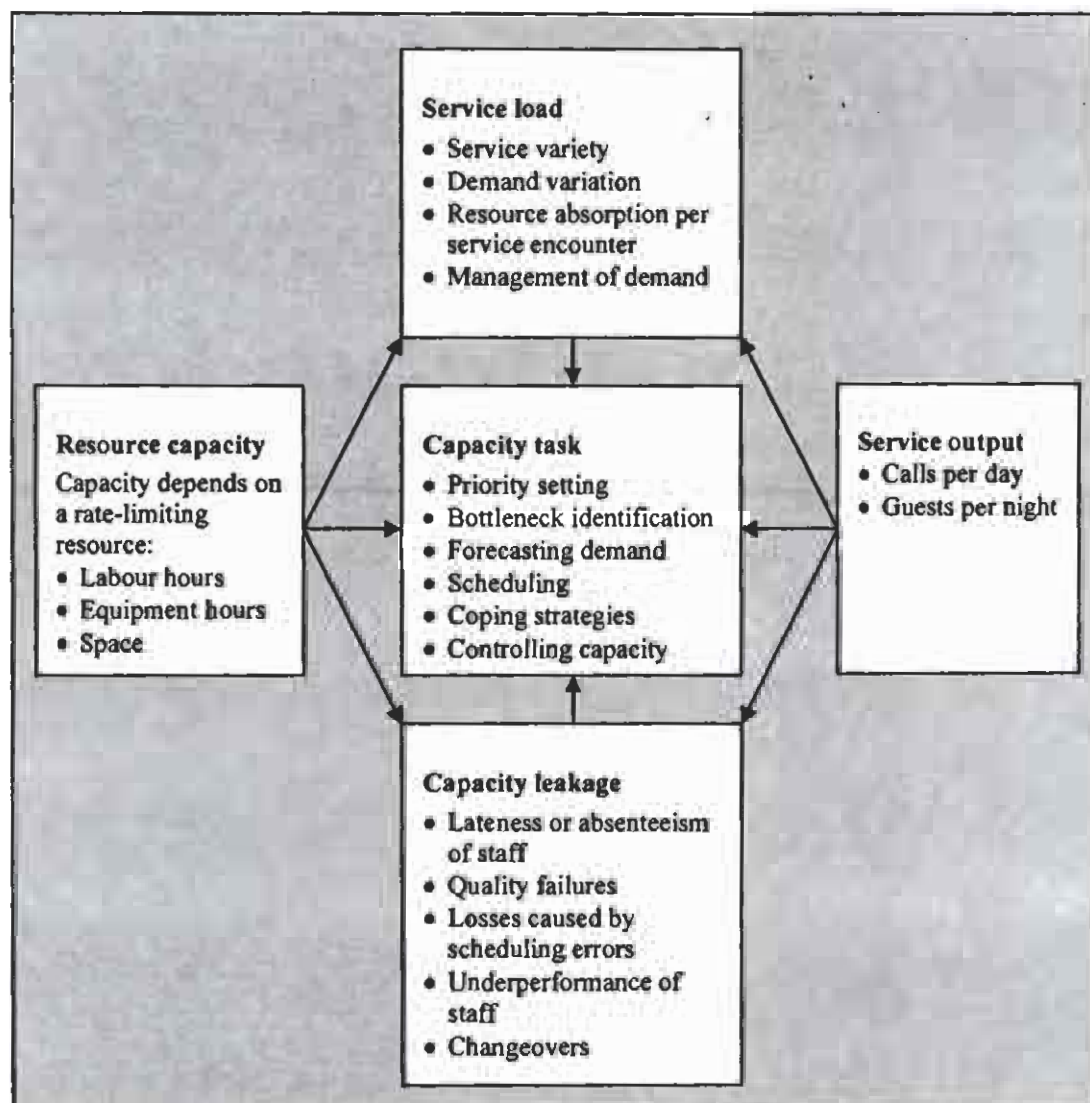
This section dealt with the efforts of a service business like an hotel to manage the *demand* customers place on the service facility, its equipment and personnel. The following section provides an overview of how a service business should manage its response to this demand for services.

3.3.2 The management of service capacity, or supply

Klassen and Rohleder (2002:527) view demand management as 'an attempt to shift demand' while capacity or supply management is seen as a 'response to demand'. Armistead and Clark (1994:6-7) state that capacity management aims at relating potential

output (based on available resources) to actual output. The authors propose further that the output that any service delivery process achieves depends on three factors: the *service load*; the manner in which the *capacity task* is managed; and the degree of *capacity leakage*. Figure 4 illustrates this model of capacity management.

Figure 4: A model of capacity management



Source: Armistead and Clark (1994:7)

The model illustrates that the service output delivered by the service delivery process is

related to the resource capacity of the business (Armistead & Clark, 1994:6). The resource capacity refers to the labour hours, the equipment hours, and actual space available to deliver the service. The capacity of each component of the hotel can be measured using work-study, and other measurement tools. The service output, on the other hand, refers to (for example) the number of guests an hotel can accommodate per night. The three main factors mentioned above determine the extent to which the resource capacity can be transformed into service output. The service load is affected by the different services being offered, the extent to which demand varies, and how demand is managed. The capacity task is determined by the forecasting techniques used, how scheduling is done, how bottlenecks are managed, and by alterations in capacity. Capacity leakage refers to situations when key resources are not available due to quality failures, scheduling losses, or labour underperformance (Lovelock, 2001:394; Sill & Decker, 1999:22; Armistead & Clark, 1995:6-7).

When it comes to managing capacity, Lovelock (2001:395-396) writes about the stretching and shrinking of the level of capacity, chasing demand, as well as creating flexible capacity. These are all given as possible options or strategies to manage capacity. In some instances capacity may be elastic. This means, for example, that there may exist opportunities to accept extra business at busy times. An hotel could accommodate more than its capacity during peak demand periods – by, for example, turning a double room into a family room, thus stretching capacity.

The second option available in managing capacity is to extend the use of facilities for prolonged periods. Chasing demand involves altering capacity to fit variations in demand. The service business may schedule for downtime during periods of low demand, or use part-time employees, or lease or share extra facilities or equipment, or cross-train employees to perform tasks usually carried out by particular employees (Lovelock, 2001:395-396). During periods of low demand a business such as an hotel may also decide to use the extra time to coach employees or allow employees to practise tasks, or the business might spend the extra time to put new schedules into operation, retrenching employees, doing subcontracting work for other suppliers, or offering free services to

charitable organizations (Palmer, 2001:393; Kurtz & Clow, 1998:354; Shemwell & Cronin, 1994:16).

During periods of high demand an hotel's restaurant may, for example, offer early dinners and late suppers so as to accommodate all guests in the dining room. An hotel may decide to hire temporary employees, hire additional equipment, build impermanent additions, reschedule equipment and service personnel for alternative (*ad hoc*) uses, increase the service personnel, get service personnel to work overtime, cross-train employees to be able to perform different tasks, turn away certain customers, take care of frequent guests, or, finally, subcontract or outsource work to other businesses (Lovelock, 2001:395-396; Palmer, 2001:392-393; Kurtz & Clow, 1998: 349-355; Shemwell & Cronin, 1994:16).

The last option available is to design capacity to be flexible (Lovelock, 2001:395-396). An hotel may build rooms with connecting doors. The hotel could, in such a scenario, configure the rooms as two separate bedrooms, or as one bedroom with a separate lounge – depending on demand. Sill (1991:78) is of the opinion that the objective of a flexible capacity strategy is to promptly manage customers at varying demand levels. The mainstay of a flexible capacity strategy is the ability to serve high levels of demand without having the overhead costs of maintaining excessive capacity (Sill, 1991:78).

Armistead and Clark (1994:7-8) agree that it is inevitable that service businesses will at times not possess the capacity to fulfil demand within the period that customers expect their demands to be satisfied. Stretching the level of capacity, or chasing demand is sometimes not enough to deal with a situation. Such a shortage of capacity leads to what is called *coping*. In this scenario, two options are open to the business: allow the service quality standards to fall in an unrestrained manner; or attempt to control the dive in service standards in order to protect the standards of the core service.

Armistead and Clark (1994:21) hold that a business needs to develop coping mechanisms to augment its capacity management strategies. As they see it, these strategies should

involve the following actions (Armistead and Clark, 1994:21):

- Enhance the forecasting and scheduling techniques which form part of capacity management;
- Measure service quality and the extent to which crucial resources are utilized;
- Bring about a measurement process to alert in advance that the service business is on the verge of the 'coping' zone;
- Make a decision if and when service quality levels might be reduced, as well as the ways in which this might be done;
- Decide how additional resources might be brought on board.

The following section provides an exposition of yield management, or the profitable management of the fixed capacity of a business.

3.3.3 Yield management

Yield management is an encircling term that describes different methods that can be used to most profitably manage the fixed capacity of a business. Fixed capacity is a particularly important concept for hotels, since they always have a fixed number of rooms (Barth, 2002:136). According to Kimes (2002:22) yield management can best be described as a tool that a service business, like an hotel, can use to 'sell the right inventory unit to the right customer at the right time and for the right price'.

Jauncy, Mitchell and Slamet (1995:25) hold that yield management in the hotel industry can best be defined as 'an integrated, continuous and systematic approach to maximizing room revenue through the manipulation of room rates in response to forecasted patterns of demand'. Hotel managers manipulate room rates as well as reservations in order to maximize revenue. Room rates are manipulated through discounting; reservations are manipulated through overbooking, with the aid of information technology (Jones & Hamilton, 1992:89).

Yield management is built on the notion that during periods of high demand, a business like an hotel should ask a higher rate for its limited services, while during periods of lower demand the business should set a reduced rate (Palmer, 2001:399; Relihan, 1989:43). Lee-Ross and Johns (1997:66) state that yield management allows a business to maximize revenue under conditions of changing demand where the product is perishable, as with the services offered by an hotel.

Lieberman (1993:36) professes that yield management should not only increase revenue but also improve the ability of the hotel to serve its customers. The objective of yield management in the hotel industry is to achieve the best possible combination of group and passing business – a combination that will lead to maximum occupancy and the highest likely average room rate (Noone & Griffin, 1997:75).

An hotel thus utilizes yield management to manage its fixed capacity. The aims of yield management are to raise revenue *and* better the hotel's ability to serve its customers. An hotel attempts to achieve both these objectives by manipulating room rates and reservations.

The following sections examine the economics of yield management, the reservation system as a capacity management tool, and the pricing tools that are used in yield management. The section also describes a seven-step process for yield management, and sheds light on the elements that should be present in an 'ideal' yield management application for hotels.

3.3.3.1 The economics of yield management

Idle services like hotel rooms are squandered. It can be said that customers will purchase a service if the price is agreeable. For a business like an hotel there is a trade-off between asking a maximum price for a service and asking a price at which existing capacity is sold. The business needs to determine which blend of price, demand, volume and, customer will optimize revenue. Yield management provides solutions to this equilibrium

problem by using capacity management tools, pricing tools, and other revenue optimizing strategies to find the ideal blend (Barth, 2002:136).

3.3.3.2 The reservation system as a capacity management tool

Reservations are the source of revenue of an hotel. Having made reservations, guests know that they have a place to stay, and the hotel management knows that a particular room will be occupied on a particular date. A reservation agreement between the hotel and a customer stipulates the date on which the service is to be delivered, as well as the price that will be asked for the service. A reservation – even a telephone reservation – is seen as a contract between the hotel and the guest. This contract brings about obligations for both the hotel that *pledged* the room and the guest that *reserved* the room. A reservation involves a cancellation policy, which stipulates penalties if the soon-to-be guest revoke or goes back on the reservation agreement. A reservation is issued freely and is seen as a concession the hotel gives to a customer in order to get business from the customer (Quan, 2002:77; McConnell & Rutherford, 1990:61).

A reservation system offers the business specific intelligence about demand movements. This information can be used to enhance the efficiency of marketing and managerial decisions. A reservation system is also able to do away with the customer's uncertainty about price and the impending availability of the required service (Quan, 2002:77; Shemwell & Cronin, 1994:17). A reservation system allows a customer to know in advance that a room will be available for the period requested, and tells him or her what the room will cost.

Reservations provide the hotel with an account of residual capacity at any time up to the time the service is produced. The hotel uses this information to increase revenue by raising prices when reservations are brisk, or granting discounts when reservations are slow. Reserving capacity for customers may cause problems when the customers do not show up, or when they arrive late. If this happens, capacity is squandered or wasted. Many hotels therefore overbook to reduce wasted capacity. Overbooking requires a

meticulous comprehension of the market, as well as of customer behaviour in the different segments the hotel serves (Barth, 2002:139; Bitran & Gilbert, 1996:35).

Bitran and Gilbert (1996:35-36) suggest several hierarchical levels in planning the reservation process of an hotel. At the top level, *aggregate planning* usually involves both the corporate as well as the local hotel management. Agreement is reached once a month on specific sales targets. Typically, two sales targets are specified for a particular month. One sales target is determined for weekends and the other for weekdays. The sales targets help to determine booking ceilings that will apply to cut-rate rooms, and they make it possible to develop a budget. The aggregate planning period usually extends into the future to accommodate large group reservations, which are usually made well in advance (Bitran and Gilbert, 1996:35-36).

The next level of planning, *room merchandising*, involves only the local management of an hotel. Every week monthly sales targets are defined and booking ceilings for individual days are given. Local management has the authority to adjust booking ceilings on cut-rate reservations on specific days – as long as the selective sales targets set during aggregate planning are met. The planning period extends, usually, for two to three months (Bitran and Gilbert, 1996:35-36).

The lower level of planning involves *inventory management*. Inventory management deals with the allotment of rooms by the local hotel management to customers as they arrive. The profile of reservations is reviewed every day. Guaranteed reservations, non-guaranteed reservations, departures, and late cancellations are considered. Based upon this information *and* upon the past rate of non-arrivals, management decides either to allow walk-in customers or give preference to guests wanting to extend their stay (Bitran and Gilbert, 1996:35-36).

3.3.3.3 Pricing tools

Another yield management strategy involves asking varying prices for similar services

and managing the capacity available at the same time (Barth, 2002:136). Kimes (2002:21&27) states that an hotel should find an acceptable policy to cover the practice of asking different prices for similar services. It is important that customers view the practice as fair, or the increase in revenue derived from the practice may be short-lived. Customers see the practice as fairly acceptable when it exhibits one or more of the following characteristics (Kimes, 2002:28):

- The hotel makes information on different pricing alternatives available;
- Generous discounts are permitted when cancellation restrictions apply;
- The hotel inflicts tolerable restrictions in exchange for a discounted rate;
- Dissimilar prices are charged for products perceived as being unlike.

It is important for a yield manager to determine a yield statistic to measure the result or effect of any yield management decision taken. Yield management decisions involve choices regarding price and capacity. Yield statistics are quick and easy ways to determine if these decisions are working towards the realization of enhanced revenue (Barth, 2002:136-137).

An hotel can make use of differential pricing. The hotel should in this case segment customers into identifiable groups. Segmentation is generally based on customers' sensitivity to time *and* price. Customers – typically the leisure segment – who are price-sensitive but not time-sensitive are attracted by lower prices, but will have to adapt their schedules to obtain the discount. Customers – typically the business segment – who are time-sensitive but less price-sensitive are willing to pay higher prices to access services whenever they demand them (Barth, 2002:139; Relihan, 1989:42).

A service business may also optimize revenue by 'up-selling' a customer or by increasing sales to a customer. An increase in sales, combined with improved capacity utilization, can substantially benefit profits. A business may also bundle services. Bundling involves amassing services (accommodation, travel, and entertainment, for example) into 'package deals' to improve profits and to improve the value offered to customers (Barth, 2002:139-

140).

3.3.3.4 The yield management process

Jones and Hamilton (1992:91-95) propose a yield management system for hotels that emphasizes the role of people in making the system work. Figure 5 provides a graphical illustration of this model.

The implementation of a successful yield culture should first of all focus on employees. This involves making sure that all employees understand what yield management is all about (Step 1 of Figure 5). The results of a study into the implementation of yield management found that managers think the effectiveness of a yield management process depends to a considerable extent on training which is focused on developing an understanding amongst employees of the concept of yield management. The study indicated, moreover, that the best way to develop a practical understanding of yield management is through the use of hypothetical reservation situations, as well as through showing employees comparisons between revenue generated through traditional management decisions and revenues generated using the yield management process. A complete understanding of the process is, however, only achieved when yield management techniques are applied on a daily basis (Donaghy, McMahon-Beattie & McDowell, 1997:51).

The next step is to perform a painstaking demand analysis, focusing on factors in the hotel's environment, the hotel's competitors, and the hotel itself (Step 2). Based on the knowledge gained from this demand analysis, relationships between price and value are determined. This involves reassessing the prices asked for rooms, as well as the customers' perceptions of the value offered by the hotel (Step 3).

Step 4 involves determining the correct blend of market segments the hotel should serve in order to fill the hotel at the highest possible rates *and* also gain an understanding of the behaviour of the market segments so as to estimate lead times, non-arrival patterns, and

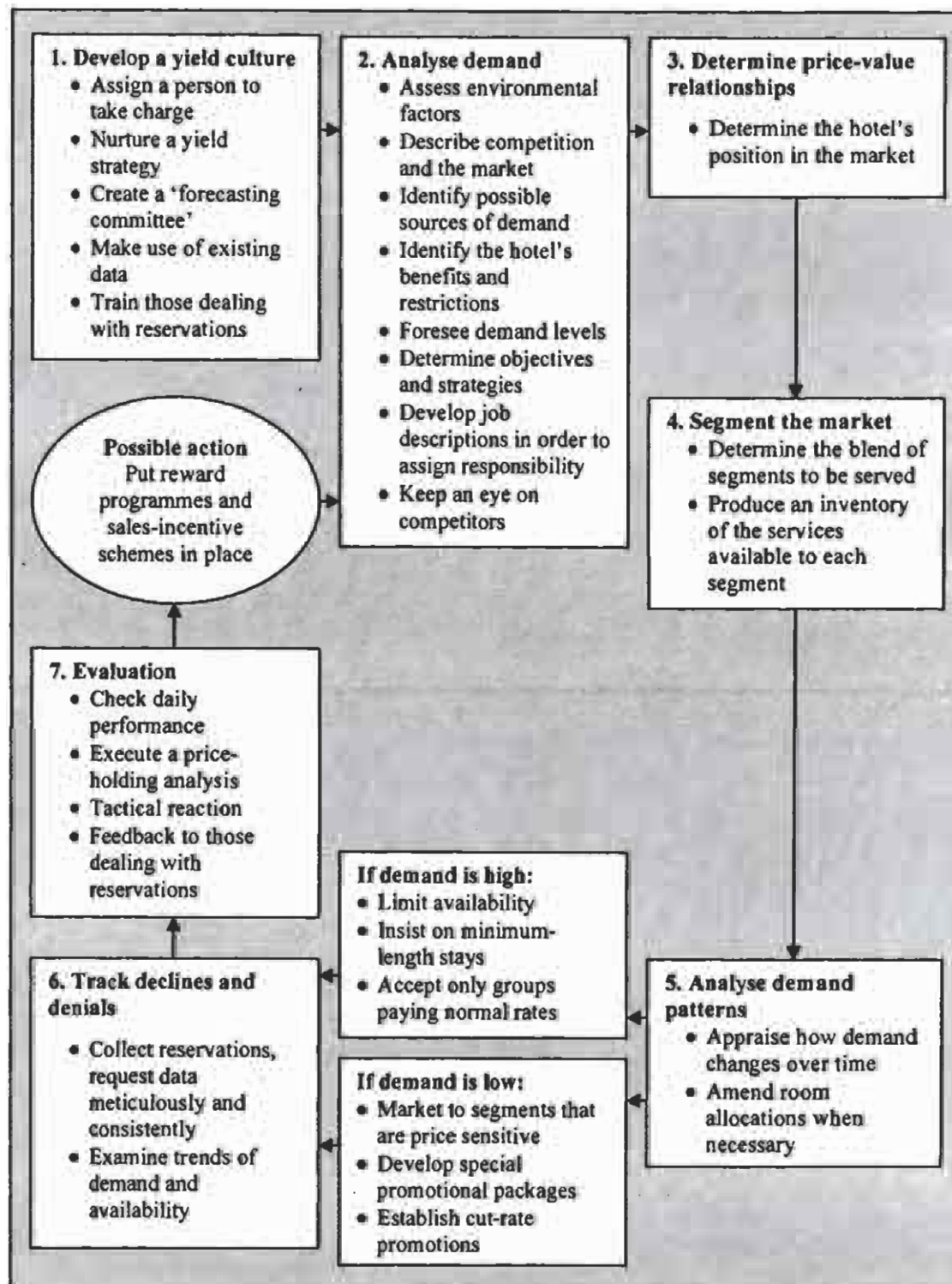
arrival-departure patterns. It is important to evaluate how demand changes over time and to ascertain whether or not real demand differs from forecast demand – due to changes in transportation schedules, changes in local tourism marketing, changes in weather patterns, or alterations in major conference bookings (Step 5).

The model proposes different strategies an hotel could follow when demand is high, as well as strategies that could be followed when demand is low. If demand is high, the hotel should limit the availability of rooms, insist on minimum-length stays, and accept only groups that pay normal room rates. If demand is low, the hotel should market to segments of the market that are price sensitive, develop special promotional packages, and establish cut-rate promotions.

An hotel should not focus only on data of occupied rooms. It is important to determine how many customers were turned away, or never showed (Step 6). The final step involves the evaluation of the system to determine whether or not the market segments are performing according to plan, whether or not demand is building as predicted, to see if special events have been taken into account, and to check, finally, that personnel are continuing to respond to the yield challenge (Step 7). Based on these answers there is a review of the way employees are paid and rewarded (Jones & Hamilton, 1992:91-95).

Several systems are available in the marketplace to assist hotels in the implementation of yield management. Systems are available for automated forecasting and optimization; they include 'IDeal Yield', 'TopLine PROPHET' and 'maxim'. Systems also exist for computerized decision support – systems such as 'Yield Management WERKS'. These systems assist hotels in implementing yield management practices as well as in taking steps to become more sophisticated in their thinking about yield management (Quain, Sansbury & Quinn, 1999:83).

Figure 5: The yield management process



Source: Jones and Hamilton (1992:92)

3.3.3.5 The ideal yield management application

An 'ideal' yield management application for hotels involves the following activities (Jauncy et al., 1995:25; Kimes, 1989:18):

- Record past patterns of demand in a methodical way in order to establish trends over time for each market segment the hotel serves. The hotel has to be familiar with the pattern upon which customers place reservations.
- Predict future demand in terms of levels of occupancy for specified future dates based on past trends. Reproduce the rate at which these reservations are placed.
- Document the real demand or actual pattern as well as the extent of business as it is coming into being.
- Adjust the estimated levels of demand in relation to the real rate and the pattern of demand that is transpiring.
- Determine the numbers and features of the market segments served by the hotel.
- Investigate non-arrivals and cancellations.
- Examine and report the effect of various rates and restrictions for future business for each market segment.
- Advise the yield management team of the most appropriate blend of rates and restrictions to be valid on particular dates.
- Plainly state the overbooking policy.

When comparing the model for yield management as proposed by Jones and Hamilton (1992:92) with the features of an 'ideal' yield management application for hotels as set out by Jauncy et al. (1995) and Kimes (1989), it can be seen that the model fulfils many of the stated requirements.

This section illustrated the importance for a business to put strategies in place to successfully manage customer demand for its offering, and its capacity to meet that demand. Yield management forms an important part of managing customer demand as

against service capacity. Proper demand and capacity management sets the stage for the successful retention of customers who were so dearly bought in advertising campaigns.

3.4 SYNOPSIS

Chapter Three presents an overview of competitive marketing strategies available to a business. It first addresses possible marketing strategies a business may consider to help it to compete successfully within a particular industry. The strategies provide guidance to a business about how to gain and sustain competitive advantage. The chapter provides insight into service positioning, a tool used to position the offering of a business for competitive advantage in the market. Other possible strategies include using the service life cycle as a tool to manage the business's offering throughout the life cycle of the offering. The chapter also presents other possible strategies a business can implement if it wants to defend its competitive position.

The chapter furthermore examines how a business can manage demand for, and supply of, services. The focus here is on the management of customer demand, and the management of service capacity, as well as on yield management.

CHAPTER 4

CUSTOMER RETENTION

4.1 INTRODUCTION

It is widely recognized that the cost of acquiring a new customer is more than the cost of keeping an existing one. It costs on average five times more to replace a customer than it costs to retain one, across different industries (Best, 2005:17; Pfeifer, 2004:179). Researchers have also found a close relationship between customer retention and profitability (Jamieson, 1994:11; Reicheld & Sasser, 1990:105-108). Best (2005:16) states that the higher the customer retention rate, the greater the profit of the business.

Perceptive marketers tend to view existing customers as a major growth opportunity. Customer-seller relationships are all-pervasive, unavoidable, and highly inter-reliant. Ties between customers and businesses are crucial to the interests of both parties (Claycomb & Martin, 2001:385).

Middleton and Clarke (2001:397) remark, furthermore, that regular customers represent an important strategic marketing asset for any accommodation business. Regular customers provide an ideal route through which to reach, free of charge, the associates and friends of these people, via word-of-mouth communication. These people thus reached have, in all likelihood, similar preferences and requisites to their friends and associates who are already customers. Gilpin (1996:148) states that the hospitality industry recognizes the value of the repeat or regular customer both for past trade, and for possible recommendations to prospective customers. Ahmad and Buttle (2001:33) state that customer retention should be part of a business's strategic marketing objectives instead of just being the result of good marketing practices.

Chapter Four investigates customer retention management. The different facets of

customer retention discussed here are key to managing customer retention in a service business such as an hotel (Blattberg, Getz & Thomas, 2001; Payne 2000a; Rowley, 2000, 1996 & 1995; Eccles & Durand, 1998; Kurtz & Clow, 1998; Martin, 1996; Reicheld, 1996; Stum & Thiry, 1991). The chapter illustrates how a service business such as an hotel retains customers, by making sure that customers are mutually compatible, by keeping track of, and managing, customer defections, by addressing service failures with recovery strategies, and by maintaining, in general, the long-term value-creating relationships with customers that were discussed in detail in Chapter Two.

4.2 CUSTOMER RETENTION MEASUREMENT

Payne (2000a:114) states that measuring customer retention rates is the first step in improving the profitability of a service business. Many businesses do not, however, understand the importance of improving customer retention rates; nor do they understand the impact of these rates on profitability (Clark, 1997:295). As stated in Chapter One, if a business is serious about improving customer retention it should first define what customer retention means for the business, and then put the necessary measures in place to measure this (Aspinall et al., 2001:87).

Clark (1997:296) is of the opinion that there is a dearth of suitable measurement systems to gauge customer retention rates in service businesses – bearing in mind that the same measure is not appropriate for *all* such businesses. The measure that is appropriate for a particular business depends on the products and services the business markets (Ahmad & Buttle, 2001:33).

DeSouza (1992:25) states that the customer retention rate can be calculated in two ways: a crude customer retention rate, or a weighted customer retention rate. A crude customer retention rate measures the total percentage of customers the business retains, based on the decline or escalation of customers over a specific period of time. The weighted retention rate, on the other hand, is calculated by weighting customers according to the

volume of their purchases. Thus, if a customer who purchases high volumes defects, the impact on the defection rate will be larger than the impact of a customer purchasing small volumes. Ahmad and Buttle (2001:42) state that when it comes to a service business like an hotel, a suitable measures of retention should involve measuring the crude rate, or the absolute number of customers who have been retained – or who have defected. The authors go on to state that a service business such an hotel should also use a weighted rate, which takes into account the ‘share of wallet’ and life-time value of a customer.

The following sections deal with these issues as they impact upon service businesses – especially hotels. Section 4.3 addresses the management of customer-to-customer interaction within a service environment.

4.3 COMPATIBILITY MANAGEMENT

This section focuses on the meaning of compatibility management, the relevance of compatibility management to the hotel industry, and the reasons why customers are sometimes incompatible. A process is put forward to manage compatibility at an hotel. The section ends with strategies that an hotel can employ.

4.3.1 Compatibility management explained

In many instances service experiences occur while other customers are nearby. This applies to services that take place daily, in, for example, public transport to get to work and back. It also applies to services that take place occasionally, such as staying at an hotel and playing a round of golf when on holiday (Grove & Fisk, 2001:63; Parker & Ward, 2000:342).

People often consume services with friends or family (Baron & Harris, 2003:65). Friends spend a holiday together at an hotel, or business travellers get to know fellow travellers who often stay at the same hotel. Baron and Harris (2003:66) also identify interactions

that take place between strangers in an environment where services are utilized. A guest who does not know another guest might recommend a favourite dish to that person while they are in the hotel dining room, for example.

As the study of service experience within a broad array of service environments has developed, there has been an increasing appreciation that a customer's satisfaction is often dependent upon customers' direct and indirect interactions within the service facility's physical environment. Customer-to-customer interaction has a significant influence on customer satisfaction. Customer satisfaction will, in turn, impact on the likelihood of the business retaining the customer. It is thus important for the business to be aware of customer-to-customer relationships, as well as to the behaviours that could likely strengthen, or harm, these relationships. Customer-to-customer interaction can, in short, improve or damage the service experience of a customer (Rowley, 2000:165, 1996:15 & 1995:7; Martin, 1996:166).

Customers are not ignorant of each other, but they do not flock together like sheep. Customers can impede, disrespect, devitalize – or help and revive one another. Interactions between customers can breed compassion or antagonism (McGarth & Otnes, 1995:271). According to Pranter and Martin (1991:44) a service business should – instead of accepting the influence one customer has on another as being *inescapable* and as something that cannot be managed – employ customer compatibility management to manage this mutual impact.

4.3.2 The relevance of compatibility management to the hotel industry

Kurtz and Clow (1998:389) state that even when customers are satisfied with the service they have received from a business, they may be dissatisfied with the way they have been dealt with by other customers. When there is a good deal of customer contact, 'wrong' or inappropriate customers can have a harmful effect on the atmosphere of the service facility, as well as on other customers' sense of wellbeing (Berkley, 1997:83).

Martin and Pranter (1989:10-11) are of the opinion that the significance of customer compatibility and the management thereof is not equally relevant to all services, or in all service environments. There are a number of characteristics which make customer compatibility appropriate. These include the following (Rowley, 2000:166; Martin & Pranter, 1989:10-11):

- Customers are physically close to one another;
- Verbal communication amongst customers is likely;
- Customers are involved in many and differing pursuits;
- The service environment draws a diverse collection of customers;
- The core service offered at the service business centres on cultivating the compatibility of customers;
- Customers sometimes wait for service;
- Customers are required to share time, space, or service apparatus with one another;
- Customers spend more than half an hour at a time in the service environment.

Hotels exhibit many of these characteristics. Guests are accommodated in close proximity to one another. Customers relax, for example, in and around swimming pools. Verbal communication between customers is likely in hotel lobbies, restaurants, and other entertainment areas. Hotels also offer many different activities to guests, creating the opportunity for interaction. The possibility of attracting customers who come from diverse backgrounds is also strong. Customers sometimes have to wait to be checked in or out of an hotel, or to be seated in a restaurant. Customers are also expected to share time, space, and apparatus with one another, typically in a dining room or restaurant setting. The majority of customers spend more than half an hour at a time in the service environment of an hotel. All of this suggests that in the hotel industry customer compatibility and the management thereof is most certainly deserving of attention.

4.3.3 Reasons why customers are incompatible

Incompatibility between customers can be traced to the fact that customers have different preferences, aims, and different thoughts of what they consider proper and sensible. Differences are also found in the fact that customers hold certain stereotypes and have certain prejudices towards certain groups of people when it comes to religion, nationality, social class, age and gender (Grove & Fisk, 2001:78-79; Martin & Pranter, 1989:11).

Customers also differ in terms of their experiences. There is a tendency to experience displeasing incidents when the other customers are 'different' in some or other way. A regular customer might feel that a new customer is wasting time when asking many questions during the check-in process at an hotel. Customers also differ in terms of their physical traits and medical conditions. A visibly ill customer in the lobby of an hotel may leave other customers feeling uneasy. People have a propensity to be less subdued when 'out-of-town', due to the fact that they are anonymous and feel that they can behave as they wish. Customers can also get distraught by the behaviour of those they consider 'foreign' (Grove & Fisk, 2001:78-79; Martin & Pranter, 1989:11).

4.3.4 Managing customer compatibility

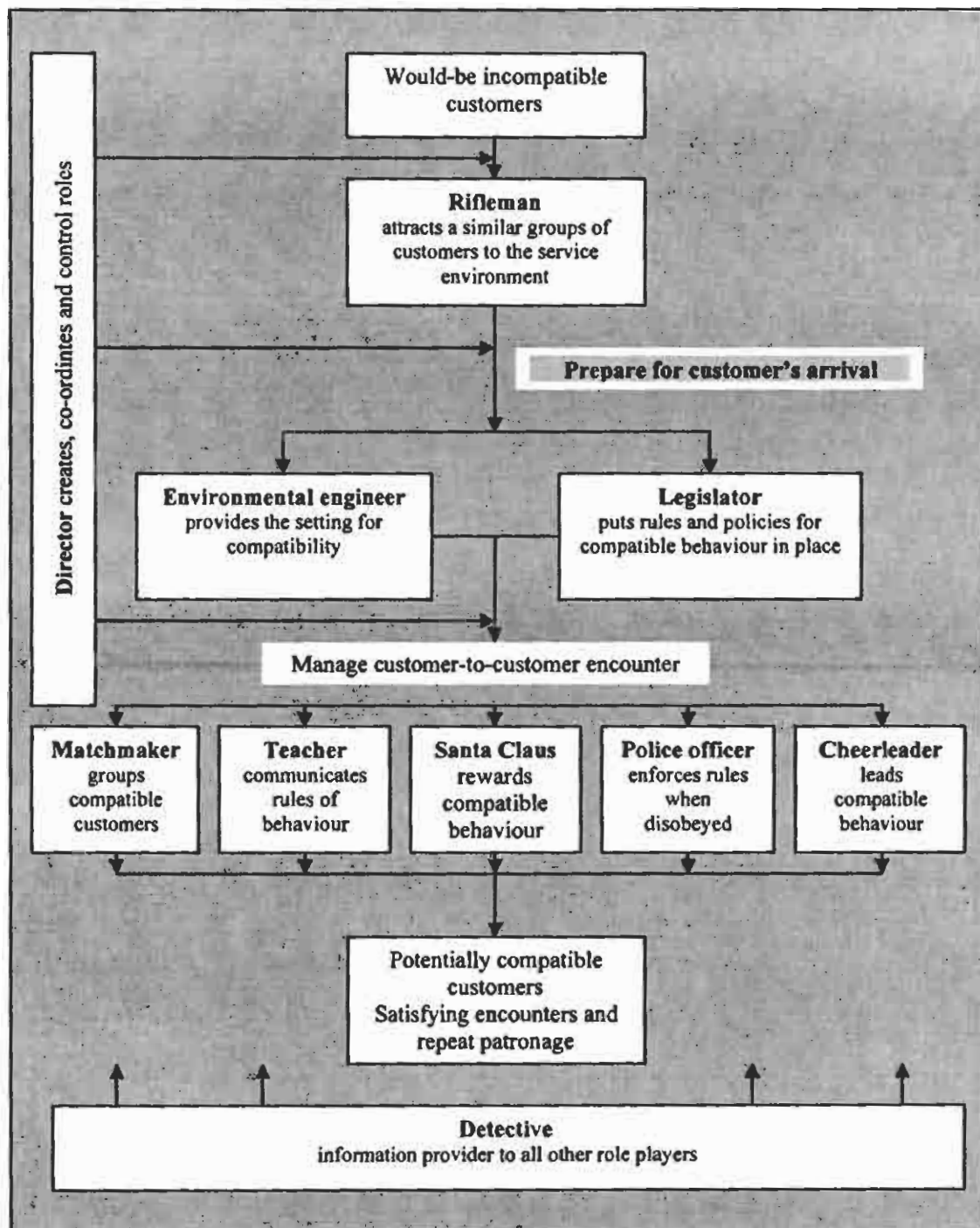
The relationships between customers affect customer satisfaction and customer retention. The challenge is to develop customer compatibility programmes to encourage positive encounters between customers, while at the same time discouraging negative encounters (Martin, 1996:165).

Customer-to-customer relationships can be managed. The process is known as compatibility management, and it involves three stages (Kurtz & Clow, 1998:389; Pranter & Martin, 1991:44):

- Management instigates the initial stage, which is to attract similar groups of customers to the hotel through a marketing plan that explicitly identifies the target-market(s) the hotel will be addressing.
- Service support employees and management are involved in the second stage. The objective at this point is to get ready for customer arrivals and to offer an appropriate setting to improve compatibility. Rules of behaviour for customers should also be settled on. The hotel thus actively manages the physical environment.
- The third stage is to manage customer-to-customer interactions. This should be the responsibility of employees coming into contact with customers. During this stage the customers interact. Both the physical environment and customer-to-customer interactions are managed to facilitate satisfying encounters between customers.

Pranter and Martin's (1991:46) proposed framework for customer compatibility management has employees playing an important role in the process, with a number of different 'roles' that need to work together. Figure 6 provides a graphical illustration of this framework.

Figure 6: The process of customer compatibility management



Source: Pranter and Martin (1991:46)

The model proposes that the potential market consists of many different groups of possibly incompatible customers. The hotel cannot be 'all for everyone' and the *rifleman* targets specific segment(s) in the market the hotel wishes to serve. The service employee, who assumes the role of the *environmental engineer*, creates the setting where the service will take place before the customers arrive. The environmental engineer will, for example, arrange the tables around the food service area to focus attention on the food and not on other customers. The role of the *legislator* is to put policies and rules in place to guide the behaviour of customers. A standard dress code in the evenings is an example of such a rule.

The *matchmaker* groups customers in such a way as to achieve additional similarity or homogeneity within groups of people. Children, for example, eat in a separate dining room at the hotel. The role of the *teacher* is to pass on information so as to socialize the customer into the norms of the service environment. A teacher may indicate to customers the correct path to follow when checking in at the hotel. The information can be provided person-to-person, or through the use of signage and notice boards put up in the hotel.

Santa Claus recognizes and rewards customers for compatible behaviour. An example is when an employee or manager of the hotel thanks a customer for assisting a fellow customer. The role of the *police officer*, on the other hand, is to enforce standards of behaviour – requesting noisy customers to calm down, for example.

A *cheerleader* pulls customers together by conveying a sense of belonging. A cheerleader will typically introduce different customers to each other and focus on commonalities between customers. The role of the *detective* is to provide information to each of the other role players so that other role players can, in turn, perform their respective tasks more effectively. A detective might, for example, inform the policeman of customers whose behaviour is out of line.

In order to achieve successful compatibility management, it is important to have a *director* in place to oversee the entire process. The director is usually a senior manager at

the hotel (Pranter and Martin, 1991:45-51).

An hotel can use several strategies to manage compatibility. When an hotel wants customers to interact, it should design the environment to encourage interaction. The environment can also be planned to reduce interaction between customers (Harris, Baron & Ratcliffe, 1995:73). Dividers could be placed between tables, or tables could be placed further apart to reduce interaction between possibly incompatible customers. A service business could use décor, colour, and lighting to influence the atmosphere, which may lead to constructive interaction amongst customers. Putting a queuing system into practice that reduces waiting and which is perceived to be fair might also decrease uneasiness and positively affect encounters between customers (Martin, 1996:165-166). Grove and Fisk (2001:79) suggest, furthermore, that line managers could be employed to entertain customers and ensure that problems do not occur between customers while they are waiting in line. Printed programmes and signage could also be used to inform customers about fitting behaviour.

An hotel can employ compatibility management to attract similar customers to the hotel and prepare for the customers' arrival. Compatibility management provides a suitable setting for customers and, finally, manages the interaction between customers in order to retain customers and prevent them from defecting because of the behaviour of their fellow guests.

4.4 CUSTOMER DEFECTION MANAGEMENT

This section provides an overview of customer defection. It also examines the impact of customer defection on a service business like an hotel, as well as the role of customer defection management.

4.4.1 Customer defection explained

Customer defection is defined as 'customers forsaking one service provider for another' (Garland, 2002:318). The customer defection rate refers to the tempo at which customers leave the business over time (Page et al., 1996:821).

According to DeSouza (1992:25-26) six groups of defectors can be identified: customers who switch to a competitor who offers lower prices; customers who switch to a competitor who offers a better product; customers who leave because of inadequate service; customers who are lost to the market because they go out of business; customers who convert to a product or service offered from outside the industry; and customers who leave because of internal or external political considerations.

In some cases the customer informs the business that he or she is no longer a customer. Most customers, however, do not indicate that they plan to defect, or have defected (Blattberg et al., 2001:69). Reicheld (1996:56) maintains that customer defection is due to the fact that customers perceive a decrease in the value the business provides. The author further holds that an increase in the defection rate leads to a diminishing cash flow to the business from the customers – even if the business is able to replace lost customers.

It is said that it takes about four to five years for a customer in the insurance industry to become profitable (West, 1995:24). Reicheld and Kenny (1990:20) comment that a customer of five years is worth more in the banking industry than a new relationship. A customer of ten years is also worth more than a five-year relationship. The profitability of customers does indeed increase the longer they remain with the business (Trubik & Smith, 2000:206).

Despite this, few businesses do anything about customer defection (Credle, 1995). A study conducted in 1995 found that only 17 per cent of Fortune 500 corporations try to reduce customer defection as a way to increase profitability (Credle, 1995).

The lessening of the customer defection rate can increase profits to a far greater extent than growth in market share, better profit margins, or factors usually associated with competitive advantage. Businesses with high defection rates are also more likely to lose customers to those businesses that have recognized a need to lower their defection rate and have allocated resources to accomplish this. Once customers are lost they are not likely to return. A high defection rate means that a business has forfeited the opportunity to create barriers against competitors entering the industry: maintaining a high percentage of customers bars competitors from increasing market share. If defection rates are low, the result is stability – and an industry will therefore look less attractive to potential entrants (Colgate et al., 1996:23-24).

To understand the complete influence of defections the business must determine the lifetime value of a customer. Lifetime value refers to the revenue a customer would generate over his or her lifetime. The value of a customer will also increase over time because of the fact that (Claycomb & Martin, 2001:395; Trubik & Smith, 2000:200; Kurtz & Clow, 1998:393-399):

- There are high preliminary costs involved in drawing and introducing a new customer;
- Customers are likely to utilize services more recurrently over time;
- Service businesses become more proficient in delivering services over time;
- Customers refer others to the business;
- Customers may generate positive word-of-mouth advertising, which is supposed to be among the most powerful and impartial sources of influence marketplace influence;
- Businesses can slowly increase their prices because of the apparent quality and reliable service they provide.

Best (2005:17) argues that the marketing costs a business incurs to ensure customer satisfaction is small in comparison to the benefits the business will derive from customer purchases and the cost savings of customers not defecting. Although it is not realistically achievable, the business should at least *aim* at creating a zero-defection culture.

Businesses should also provide an unqualified guarantee to customers, which can be invoked by the latter for any reason (Kurtz & Clow, 1998:393-399). Reicheld and Sasser (1990:108-109) state that a service business probably cannot eradicate all defections, but it can and should lessen defections. If a business decides on a zero-defection approach, it should be prepared to recognize customers who leave, and then investigate and act on the information these customers provide. The most important purpose for getting information about those customers who leave is to find out why they are doing so. Customers who leave can provide a view of the business that is not visible to those inside it. The idea is to use defections as an early warning in order to learn from defectors about the business, and use this information to improve matters.

Simply satisfying customers is no longer enough to further long-term customer loyalty. Businesses need to centre on those customers who leave instead of relying on new customers to take the place of existing customers. Escalating competition, industry maturity, and strain caused by recessions experienced in the market are just some of the reasons why new customers are simply more difficult to find (Corner, 1996:4). Reicheld (1996:60) proposes that customers who reallocate some of their purchases to other businesses, and customers who buy extra but whose purchases represent a less significant share of their total expenditure should also be taken into account when dealing with customer defection.

4.4.2 The role of customer defection management

Ahmad (2002:26) asserts that managers have to make an extra effort to institute control devices that keep track of customer defection. Pearson and Gessner (1999) suggest that a monitoring process be put in place to detect customer defection since time is of the essence to stop the customer from defecting. Dove and Robinson (2002) also advocate that businesses put devices in place to alert them when customers get 'turned off'. If the business follows up with instant action, it can reduce customer defection.

An issue that has caused one customer to defect may eventually cause many others to follow suit. A defection analysis is accomplished by asking definite, related questions about why the customer has defected (Reicheld & Sasser, 1990:109). Colgate et al. (1996:28) reason that service businesses should be sensitive towards defection rates. Businesses should allocate resources to deal with the causes of defection.

A well designed and accomplished study of customers who defected can provide information that will identify the underlying, core reasons for customer defection, investigate employee attitudes toward service quality, develop a better understanding of the customer's process for ending the business relationship (so that appropriate intervention and recovery actions can be taken), and discover whether or not there is an identifiable profile for customers who defected which may be used for the early discovery of customers at risk (Corner, 1996:4).

Payne (2000a:116-117) suggests four analytical approaches that are useful in the identification of the underlying or core reasons of customer defection:

- Purposely trained researchers should undertake an analysis of the core reasons why customers defect. In this way the business can identify business practices that should be changed. These efforts sometimes result in recovering the customer and salvaging the relationship (Reicheld, 1996:56).
- The business should undertake research to identify the service dimensions that are key in retaining a customer.
- The business should benchmark its performance on critical customer service elements against competitors.
- The business should carefully analyse customer complaints.

4.4.3 Managing customer defection

Three models which describe how to manage customer defection are discussed in this section. Colgate et al. (1996:28) propose a four-step process that businesses can follow to

reduce defection rates and capture quality defectors:

- Ascertain the defection rate.
- Determine the cost associated with the defection rate. This is done by (1) calculating the value of an average customer over his or her lifetime; (2) approximating the *current value* of such customers at the current rate of defection; and (3) calculating the increase in profit that could be realized if the defection rate is reduced. This indicates the cost of the defection rate.
- Identify the blend of enticements that will persuade customers to remain.
- Channel resources to those efforts that will encourage customers to stay.

Page et al. (1996:827) suggest an analytical process for the assessment of the impact of customer defection. The steps are as follows:

- Draw up a profile of customer contributions. A contribution profile is a customer's contribution to income in relation to the number of purchases made throughout the duration of the customer's relationship with the business.
- Determine the rate at which customers defect and how it fluctuates over time.
- Establish the anticipated financial value of every new customer over his or her lifetime, and see how this fluctuates over the expected customer lifetime.
- Ascertain the overall customer base of the business.
- Determine the eventual contribution of the customer base and how it fluctuates when projections are altered.
- Decide on marketing mix strategies needed to create a balance between acquiring and retaining customers.

Sampathkumaran (1994:18) suggests 'customer migration analyses' as a way to stay on top of, and prevent, customer defection. The author contends that 'customer migration analysis' should be practised as a continuous, dynamic process that will enable marketers to monitor customer performance against benchmarks, predict and prevent customer defection, foster loyalty, and realize a return on investment. The steps in the customer

migration analysis are the following (Sampathkumaran, 1994:18-19):

- Spot migration groups based on their expenditure. Divide customers into groups: those that have increased spending, those that have reduced spending, those that have sustained spending, those that have stopped spending, and those that have resumed spending.
- Create profiles of the groups with the use of available information such as the number and nature of transactions, demographic characteristics of customers, and survey results.
- Ascertain previous and potential return on investment (ROI) of each of the migration groups. Compare information on promotion efforts (the budget assigned to acquire and retain customers) directed at these groups to assess ROI.
- Establish future resource allocation. Make the most of the return on future investment by striking a balance between acquiring, advancement, and retaining efforts. Take the extent of the customer base, the possible prospect population, the stage in the product life cycle and competition into account when allocating resources.
- Monitor the migration groups and evaluate the ROI continuously.

All three models of customer defection management show that identifying defection rates – and defectors – is crucial. According to Blattberg et al. (2001:91-92) relatively few methods exist for identifying defectors. The recency-sales rate (RS) matrix can be used to identify defectors. The idea is that a customer's sales rate and the recentness of the last purchase are suggestive of the customer's intention to purchase again. Customers have to have made enough purchases to establish a purchase pattern: to build an RS matrix, it is necessary to include customers who have made at least three purchases. Three statistics are then calculated for each customer: (1) the time that has passed since the customer's most recent purchase; (2) the sales rate of the customer for the period (the time since the first purchase divided by the number of times purchased); and (3) the number of cycles that will pass until the customer is likely to repurchase (which is calculated by dividing the first statistic by the second). If the recentness of the customer's last purchase is

greater than the figure given in the third statistic, then the customer is a likely defector.

Trubik and Smith (2000:206) state that utilizing a business's database is critical in spotting defecting customers. It is also important for a business to be able to identify the attributes of customers. These attributes will assist the business in spotting defectors. Trubik and Smith's study on the banking sector establishes that the capability of the business to identify defecting customers leads to a decrease in costs. This decrease can be explained as follows: if the business is able to identify who the defecting customers are, it can put measures in place to try and retain these customers, instead of incurring the cost of acquiring new ones.

The three models also emphasize the following factors in customer defection management:

- Calculating the cost of defection to the business;
- Deciding on a plan of action;
- Allocating resources to influence customers to refrain from defecting.

It is evident from research conducted in the field of customer defection that it has an impact on the profit margins of businesses. Customer defection cannot be neutralized by continuously acquiring new customers. New customers will only become profitable over time and are hard to find. It is therefore important to pay attention to customer defection.

Another thing that has been shown is that customer defection must be monitored and actively managed in order to reduce defections. The core reasons (root or underlying causes) of customer defection must be identified. Customer defection management requires the service business to identify defectors and defection rates, to determine the impact (cost) of defection, to select strategies, and to allocate resources in an effort to reduce defections. Fewer defections, it stands to reason, lead to the retention of a greater number of customers. The following section investigates what happens when a service delivery system fails. It also explores how a business such as an hotel can use service

recovery to reduce the impact of service failures on customer retention.

4.5 SERVICE FAILURE AND RECOVERY

This section explains service failure. It also identifies possible service failure points and discusses service recovery as a tool to address such issues.

4.5.1 Service failure explained

Service failure can be defined as the incapacity of a service to meet the expectations of customers about the standard of the service delivery. From the customer's perspective it can be formulated as any situation where something regarding received service has gone wrong (Palmer, 2001:74&492). The nature of business in the hotel industry involves many interactions between customers and employees of a particular hotel – a situation which, quite obviously, provides plenty opportunity for service failures to occur. Front-line staff have a pivotal role to play in ensuring the quality of service encounters. Service failures occur at the point of consumption – in many instances because of the inseparability of production and consumption – which leaves a small likelihood for recovery without bothering guests. Hotels are also typified by round-the-clock operations, as well as highly fluctuating demand. These factors all conspire to make the hotel industry highly susceptible to service failures (Lewis & McCann, 2004:6).

According to Ahmad (2002:19) a service delivery system fails when it cannot deliver service as pedged. A service failure is seen as an error. A service failure does not always result in lost customers, although the customer's confidence in the business is undermined (Cranage, 2004:210). The following section discusses how to identify possible service failure; it also addresses the role of service recovery as a tool to remedy such failure.

4.5.2 The identification of possible service failure points

The best way to prevent service failure is to do things right the first time around, instead of relying on service *recovery* to keep customers loyal (Mattila, 2001:591). Doing things right the first time around compels the business to unearth novel ways of managing customer relationships so as to ensure swift, reliable, and quality service. This is achieved through identifying likely failure points in the service delivery process, as well as through exploring methods to prevent these (Cranage, 2004:211). Ahmed (2002:19) holds a similar belief that the possible failure points need to be documented, and the service delivery system reviewed and modified in the light of this.

Service failures are usually understood by asking guests to provide insight into the causes of problems. Other methods are also available to determine the causes of service failures: questioning staff who come into contact with customers, and simply observing what is taking place (Yen, Gwinner & Su, 2004:20).

Zhu, Sivakumar and Parasuraman (2004:497) describe the nature of service failure in terms of two constituents. The first constituent involves whether the failure is that of a service not being as the customer anticipated it to be, or whether the failure occurred *during the process* of service delivery. The second constituent has to do with how grave the customer sees the service failure as being.

It is almost expected that a service business will fail at some point in time where customers and the producer of services meet each other. This 'inseparability' of product and perception, as it were, as well as the very intangibility of services give rise to service failures (Palmer, 2001:74).

The intangibility of services means that customers find it difficult to appraise competing services. What appears certain is that customers tend to be sensitive to high levels of perceived risk and place big importance on personal information sources. They also employ price to gauge the quality of the service. The inseparability of product and

perception, on the other hand, leads to customers being, as it were, the 'co-producers' of services – and often customers are co-consumers of a service alongside *other* customers. Customers also have to travel to the point of service production on many occasions (Palmer, 2001:17).

As for ways of dealing with the intangibility of its services, the business should reduce its service intricacy, focus on tangible cues, assist positive word-of-mouth communications, and centre on supplying high-quality service. As for ways of dealing with the inseparability of product and perception, the business should try to split the production and consumption of the service, manage the interaction between the consumer and provider of the service, and better service delivery systems (Palmer, 2001:17; McColl et al., 1998:48-50).

As for possible failure points, Cranage (2004:202) identifies the physical surroundings as a possible source of failure. Hoffman et al. (2003:339-340) identify three main types of service failure points occurring in the physical environment in which hospitality services are delivered: cleanliness issues, mechanical problems, and facility-design issues (listed in order of their frequency of occurrence from highest to lowest). Cleanliness involves unknown objects in food and bed linen, overall cleanliness problems, bad odours, and insect and animal trouble. Mechanical problems cause to the core service not being available, and include the breakdown of equipment such as hotel toilets and climate-control systems, amongst other things. Facility design issues involve things like an unwanted view from the room, bedrooms located in noisy or busy areas of the hotel, slippery walkways, and so forth. Hotel managers should examine the physical environment and facilities (Cranage, 2004:202). Hoffman et al. (2003:333) show that facilities maintenance impacts highly on customer retention, and that sufficient facility maintenance will assist in preventing service failures.

In addition to possible failure related to the physical environment, Cranage (2004:212) identifies several other failure points – as well as preventative action a business could take to avoid such failures. The reluctance of employees to take responsibility and be

accountable for things that *do* go wrong is an important failure point. It is suggested that employees should receive training in this regard, and that they should be empowered to make decisions to address customer complaints. Poor employee response to service problems is another possible failure point. To prevent this from happening, managers should have knowledge about customer contact situations, and be in control of these. Employees should also be trained on how to listen and respond to customer needs (Cranage, 2004:212). Young, Corsun and Shinnar (2004:31) suggest that empowerment is good practice, but an hotel has to take cognisance of the fact that giving a drinks coupon to a guest waiting to check in might solve immediate problems, but will camouflage the deeper organizational problem of why the guest has to wait in the first place.

Yet another failure point is a deprived communication style or lack of communication between employees, and between employees and customers. Employees should be trained to acquire good communication skills. Appropriate lines of communication should be established between employees and management (Cranage, 2004:212).

Service failure also occurs when the service task involves a set of multifaceted activities. It is necessary to analyse multifaceted customer service procedures and tasks: these should then be broken down into more manageable components (Cranage, 2004:212).

This is all very well in theory, but in practice it is very difficult to completely avoid service failure. Several strategies exist, therefore, to reduce inevitable service failure (Cranage, 2004:211-212; Wirtz & Mattila, 2004:162; Young et al., 2004:32):

- Businesses should put interviewing methods in place to identify potential employees with open communication styles who can be completely empowered to deal with customer complaints and provide customer service in a proactive – and not simply *reactive* – way.
- Businesses need to develop training programmes to convey to employees the qualities mentioned in the previous point. Studies have shown that service failure

is reduced when the business is characterized by an organized service environment, as well as fully empowered employees who communicate well.

- Structural changes to the organization, as well as the subdivision of service tasks may reduce service failures – especially in the hospitality industry where operations have often remained untouched for many years.
- Managers should ensure knowledge and control of situations where customers come into contact with employees. Front-line employees should be trained in avoiding service failures, and to listen to customers as well as respond to particular needs.
- Exit interviews with departing customers can be used as a tool to identify problem areas and service failures – so as to plan and develop procedures to eliminate these.

4.5.3 Service recovery as a tool to address service failure

When a service failure occurs, businesses should implement strategies to ‘return customers to a state of satisfaction’ (Boshoff & Staude, 2003:9). Griffin (2001:9) and Evans (2002:195) state that businesses should have a ‘win-back’ programme in place to return valuable customers to the business. A business should plan for service recovery. If an employee is able to bring about successful service recovery, this can lead to a high level of customer satisfaction (Baron & Harris, 2003:64).

Customers who complain are more likely to repurchase – even though their complaint is not handled satisfactorily – than those customers who do *not* complain when service delivery fails. If the problem is resolved through service recovery, customers will tell even more people about the business than they would have done if they had received good service initially. Such customers will tell five of their closest acquaintances about the way the incident was handled, whereas customers who receive good service from the start will only inform three acquaintances about the business. The recovery of customer complaints is equal to – if not *more* important than – providing good service initially (Eccles & Durand, 1998:68). Satisfying complaints creates optimal conditions for

customer retention (Stauss, 2002:181).

Lewis and McCann (2004:14) found in a study of the hotel industry that guests cite the most common service failures in the hotel industry to be service that is too slow, and service problems related to staffing issues – such as inept, unfriendly, or unaccommodating staff. Guests tend to be normally intolerant of waiting for long periods. Most problems identified by guests in this study involved the process of service *delivery* rather than the *outcome* of the service. Regular guests were also more likely to experience several service-related problems than were occasional guests.

Eccles and Durand (1998:70-71) state that a successful service recovery operation should be put in place whenever a customer complains. The business should consider the implementation of a service recovery strategy. According to the authors, such a strategy should consist of the training and management of employees to resolve complaints, the empowerment of employees to stay with the issue from the time the complaint is received until a solution is found, the appreciation of victorious service recovery efforts, as well as communicating 'best practices' to all employees.

In order to recover from a service failure to the best of its ability, a business needs to resolve the situation and eliminate the cause of the customer's dissatisfaction even if it involves exceptional treatment (Lewis & Spyropoulos, 2001:46). A study of the hotel industry found that the most common service recovery strategies hotels use include offering coupons, not asking the guest to pay for the room, not responding to the service failure at all, and presenting the customer with a replacement (Hoffman et al., 2003:340).

Service failures differ in terms of their *seriousness* and the *criticality* of the service to the guest. Seriousness refers to the extent or degree of the failure and criticality refers to the importance of the service to the customer. Depending on the level of service failure, businesses can opt for an apology and/or compensation as a service recovery effort (Cranage, 2004:212-213). Table 6 provides an exposition of the levels of service failure, service recovery efforts, as well as the customer's expected response.

Table 6: Levels of service failure and service recovery

Level of service failure	Service recovery effort	Customer response
Less serious, or low criticality	Apology – verbal Apology – written Compensation – back-to-normal refund Compensation – above normal refund	Satisfied Delighted Satisfied Delighted
Serious, or high criticality	Apology – managerial Compensation – above normal refund (Neither an apology nor any kind of compensation will delight a customer in this instance.)	Satisfied Satisfied

Source: Cranage (2004:213)

Table 6 indicates that for less serious (or low criticality) service failures an apology and/or compensation can satisfy and even delight the customer. In case of a serious (or high criticality) service failure an apology and/or compensation can satisfy, but cannot delight the customer.

In a study of loyal customers, Craighead, Karwan and Miller (2004:315-317) found that loyal customers tend to be more infuriated with less serious problems. Loyal customers express greater displeasure when less serious problems occur. When a serious problem occurs, loyal customers tend to be more understanding – as long as adequate recovery efforts are put in place. Loyal customers who experience less serious problems attach less importance to an apology, but expect management to deal with the problem quickly. For serious (or high criticality) problems, loyal customers expect an apology, sincerity, fair compensation, an added-value offer, and fast recognition or solutions. In all, the study indicates that loyal customers expect to be pampered to a much greater extent than customers who are not loyal. The findings are in line with findings by Matilla (2004:144)

that customers who are 'emotionally bonded' to a business have a low tolerance for service failure.

McDougall and Levesque (1999:7) identify the provision of assistance – in conjunction to an apology and compensation – as one of the commonest and most frequently used recovery strategies. Assistance as a recovery effort involves action to rectify the problem in order to bring the customer back to experiencing the level of service initially expected. Mattila (2001:591) states, furthermore, that service recovery efforts should be made to order to match the perceptions of a customer regarding the seriousness of the failure.

It must also be remembered that the recovery an hotel considers adequate for a typical customer may not be suitable for customers who are 'emotionally bonded' or loyal to the hotel. For the typical customer an apology, combined with some form of compensation, may be adequate; but for the loyal customer this may not be enough. A business needs to develop customized service recovery strategies for those customers who are loyal. A sincere and thorough explanation could, for example, reduce the negative effects of a service failure in dealing with such a customer (Matilla, 2004:144).

Wirtz and Mattila (2004:161) are of the opinion that offering compensation might not add value in situations where the recovery process is well entrenched – for example, where there is instantaneous recovery as well as an apology. Compensation does not counteract poor service recovery. In addition, in cases where there is immediate or instantaneous recovery but no apology, or delayed recovery with an apology, compensation does have a positive impact on the satisfaction related to service recovery. An apology is very successful when combined with an immediate recovery.

Cranage (2004:215) states that the way in which a customer evaluates a service failure and the resultant service recovery efforts depends on how the customer views the service, and on how much importance is placed on 'what' is done, rather than on 'how' it is done. Six factors determine whether the 'how' of service recovery is more important than the 'what' – whether procedure adopted takes precedence over material advantage gained

(Cranage, 2004:215):

- The strength of the relationship between the customer and service business;
- The closeness of the customer and the business;
- The duration of the service encounter between the customer and the business;
- The extent to which the service is made to order (customization);
- The extent or degree (criticality) with which the service is consumed;
- The cost of switching from one service supplier to another.

How the service recovery is offered is more important when the strength of relationship, its closeness, its duration, and the degree of customization involved are great. What is being offered is of more significance when the service is critical to the customer and when switching costs are high (Cranage, 2004:214). According to Colgate and Norris (2001:225-227) three major factors influence the decision of a customer to remain or leave the business after a service failure has been experienced. The first is the level of satisfaction with the service recovery after a complaint has been lodged. Some customers still leave even though they are happy with the service recovery. The second factor involves the level of loyalty customers have for the business. Customers with a strong sense of loyalty tend to remain with the business even though a service failure has been experienced. The third factor involves the perceived barriers to exit. High barriers of exit may discourage customers from leaving.

A standardized strategy for service recovery may not be suitable to retain customers. It all depends on the particular situation at hand. A business could give the customer a pick of service recovery options. By doing this the business could avoid overcompensating a customer who has experienced a service failure (Mattila, 2001:596). It is also suggested that a business should explicitly consider the customer's current perception of value – as well as his or her future contribution to revenue – when deciding on a service recovery strategy. Such an approach is likely to be more efficient than an approach that only takes into account the kind of failure in question, and the seriousness of the failure (Zhu et al., 2004:512).

Three other strategies – that are not strictly service *recovery* strategies – have been shown to help reduce service failure or lead to improved service recovery. These include internal service recovery, a complaint management system, and pre-emptive strategies (Cranage, 2004:216).

Internal service recovery assumes that front-line staff are also deserving of effort and attention. In many cases employees feel that they have little control when dealing with service failures, and often, therefore, feel helpless. It is important for management to provide some form of social support, to empower employees, and involve them in management. If employees are ‘recovered’ to the business this will impact positively on customer perceptions of how well they, in turn, have been recovered (Bowen & Johnston, 1999:128-129).

Lewis and Spyropoulos (2001:46) show that by methodically monitoring complaint data, a business is able to identify significant service encounters and latent failure points. A business that captures complaints is already indicating to its customers that it is dedicated and listening. Customer delight can be created out of service failure – through listening, understanding, innovating, and caring. (Zairi, 2000:334).

McCole (2004:346) states that a business should provide some sort of ‘entry point’ for complaints. There are a number of possible complaints entry points: front-line staff, channel members (like travel agents), management at head-office or regional offices, complaints cards, and complaints passed on by any other recipients. Management should regard complaints as important information to point out where enhancements are needed; such information will assist in solving individual customer problems – typically the most frequently occurring ones.

Pre-emptive strategies can be put in place by the business to reduce the harmful effects of a service failure. The business should identify areas of the service encounter where the customer can be empowered, by providing customers with alternatives – as well as the

information needed to make sound choices. Such a strategy reduces service failures. If service failures do occur, negative feelings will be reduced because the customer, after all, had the choice – had different options and information at his or her disposal. (Cranage & Sujan, 2003 cited in Cranage, 2004:216).

Magnini and Ford (2004:281) consider service failure recovery training as crucial in the hotel industry since – as mentioned earlier – it is impossible to eliminate all service failures. An hotel cannot control all the different factors involved in service delivery. Hotels are reliant on people (employees) to deal with people (guests). Magini and Ford state, furthermore, that there are five areas which need to be addressed in a service recovery training programme: information processing, emotional reaction, inspiring guest self-assurance, empowerment of employees, and the way in which service failure recovery can positively effect *employee* satisfaction. A difficult job well done is more likely to lead to work satisfaction than an easy situation.

Boshoff and Staude (2003:11) state that successful service recovery can be achieved through communicating with the upset customer, being empathetic, providing feedback, offering an explanation for the service failure, empowering employees to take action when receiving complaints, and ensuring that employees who deal with customers are professional and suitably dressed. Little and Marandi (2003:156) contend that, in addition to these steps, the business should make it easy for the customer to complain by ensuring that employees are trained to set the customer at ease. An hotel should also establish a basis for complaints. This can be done by, for example, publishing a customer service quality guarantee, which will give customers the confidence to complain. A recovery strategy should also be put in place as fast as possible – certainly before negative attitudes set in. A stitch in time saves nine, as they say.

4.6 RELATIONSHIP MARKETING

Relationship marketing is discussed in detail in Chapter Two. Section 2.1 is an

introduction to the role of relationship marketing in customer retention.

4.7 SYNOPSIS

Chapter Four has explored customer retention as a service strategy. Customer retention measurement is briefly reviewed. Thereafter the chapter addresses compatibility management – which involves the management of customer-to-customer interaction, as well as the management of customer defections. Service failure and recovery, and the role of relationship marketing in customer retention are also addressed in Chapter Four.

CHAPTER 5

PROBLEM STATEMENT AND RESEARCH PROPOSITIONS

5.1 INTRODUCTION

In the previous chapters, relationship marketing, competitive marketing strategies, managing supply and demand, and the concept of customer retention were discussed. These things form the theoretical foundation for this study. The present chapter provides a brief recapitulation of the problem statement, based on the discussion presented in Chapter One. The insight gained from the literature review presented in Chapters Two, Three and Four are also taken into account in this brief overview of the study's problem statement. The research propositions given in Chapter One are restated, and they are motivated with reference to some of the insights gained in Chapters One through Four.

5.2 PROBLEM STATEMENT

Cant, Gerber-Nel, Nel and Kotzé (2003:37) indicate that the research problem needs to be clearly identified and formulated to ensure that the results obtained from the research are relevant. For this reason the problem statement is revisited in the present chapter, with reference to some of the ideas gleaned in the preceding literature review.

The effects of globalisation, local economic conditions, and developments in the service-, tourism-, and hotel industries, as well as the accompanying increase in competitiveness have led to major changes in the environment in which hotels operate in South Africa, and in Gauteng particularly. These changes necessitate marketing responses from the hotels so that they can gain, and retain customers, and thus survive and prosper (Erdly & Kesterson-Townes, 2002; Pretorius et al., 2002; Statistics South Africa, 2002; Bennett &

Strydom, 2001; Dikeni, 2001; South African Tourism, 2001; Xinhua, 2001; Awe, 2000; McColl et al., 2000; Hall, 2000; Goosen, 2000:126; Manning, 1998; Quattara, 1997; Hill, 1997). Section 1.2 contains the full discussion of all the above factors at work in South Africa today.

A business like an hotel needs to put competitive marketing strategies in place to improve its ability to compete with other businesses in order to eventually retain customers (Kurtz & Clow, 1998). A business like an hotel should, firstly, gain and sustain competitive advantage. Competitive advantage is, as we have seen, the value a business is able to create. The value should be something that customers want and that competitors find difficult or impossible to imitate. If a business is able to hold on to this value over time, it can be said that the business has a sustainable competitive advantage (Hill & Jones, 2001; Hitt et al., 2001; Anderson & Vincze, 2000; Passemard & Kleiner, 2000; Chaharbaghi & Lynch, 1999; Ma, 1999).

In the second place it is necessary to position the hotel and its offering to provide competitive advantage in the market. Positioning involves perceptions about the image and benefits of an offering that sets the offering apart from that of competitors (Belch & Belch, 2004; Cravens et al., 2002; Lovelock, 2001; Palmer, 2001; Anderson & Vincze, 2000).

Thirdly, a service offering will go through a number of 'phases' – from entering to finally leaving the portfolio of services offered by a business. An offering changes (in terms of sales and profits generated) as it progresses through the phases. Each of these phases calls for an adjustment in the marketing strategies followed (Palmer, 2001; Kurtz & Clow, 1998; McColl et al., 1998). The dynamics of this process are discussed in Section 3.2.

When demand is created for the business's offering, it needs to manage this demand as well as its capacity to deliver. The success of the business depends on its ability to closely match supply with demand (Palmer, 2001; Kotler et al., 2003). Section 3.3 contains a full discussion of this.

It is evident from the literature review that customer retention management involves several different, yet related, components. It is important to build relationships with customers. Relationship marketing is not about securing a sale, but is rather about maintaining long-term relationships with customers. Relationship marketing focuses on customer retention and the management of customer relationships over the lifetime of the customer (Ryals, 2002; Claycomb & Martin, 2001). Section 2.1 is apposite in this regard.

An hotel should also manage the interaction between different customers to avoid dissatisfaction. Compatibility management involves the regulation of customer-to-customer interaction in the service environment. Unpleasant interaction between customers leads to dissatisfaction, and possible customer defection (Baron & Harris, 2003; Martin, 1996; Rowley, 1995, 1996 & 2000; McGarth & Otnes, 1995; Pranter & Martin, 1991 & 1989). Section 4.3 deals with this in detail.

A customer generates revenue throughout his or her lifetime. The value of a customer also increases over time. For this reason service businesses do not want customers to defect. All defections cannot be eliminated, but a business such as an hotel should try to reduce defections, retaining those guests who want to defect (Claycomb & Martin, 2001; Trubik & Smith, 2000; Colgate et al., 1996; Reicheld, 1996). Section 4.4 contains an extended discussion of the mechanisms behind this imperative.

Service failures should also be managed. Service failure refers to the inability of the business to meet the expectations of customers regarding the standard of service delivery, or any situation where something to do with the received service has gone wrong. Service failures occur at the point of consumption. In many instances they are due to the inseparability of production and consumption in the services industry – a fact which leaves little chance for recovery without inconveniencing customers. A service business should therefore plan for service recovery when a service fails. If an employee is able to bring about successful service recovery, this can lead to a high level of customer satisfaction and prevent customers from leaving (Eccles & Durand, 1998; Lewis &

McCann, 2004; Baron & Harris, 2003; Ahmad, 2002; Lewis & Spyropoulos, 2001; Palmer, 2001). Section 4.5 contains the full discussion of service recovery.

The ability to retain customers improves an hotel's chances of surviving and being profitable (Choi & Chu: 2001; Reicheld & Sasser, 1990). As the cost of gaining customers in competitive markets is on the rise, successful customer retention circumvents the costs of seeking new and potentially risky customers. It also allows the business to focus more accurately on the needs of its existing customers, by building relationships with them. Profitability, we saw, has more to do with retaining existing profitable customers and increasing *their* spending than with trying to attract new customers. When the relationship with a customer, therefore, is appropriately managed the profitability of that customer grows with the duration of the business relationship. Businesses should seek increased profitability through customer-driven approaches to customer retention (Hoffman et al., 2003; McIlroy & Barnett, 2000; Jamieson, 1994; Reicheld & Sasser, 1990). Section 1.3 contains the full account of such relationships.

In the light of these salient facts, it may be said that the following issues were highlighted by the literature review:

- The environment in which hotels operate is such that only the most successful ones will survive and prosper, especially those with the ability to retain customers.
- Many researchers on the subject of customer retention address the different components of customer retention and the management thereof in isolation: they do not see them as all part of a *comprehensive* framework to manage customer retention.
- Aspects of customer retention management for businesses in the services industry in general have been suggested (notably in the work of Kurtz & Clow, 1998).
- A comprehensive customer retention management framework for hotels has not yet been proposed.
- A comprehensive customer retention management framework has the potential to

provide many benefits to the hotels that implement such a framework.

The researcher is therefore of the opinion that an opportunity exists for developing a customer retention framework for hotels in Gauteng. The following section elucidates, and motivates, the research propositions presented in Chapter One.

5.3 RESEARCH PROPOSITIONS

Malhotra, Hall, Shaw and Oppenheim (2004:52) define a proposition or hypothesis as a statement that still needs to be proved. A proposition or hypothesis is a tentative statement about an observable fact that the researcher finds interesting. The use of the research proposition or hypothesis as a tentative statement should not be confused with the formal use of an operational hypothesis (or 'statistical hypothesis') in statistical testing. An operational hypothesis that is used in statistical testing is expressed 'using symbolic notation' (Malhotra et al., 2004:52-53; Leedy & Ormrod, 2001:275). This section deals with the tentative statements formulated for the present study. These statements will be referred to as 'propositions'.

The researcher formulated fourteen research propositions for this study. A motivation for each proposition is provided before the proposition is stated.

5.3.1 Proposition 1

A service business such as an hotel needs to put competitive marketing strategies in place to improve the ability of the business to compete with other businesses in order, eventually, to retain customers (Kurtz & Clow, 1998:308). A business like an hotel should firstly gain and sustain competitive advantage (Hill & Jones, 2001:123; Hitt et al., 2001:5; Anderson & Vincze, 2000:76; Passemard & Kleiner, 2000:12; Chaharbaghi and Lynch, 1999:49; Ma, 1999:259&261). It is necessary to position the hotel and its offering

to provide competitive advantage in the market (Belch & Belch, 2004:51; Cravens et al., 2002:8; Lovelock, 2001:200; Palmer, 2001:177; Anderson & Vincze, 2000:209). Any service offering goes through a number of phases, from entering to finally leaving the portfolio of services offered by the business. Each of these phases calls for an adjustment in the marketing strategies followed (Palmer, 2001:190; Kurtz and Clow, 1998:318; McColl et al., 1998:188-189). Based on the above considerations Proposition 1 was formulated.

Proposition 1

Hotels in Gauteng consider competitive marketing strategies to be important in an hotel's efforts to become competitive, and remain so.

5.3.2 Proposition 2

Since services are perishable, managing demand and supply (or capacity) plays a key role in the hospitality industry (Kotler et al., 2003:59). Palmer (2001:389) states that a service business's financial success depends on its ability to closely match supply with demand. For this reason Proposition 2 was formulated.

Proposition 2

Hotels in Gauteng think it is important to manage the demand and supply of an hotel's services.

5.3.3 Proposition 3

Lee-Ross and Johns (1996:66) state that yield management allows a business to maximize revenue under conditions of fluctuating demand where the product is

perishable – as with the services offered by an hotel. Hotels typically not only manipulate room rates, but also reservations, in order to maximize revenue. Room rates are manipulated through discounting, whereas reservations are manipulated through overbooking with the aid of information technology (Jones & Hamilton, 1992:89). These ideas led to the formulation of Proposition 3.

Proposition 3

Hotels in Gauteng consider it to be important to manage yield to maximize revenue.

5.3.4 Proposition 4

Payne (2000a:114) states that measuring customer retention rates is the first step in improving customer loyalty to a business, as well as its profitability. Many businesses do not, however, understand the importance of improving customer retention rates; not do they understand the impact of these rates on profitability (Clark, 1997:295). De Souza (1992:25) argues that if customer retention is not measured, the business will surely not manage it. These insights led to the formulation of Proposition 4.

Proposition 4

Hotels in Gauteng measure their customer retention rate.

5.3.5 Propositions 5 and 10

Relationship marketing provides the basis for building and enhancing relationships with customers. Stronger relationships with customers result in competitive advantage for the business, and long-term success depends on its ability to build positive relationships with its customers (Claycomb & Martin, 2001:385&396). Relationship marketing is

increasingly being referred to in hospitality marketing theory, and incorporated into the practice of marketing in the hospitality industry (Gilpin, 1996:148).

According to Bennett and Strydom (2001:17) focus has shifted from one-off transactions to ongoing relationships. The sale is not the end of the marketing process but the beginning of a relationship in which the buyer and seller become interdependent. The purpose of relationship marketing is not to secure a sale, but to maintain long-term relationships between business, the government, the public, suppliers of raw materials, the employees, and current and potential customers. Ryals (2002:241) points out that relationship marketing focuses on customer retention and on managing customer relationships over their lifetime. On the basis of this information two propositions were formulated: Propositions 5 and 10.

Proposition 5

Hotels in Gauteng consider relationship marketing activities as important in retaining customers.

Proposition 10

Hotels in Gauteng perform relationship marketing activities to retain customers.

5.3.6 Propositions 6 and 11

Hotels exhibit many characteristics typical of service businesses that require compatibility management (Martin & Pranter, 1989:10-11; Rowley, 2000:166). In many instances customers experience service interactions at hotels while other customers are present (Parker & Ward, 2000:342; Grove & Fisk, 2001:63). Interaction also takes place between customers in the service environment of an hotel – in the area where services are

consumed (Baron & Harris, 2003:66). This interaction can breed empathy or hostility (Martin, 1996:166; Rowley, 1995:7, 1996:15 & 2000:165; McGarth & Otnes, 1995:271). Kurtz and Clow (1998:389) state that even when customers are satisfied with the service they received from a service business, they may be dissatisfied with the way they have been treated by other customers. When there is a high degree of customer contact, 'wrong' customers can have a negative effect on the atmosphere of the service facility, as well as on other customers' sense of security (Berkley, 1997:83). Propositions 6 and 11 were formulated around these ideas.

Proposition 6

Hotels in Gauteng consider compatibility management activities to be important in retaining customers.

Proposition 11

Hotels in Gauteng perform compatibility management activities to retain customers.

5.3.7 Propositions 7 and 12

Reicheld (1996:56) holds that an increase in the defection rate leads to a dwindling cash flow to the business from the customers – even if the business manages to replace lost customers. The profitability of customers will increase the longer they remain with the business (Trubik & Smith, 2000:206). Customer defection impacts negatively on profits; yet despite this few businesses do anything about customer defection (Credle, 1995). The reduction of the customer defection rate can increase profits to a far greater extent than growth in market share, better margins, or factors usually associated with competitive advantage (Colgate et al., 1996:23-24). Propositions 7 and 12 were formulated as a result of the insights gleaned from these facts.

Proposition 7

Hotels in Gauteng consider activities to manage customer defection as important for retaining customers.

Proposition 12

Hotels in Gauteng perform activities to manage customer defection.

5.3.8 Propositions 8 and 13

Service failures at the point of consumption occur in many instances because of the inseparability of production and consumption, which leaves little chance for recovery without inconveniencing guests. Hotels are also characterized by round-the-clock operations, as well as by highly fluctuating demand. These factors cause the hotel industry to be highly susceptible to service failures (Lewis & McCann, 2004:6). A service failure does not always result in lost customers but harms the customer's confidence in the business (Cranage, 2004:210). It is therefore important to identify possible failure points in the service delivery process, as well as methods to prevent failures from happening again (Cranage, 2004:211; Ahmed, 2002:19). This discussion led to the formulation of Propositions 8 and 13.

Proposition 8

Hotels in Gauteng consider activities to manage service failure as important for retaining customers.

Proposition 13

Hotels in Gauteng perform activities to manage service failure so as to retain customers.

5.3.9 Propositions 9 and 14

Griffin (2001:9) states that businesses should have a 'win-back' programme in place to return high-value customers to the business. A business should plan for service recovery, in other words. If an employee is able to bring about successful service recovery, this can lead to a high level of customer satisfaction (Baron & Harris, 2003:64). Propositions 9 and 14 were formulated on the basis of this insight.

Proposition 9

Hotels in Gauteng consider service recovery activities as important in retaining customers.

Proposition 14

Hotels in Gauteng perform service recovery activities so as to retain customers.

In this section the fourteen propositions of the study, as presented in Chapter One, are motivated. Section 7.6 in Chapter Seven provides an evaluation of each of the propositions formulated here, in the light of the empirical data gathered during the course of this research.

5.4 SYNOPSIS

Chapter Five provides an overview of the problem statement of this study. The use of propositions in the study is explained. Motivations for the fourteen propositions formulated are provided. These motivations are based on the literature review presented earlier.

CHAPTER 6

EMPIRICAL RESEARCH METHODOLOGY

6.1 INTRODUCTION

Chapters Two, Three and Four provide a theoretical exposition of relationship marketing, competitive marketing strategies, the management of supply and demand, and customer retention. The insights gleaned from the literature review are taken into account in Chapter Five where the research propositions are formulated and motivated in the light of the foregoing chapters.

Chapter Six provides information on the research methodology followed in this study. Marketing research is defined, and a framework for conducting marketing research is proposed. A theoretical foundation is constructed for each of the steps in the marketing research process. The chapter also presents the specific research methodology followed in each step of this particular study.

6.2 DEFINITION OF MARKETING RESEARCH

Many definitions of marketing research exist in the literature on the subject. A universally used definition is that proposed by the American Marketing Association (AMA) which defines marketing research as (AMA, 1987 cited in Malhotra, 2004:7):

... the function that links the consumer, the customer and public to the marketer through information – information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve the understanding of marketing as a process. Marketing research specifies the information required to address

these issues; designs the method for collecting information; manages and implements the data collection process; analyses the results; and communicates the findings and their implications.

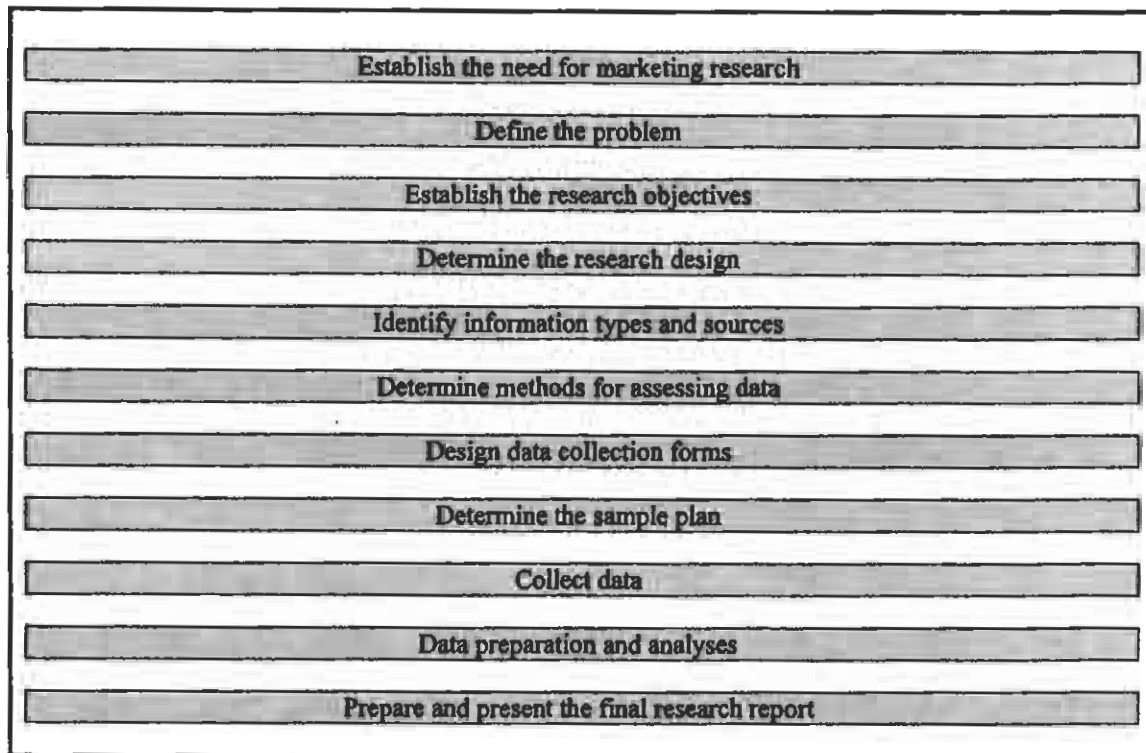
Dillon, Madden and Firtle (1994:5) base their definition of marketing research on the AMA's. The authors define marketing research simply as the function 'that helps the marketing manager to make better informed and less risky marketing decisions'. Sudman and Blair (1998:6) provide a short and concise definition of marketing research, seeing it as 'all activities that provide information to guide marketing decisions'. McDaniel and Gates (2002:6) view marketing research as 'the planning, collection, and analysis of data relevant to marketing decision making and the communication of the results of this analysis to management'.

For the purposes of this study, marketing research is defined as the activities performed by the marketing researcher to assist decision-makers to make informed marketing decisions. Using this definition as a guide, marketing research was conducted in order to achieve the objectives of the study. In essence, the research focused on finding information that would lead the researcher to be in a position to propose ways of managing customer retention for hotels in Gauteng. The marketing research framework proposed in the following section provides a more detailed perspective on the steps followed in conducting the research.

6.3 FRAMEWORK FOR CONDUCTING MARKETING RESEARCH

This research is conducted in accordance with the research process outlined by Burns and Bush (2000:70-84). Figure 7 provides the framework for the marketing research process that is used.

Figure 7: The eleven steps in the marketing research process



Source: Burns and Bush (2000:71)

This comprehensive framework covers all the activities involved in the marketing research process. The framework is well suited to facilitating the attainment of the study's objectives. The following section outlines in detail the steps followed in this investigation.

6.4 STEPS IN THE MARKETING RESEARCH PROCESS

In this section, a theoretical foundation for each of the steps in the research process is provided. The specific research methodology followed is also presented in each step.

6.4.1 Step 1: establish the need for marketing research

The first step in the marketing research process involves determining the *need* for marketing research. A good screening system should be put in place to determine whether or not information is needed in order to make informed decisions (Burns & Bush, 2000:72-74). Hair, Bush and Ortinau (2003:31) suggest that the researcher interrelate closely with decision-makers in an effort to recognize potential problems or opportunities. The authors go further when they state that the prime responsibility of recognizing a problem or opportunity should be the decision-makers', and not the researcher's.

It is important first of all to determine the need for research, since marketing research is not always required. If the information is already available, if time to conduct research is limited, if resources are not available (or the cost of conducting research overshadows the likely benefit), research should not be conducted (Burns & Bush, 2000:72-74).

In terms of this particular study, marketing research was considered necessary. However, due to the academic nature of the study the research was prompted by the researcher and not by the decision-makers themselves. The marketing research conducted aims at providing information that could assist the researcher in suggesting how customer retention can be managed. Although secondary sources exist that deal with issues surrounding customer retention, primary data was collected to provide more insight into customer retention at hotels in Gauteng. The required time and funding were available to conduct the research.

6.4.2 Step 2: define the problem

Once a need for research has been established, it is essential to define the problem that needs to be considered (Malhotra et al., 2004:23). Cant et al. (2003:37) indicate that the problem needs to be clearly identified and formulated, ensuring that the results which are obtained from the research are applicable.

The research problem arises as the result of a desire to solve a problem or pursue an opportunity (Dillon et al., 1994:30). The following tasks are suggested to define the problem (Malhotra et al. 2004:23-34; McDaniel & Gates, 2002:54-61):

- Gather background information through discussions with decision-makers, interviews with experts, reviews of existing data, secondary data analysis, and exploratory research that is qualitative. It is principal to determine why the information is necessary.
- Understand the environment in which the decision is being taken. This process involves examining past information and forecasts pertaining to the business, resources and constraints of the business, the objectives of the business and those making the decisions, consumer behaviour, the economic environment, the legal environment as well as available marketing and technological abilities.
- Perform an opportunity or problem audit. This is a thorough examination of the marketing problem in order to understand the origin and nature of the problem. This process helps to determine the fundamental causes of the problem, or reasons why an opportunity exists. It is important to differentiate between the symptoms of the problem and the problem itself.
- Convert the management problem into a marketing research problem. The management problem refers to the problem which the decision-maker is faced with. The marketing research problem, on the other hand, involves determining the information needed to solve the problem, and how it can be obtained – then settling on the decision criteria (or results) that are required to take a marketing decision, and, finally, approximating the value of the research and compiling a budget.
- Prepare a marketing research summary. This is a document which indicates the problem that has been identified, what the study might find – and how this might be used to make a decision.

Background information was collected for this study mainly through secondary data

analysis, but also through discussions with experts. The decision-making environment in the service and hotel industry in South Africa was reviewed. A complete investigation of the marketing problem was conducted in order to determine the underlying causes of the problem (see Section 1.3). It was at this point that the researcher formulated the research problem (see Section 1.4).

6.4.3 Step 3: establish the research objectives

After identifying and accurately determining the marketing research problem, it is necessary for the researcher to determine precisely what is to be researched. A researcher needs to make a proper statement of the problem, as well as the research objectives that need to be attained (Zikmund, 2000:64). Stating the research objectives is the result of the previous step (McDaniel & Gates, 2002:61).

According to Hair et al. (2003:72) research objectives are statements of precisely what the researcher intends to attempt. The authors state, furthermore, that research objectives should be viewed as an outline of the activities involved in the research project. It is important that a researcher formulate objectives that are clear, precise, detailed, and operational (Burns & Bush, 2000:114). These four qualities are explained in more detail (Burns & Bush, 2000:114):

- A *detailed* objective encapsulates all the measures necessary to gauge a construct.
- For a *clear* objective there is no doubt of what is being researched.
- An objective is *operational* when it entails the use of specific measurement scales and specific kinds of statistical analysis.
- A *precise* objective requires that the concepts used in the objective are comprehensible, and that the objective 'accurately captures the essence of the construct'.

An overall goal for the study was specified and five specific research objectives were formulated. The research objectives provide the 'outline' for the research activities. The

researcher attempted to formulate objectives according the requirements set out above (see Section 1.5.2).

6.4.4 Step 4: determine the research design

According to Churchill (1999:98) a research design is a plan, or framework, for a study; it is used by the researcher as a manual to collecting and analysing data. McDaniel and Gates (2002:63) view a research design as a plan to guide the research objectives that have determined in the preceding step of the research process. A research design ensures that the research is relevant to the problem and that it is economically carried out (Churchill, 1999:98).

Research designs can be classified as exploratory or conclusive. Exploratory research offers insights and understanding, and aids in defining the research problem. Data are qualitative in nature, and are analysed correspondingly. Conclusive research, on the other hand, is formal and structured. It tests hypotheses and examines relationships. Conclusive research can, in turn, be descriptive or causal (Malhotra et al., 2004:61-63).

The next task in the research process is to determine whether the research will be descriptive or causal (McDaniel & Gates, 2002:63). Descriptive research is typically concerned with determining the rate with which something occurs, or the link between variables. The descriptive study is steered by an initial hypothesis (Churchill, 1999:99). This kind of study answers the questions 'How?', 'Who?', 'What?' and 'Why?' (Burns & Bush, 2000:34).

Causal research provides a complete depiction of two or more variables. Causal research can be used to determine the *relationship* between such variables. It determines whether one variable causes an effect on another (Tustin, Ligthelm, Martins & Van Wyk, 2005:87; Webb, 2002:21).

Table 7 provides an exposition of the different uses of descriptive and causal research.

Table 7: The different uses of descriptive and causal research

	Uses of research	Kinds of research
Descriptive research	<ul style="list-style-type: none">• Describes the characteristics of specific groups• Approximates the proportion of people in a population who behave in a certain way• Makes specific predictions	<ul style="list-style-type: none">• Longitudinal• Cross-sectional
Causal research	<ul style="list-style-type: none">• Provides proof about the causal relationship between variables by means of:<ul style="list-style-type: none">- Concomitant variation- Time order in which variables occur- Eliminating other possible explanations	<ul style="list-style-type: none">• Laboratory• Field experiments

Source: Cant et al. (2003:35), adapted from Gilbert and Churchill (1995:182)

Longitudinal research involves a fairly enduring sample of population elements that is measured repetitively over time. Cross-sectional research involves collecting information from a sample of population elements only once (Malhotra et al., 2004:66&67). In a laboratory, test units are placed in a virtual environment, and in field experiments test units are placed in a natural environment while they are being measured (Webb, 2002:188).

The research design followed in this study is conclusive and descriptive. The study is also a cross-sectional one: it measures the population elements under study at only one point in time, in their natural environment.

Depending on the research to be conducted, qualitative or quantitative methods can be used. Qualitative research includes, amongst other things, asking respondents questions. It makes use of methods that, generally speaking, involve unstructured and undisguised question formats. The methods of qualitative research involve analysing the responses of

a relatively small number of individuals (Dillon et al., 1994:115-116).

Quantitative research differs from qualitative research in that its results can be seen as applying to a wider population. Quantitative research involves large numbers of individuals, and quite often the aim of the study is to *project* the results onto a wider population. A quantitative study makes definitive statements (Dillon et al., 1994:115-116). Quantitative data can be collected through surveys, observation, or experiments (Cant et al., 2003:77). In summary, Smith and Fletcher (2004:6) describe qualitative methods as dealing in 'distinctions based on qualities, constituents or characteristics' and quantitative methods as being about 'considerations of quantities – amount or size'. Quantitative methods were used in this study.

Since descriptive research is used in order to describe something (in this case: the nature and extent of customer retention management practices of hotels in Gauteng), survey methods or observation methods can be used to collect data from respondents (Malhotra et al., 2004:64). Survey research involves a person acting as an interviewer, and interacting with respondents in order to obtain the information that is needed. Only in the case of mail and Internet surveys is an interviewer not actually present at the interview. Observation, on the other hand, involves recording the respondent's behaviour without any questioning or communication between the respondent and the researcher (Tustin et al., 2005:266). The present study makes use of the survey.

Surveys usually take one of the following forms (Aaker, Kumar and Day, 2004:256; Malhotra et al., 2004:131; Sudman & Blair, 1998:154):

- *Personal surveys*: face-to-face surveys are conducted in the home or office of the respondent. These can also involve computer-assisted personal interviewing (CAPI).
- *Intercept surveys*: face-to-face interviews are conducted with respondents in a public location.
- *Telephone surveys*: respondents are interviewed by telephone. Such surveys can

also involve computer assisted telephone interviewing (CATI).

- *Mail surveys*: a respondent receives the questionnaire in the post, completes it, and posts it back to the researcher.
- *Mail panels*: a representative sample of a population agrees to participate in a number of postal surveys over time.
- *Electronic interviewing*: a respondent completes an e-mailed questionnaire or accesses a web page to complete a questionnaire.

Table 8 presents the characteristics of the various forms of survey in terms of the following criteria (Malhotra et al., 2004:141-143):

- *Flexibility of data collection* reflects the degree to which the respondent is able to interact with the interviewer and/or questionnaire.
- *Diversity of questions* refers to the variety of questions that a particular form of survey allows the interviewer to ask the respondent.
- *Use of physical stimuli* has to do with the extent to which the interviewer can use physical stimuli (such as actual products, promotional material, and taste tests).
- *Sample control* refers to the ability of a survey to reach the appropriate sampling units specified in the sampling plan – and then to control who is interviewed.
- *Control of the data collection environment* evaluates the extent to which the interviewer is able to control the surroundings in which the questionnaire is completed.
- *Control of the field force* is the extent to which interviewers in the field can be controlled by the researcher.
- *Quantity of data* refers to the aptness of a survey to allow for the collection of large amounts of data.
- *Response rate* evaluates the level of response typically received when a particular survey form is used.
- *Perceived anonymity* refers to the degree to which respondents think their responses will remain unidentified.
- *Social desirability/ obtaining sensitive information* is the criterion which

evaluates the extent to which a survey influences respondents to provide answers that are not accurate so much as sociably acceptable.

- *Potential for interviewer bias* refers to the extent of interviewer bias a survey allows (in terms of selecting respondents, asking questions, and recording the answers).
- *Speed* measures the swiftness at which a questionnaire is created, distributed, and returned.
- *Cost* deals with how much the form of survey used will cost.

Table 8: The characteristics of various forms of survey

Criterion	Personal surveys	CAPI	Intercept surveys	Telephone CATI	Mail surveys	Mail panels	E-mail	Web
Flexibility of data collection	High	moderate to high	high	moderate to high	low	low	Low	moderate to high
Diversity of questions	High	High	high	low	moderate	moderate	Moderate	moderate to high
Use of physical stimuli	moderate to high	High	high	low	moderate	moderate	Low	moderate
Sample control	high	Moderate	moderate	moderate to high	low	moderate to high	Low	low to moderate
Control of data collection environment	moderate to high	High	high	moderate	low	low	Low	low
Control of field workers	low	Moderate	moderate	moderate	high	high	High	high
Quantity of data	high	Moderate	moderate	low	moderate	high	moderate	moderate
Response rate	high	High	high	moderate	low	moderate	Low	very low
Perceived anonymity	low	Low	low	moderate	high	high	moderate	high
Social desirability	high	moderate to high	high	moderate	low	low	moderate	low
Obtaining sensitive information	low	Low	low	high	high	moderate to high	moderate	high
Potential for interviewer bias	high	Low	high	moderate	none	none	none	none
Speed	moderate	moderate to high	moderate to high	high	low	low to moderate	high	very high
Cost	high	moderate to high	moderate to high	moderate	low	low to moderate	low	low

Source: Malhotra et al. (2004:142)

After an evaluation of the different forms of survey as presented above, the personal survey method (interviewer-administered survey) was chosen to obtain information from hotel managers. The personal survey method scores highly on many of the criteria measured above. As Hair et al. (2003:258) explain, the personal survey method requires

the presence of a trained individual (interviewer) who asks questions and records the respondent's answers. The researcher believed personal contact was important to ensure the successful completion of the interviews required for this study.

A personal survey method offers the chance for feedback, and it enables the interviewer to probe the respondent. It also allows for a lengthy questionnaire to be administered, for completeness of the questionnaire, and for the use of visual aids. The response rate also increases (Zikmund, 2000:249&252-254). Another important reason for choosing a personal survey is the fact that it is easy to exercise sample control in this type of survey, which is of particular importance given the nature of the sampling plan followed in this study (Malhotra et al., 2004:143) (see Section 6.4.8). Disadvantages of this method include the possibility of interviewer influence over the respondent's answers. Additionally, the respondent is not anonymous, and may therefore be reluctant to provide sensitive information. Finally, personal interviews are expensive, and are certainly more costly than postal or telephone interviews (Zikmund, 2000:249&252-254).

The following personal survey methods are available to researchers (Hair et al., 2003:258-260):

- In-home interviews, involving a structured question-and-answer exchange which takes place in the respondent's home.
- In-office interviews, involving a personal exchange in the respondent's office. Such interviews are usually used when an employer or employee is interviewed.
- Mall-intercept interviews, involving exchanges between the interviewer and respondents in shopping malls.
- Purchase-intercept interviews, which take place immediately after the respondent has purchased a particular product.

The in-office interview was seen as suited to this study. The in-office environment is conducive to the questioning process. An in-office interview may considerably improve the quality of responses, and may facilitate the rapport between interviewer and

interviewee. When a respondent is in a secure, comfy environment, the likelihood of diversion is reduced, and it is believed that respondents take more care in responding to questions. Allowing the interview to take place in the hotel manager's offices implies, however, that the process will take some time – certainly longer than one would expect for a telephone survey, for instance (Burns & Bush, 2000:273-275).

6.4.5 Step 5: identify information types and sources

According to Burns and Bush (2000:78-79) two types of information are available to the researcher: primary and secondary data. Secondary data refers to information that has been collected for some other (yet related) purpose; primary data refers to information that has been gathered for a specific study in order to achieve the research objectives of that study (Burns & Bush, 2000:78-79).

Information for this study was acquired from both secondary and primary sources. Secondary sources such as textbooks, scientific journals, and previous studies on the subject were used to obtain relevant background information. An extensive literature search of secondary sources was conducted to elucidate the following questions and areas:

- The relationship marketing practices of businesses used to retain customers (see Chapter Two).
- Competitive marketing strategies, and the management of supply and demand at businesses such as hotels (see Chapter Three).
- Customer retention management practices of businesses (see Chapter Four).

Information not obtainable from secondary sources was gathered through primary research that used a survey instrument (questionnaire) directed at the target population of the study. (The design of the questionnaire is attended to in Section 6.4.7.)

6.4.6 Step 6: determine methods for assessing data

According to Sudman and Blair (1998:143) a crucial step in the research process is assessing the data being used the study. The following checklist can be used to evaluate secondary data *before* they are used in a study (McDaniel & Gates, 2004:45; Sudman & Blair, 1998:143-144):

- Does a study have any benefactors? Benefactors sometimes have their own agendas and want the research 'results' to indicate foregone conclusions.
- Who actually conducted the research? The qualifications and standing of a researcher are indicative of the level of trust that can be placed in the research.
- Do the providers of the data represent the same market as that in which the current research project is located?
- Who has reported the research, and what do such people stand to gain from the results?
- How relevant is the information to the problem at hand?
- Was the information gathered to prove a point, and is the research biased?
- When was the information gathered – and does age effect the applicability of the research?
- Where was the information gathered – and do national and regional differences make the research irrelevant to present purposes?
- Are the research design, sampling procedures, measurement procedures, and key variables used in the study indeed suitable to it?
- Is the information consistent with other information – and if not, why not?

As mentioned in Section 1.6, for the secondary data search the researcher looked at scientific journal articles, textbooks, and previous, related, studies. The researcher attempted to find the most recent work published on the topics under study. For certain topics (like competitive strategies and relationship marketing) large volumes of secondary data exist, but for other topics (such as compatibility management, and service failure and recovery) only limited work has been done. For some topics relevant to the

present study, previous research exists – but its focus is on other industries, such as the banking and restaurant industries, instead of on the hotel industry. Even so, enough suitable secondary data exist to provide a fitting theoretical background to the study.

The assessment of the primary data, or data collected specifically for this study (see Section 5.4.5), involves looking at the reliability and validity of measurements used. Reliability refers to the degree to which responses are consistent. Simply put, reliability determines whether a respondent will respond in a similar manner to the same or equivalent question (Burns & Bush, 2000:329). Burns and Bush (2000:336) identify three tests of reliability:

- *Test-retest reliability* is where the same question is administered after some time has passed and the answers are compared with the initial answers.
- *Equivalent forms reliability* is where similar questions are placed in the questionnaire and the responses to these questions are compared.
- *Split-half reliability* involves the total sample being divided into two groups, and the results of the one group then being compared to those of the other.

Leedy and Ormrod (2001:103-105) differentiate between internal and external validity. Internal validity refers to the extent to which the research design and the ensuing data allow a researcher to 'draw accurate conclusions about cause-and-effect and other relationships within the data'. External validity refers to the extent to which the results of a study 'apply to situations beyond the study itself – in other words, the extent to which the conclusions drawn can be generalized to other contexts'.

According to Fowler (1998:371) when scales are used validation studies are necessary. Validity refers to 'the degree of correspondence between a measure and what is measured' (Fowler, 1998:371) or 'accuracy in measurement' (Burns & Bush, 2000:332). Burns & Bush (2000:332) state that validity involves an appraisal of the correctness of the measurement that is used, in comparison to what actually exists. Burns and Bush (2000:332-335) give the following tests for validity:

- *Face, or content, validity* assesses whether or not a question seems to be measuring what it is thought believed to measure.
- *Predictive validity* indicates whether one measure predicts another measure as the researcher thought it would.
- *Convergent validity* points out whether two identical methods used to collect the same information concur.
- *Discriminant validity* indicates whether measures of different constructs vary as expected.

Cronbach's alpha was used to assess the reliability of measurement sets (SPSS, 2003:527). To assess validity of measurements, the face, or content validity approach was followed. Factor analysis was used to determine the structure validity of the measurement sets. The Kaiser-Meyer-Olkin Test of Sampling Adequacy (KMO) was used to determine whether adequate correlation existed *before* a factor analysis could be conducted (SPSS, 2003:430). Where adequate correlations existed, factor analysis techniques were used – namely the Extraction Method, Principal Axis Factoring, the Rotation Method, and Varimax with Kaiser Normalization (SPSS, 2003:434). Cronbach's alpha was used as a measure for reliability of second-order factors. The Statistical Package for Social Sciences (SPSS) was used to measure reliability and validity. Section 7.3.2 provides an exposition of how reliability and validity were measured – and also presents the findings of the study.

6.4.7 Step 7: design the data collection forms

Before the design of the data collection forms is discussed it is necessary to provide information on the possible measurement scales available to the researcher. According to Aaker et al. (2004:283) measurement is a standardized process where numbers or symbols are allotted, according to particular rules, to the characteristics of the objects that are of interest to the researcher. Scaling refers to the creation of a band on which these objects are placed; scaling measures the extent to which a certain characteristic is

possessed (Aaker et al., 2004:283). A hierarchy of scales exists; there are four levels of measurement (Burns & Bush, 2000:312-315):

- *Nominal* scales label objects, and only the characteristic of description is possessed. Language, gender, favourite product are examples of nominal scales.
- *Ordinal* scales permit the researcher to rank-order respondents or their responses ('first', 'second', 'third', for example).
- *Interval* scales allow the researcher to determine the distance between two descriptors. A rating of '4' assigned to an object is one unit away from a rating of '5' given to another object.
- *Ratio* scales have a true zero origin. Number of children, age of respondent, and number of products bought are examples of ratio scales.

The questions that are set to achieve the objectives of the study are collectively called a 'questionnaire', 'interview schedule' or 'survey instrument' (McDaniel & Gates, 2002:352). A questionnaire performs the following key functions in the research process (Burns & Bush, 2000:344):

- Research objectives are changed into explicit questions included in the questionnaire.
- A questionnaire standardizes questions and response categories. It allows respondents to respond to like one and the same stimuli.
- The wording, appearance and question flow of the questionnaire keep respondents enthused and keen to co-operate.
- A questionnaire is an enduring record of the research.
- Questionnaires aid data analysis.
- Questionnaires include information which facilitates follow-up validation and reliability testing.

The discussion of the questionnaire design is organized into five sections: planning the content of the questionnaire, formatting the questionnaire, deciding on the question

wording, the ordering and layout of the questionnaire, and, finally, testing the questionnaire and discussing the one used in this study.

6.4.7.1 Planning the content of the questionnaire

When planning the content of a questionnaire the researcher needs to use the research objectives set out earlier in the research process as a point of departure. The research objectives should be transformed into information objectives. The information objectives guide the formulation of questions that ultimately end up in the questionnaire. The final list of questions that is formulated should cover all research objectives. The researcher should also then determine whether or not the list of questions can, or should, be reduced. This will depend on the form of survey chosen: a telephone survey, for example, cannot contain as many questions as can be included in a personal survey (Aaker et al., 2004:313-314; Sudman & Blair, 1998:282-284).

The questionnaire used in this study was based on the information presented in Chapters Two, Three and Four; it focused on addressing the research objectives and research propositions of the study (see Sections 1.5 and 1.6). The personal survey method chosen for this study impacted on the scope of the questionnaire.

6.4.7.2 Formatting the questionnaire

Aaker et al. (2004:314) argue that before specific questions can be couched, the researcher needs to decide on the freedom respondents will be allowed in answering the questions. Two basic question-response formats exist: unstructured (open-ended) and structured (closed) questions (Cant et al., 2003:107).

Unstructured questions are open-ended questions which respondents answer in their own words (McDaniel & Gates, 2002:358). The interviewer makes an attempt to get the respondents to talk without restraint about a particular item or viewpoint (Churchill, 1999:286). Structured questions or closed questions, on the other hand, provide response

choices on the questionnaire (Burns & Bush, 2000:305). Respondents need to make a selection from these choices (McDaniel & Gates, 2002:360). Table 9 provides the advantages and disadvantages of unstructured as opposed to structured questions.

Table 9: The advantages and disadvantages of unstructured as opposed to structured questions

	Advantages	Disadvantages
Unstructured questions	<p>Allow respondents to give general reactions to certain topics</p> <p>Provide the researcher with a range of quality of information</p> <p>The examination of unstructured questions can aid in understanding structured questions</p> <p>Unstructured questions can indicate the need for additional structured questions</p>	<p>Editing and coding of unstructured questions are lengthy and costly operations</p> <p>If interviewers do not document responses verbatim interviewer bias becomes problematic</p> <p>Unstructured question can be biased in favour of the well-spoken interviewee since this person can provide greater input than an interviewee who is not</p> <p>Complexity is experienced in interpreting and processing unstructured questions</p> <p>Unstructured questions can be unsuitable in some self-administered questionnaires</p>
Structured questions	<p>Many of the problems related with unstructured questions are sidestepped</p> <p>Reading response categories can help the respondent to remember</p> <p>Interviewer bias is eradicated since the interviewer only checks a box</p> <p>Questions are administered more rapidly</p> <p>Coding and data entry are much simpler</p>	<p>Order or position bias takes place as respondents at times pick an alternative because it appears in a certain position or order on a list</p> <p>Designing questions requires substantial effort</p>

Source: Malhotra et al. (2004:188-190); McDaniel and Gates (2004:242-245)

For the purposes of this study a questionnaire containing mostly structured questions was used. A number of unstructured questions were also formulated so as to gain additional, unforeseen insights from respondents.

The scales that were used in the questionnaire include constant-sum scales, dichotomous questions, multiple-item scales, and a rank-order scale. A constant-sum-scale (Section A) requires respondents to allocate a constant sum of units (in this instance percentage units), to specific criteria (Malhotra et al., 2004:206). A dichotomous question (Section B, Question 1) is a structured question with only two response alternatives (Malhotra et al., 2004:189). In the questionnaire used in this study, the response alternatives were 'yes' and 'no'. Multiple-item scales (Section C, Questions 1 and 2; Section D, Questions 1 and 2) involve gauging a number of statements linked to a specific object (Aaker et al., 2004:293). An unlabelled scaled response format was used for the multi-item scale, and only the endpoints of the scale were identified (Burns & Bush, 2000:306). Characteristics measured include level of importance and frequency with which certain activities were performed; both were measured on a five-point scale. The rank-order scale (Section E) presents the respondents with several objects at once, which they have to rank according to specific criteria (Malhotra et al., 2004:206).

6.4.7.3 Question wording

Another important issue related to the content of the questionnaire is the wording to be used in the questions (Malhotra et al., 2004:190). Table 10 presents guidelines to consider when formulating questions. These guidelines were adhered to in formulating questions for the questionnaire used in this study (see Appendices A and B).

Table 10: Guidelines for formulating questions

Guidelines	Explanations
Define the issue	A question should clearly define the issue it focuses on
Use ordinary words	Questions should be put in words that respondents are able to comprehend
Avoid ambiguous words	A question should not contain words that have diverse meanings
Avoid leading or biased questions	Do not word a question in such a way that it provides an indication to what the desired response should be
Avoid implicit alternatives	Clearly state all options
Avoid implicit assumptions	If there is an assumption related to a question, express the assumption in the question
Avoid generalizations and estimates	Ensure that questions are explicit and succinct, and that respondents are not required to calculate estimations
Use dual statements	Use both positive and negative statements when measuring attitude
Avoid lengthy questions	If a question is too lengthy, the respondent will lose track of what is being asked
Avoid double-barrelled questions	Do not ask two questions in one

Source: Malhotra et al. (2004:190-193); Cant et al. (2003:100 & 102)

6.4.7.4 The order and layout of a questionnaire

After questions have been properly formulated, the order and the layout of the questionnaire should be considered (McDaniel & Gates, 2002:366). The order in which questions appear in a questionnaire serves several purposes for a researcher. Firstly, interesting and intelligible opening questions help to maintain the collaboration and participation of respondents throughout the questionnaire. Secondly, easy-to-answer questions can build the respondent's self-confidence. Furthermore, the order in which questions appear in a questionnaire, or the answer's position within a set of possible answers, may cause order bias (Zikmund, 2000:427-428). Table 11 provides guidelines to consider when deciding the order and layout of a questionnaire.

Table 11: Guidelines to consider in deciding questionnaire order and layout

Use screening questions to identify respondents that qualify to complete the questionnaire
Use interesting initial questions
Locate general questions at the beginning of the questionnaire
Place more difficult questions somewhere in the middle of the questionnaire
Insert prompts strategically throughout the questionnaire
Leave demographic, sensitive and threatening questions closer to the end of the questionnaire
Provide ample space for responses to unstructured questions
Use capital letters for interviewer/respondent instructions

Source: McDaniel and Gates (2002:367-372)

A screening question was used to ensure that the correct respondent, namely the hotel manager, was being surveyed (see the question that directly follows interviewer instruction number 2). The initial questions covered topics the researcher considered easy and interesting for respondents to start off with. These questions involved considerations of how guest composition is determined with reference, specifically, to the differing reasons why guests stay at the hotel over weekends and during the week (Section A), as well as enquiries into customer retention measurement practices of the hotel (Section B). More demanding questions followed: multiple-item scales, which involve the specific customer retention activities of the hotel (Sections C and D). A prompter was inserted after Section D, Question 3 to indicate to respondents that there were only a few questions left (see interviewer instruction number 14). Demographic questions featured at the end of the questionnaire (Section F). Enough space was left throughout the questionnaire for unstructured questions to be answered. All interviewer instructions appeared in bold capital letters. The final questionnaire used in this study is contained in Appendix B.

6.4.7.4 Testing the questionnaire

It is necessary to conduct a small-scale pilot survey of the target population. A pilot survey permits for the pre-testing of questionnaires (Hair et al., 2003:464). Fowler (1998:369) states that when a questionnaire is in near-final form, an experienced interviewer should conduct interviews with individuals similar to those who will respond in the actual survey. Hotel managers at fifteen hotels that do not form part of the sample selected for the study, were chosen for the pilot study. The same methodology prescribed for the study was used for the pilot survey.

The pilot study allowed the researcher to determine whether or not respondents in the pilot study had any difficulties with the questionnaire (see Appendix A). The following aspects of the questionnaire were evaluated:

- Interviewer instructions;

- Question formats (discussed in Section 6.4.7.2);
- Questionnaire layout (explained in Section 6.4.7.4);
- Terminology used (see Section 6.4.7.3);
- Validity of the questions (see Section 6.4.6).

Zikmund (2000:435) is of the opinion that it is important to tabulate the results of the pre-test to determine whether or not the questionnaires achieve the objectives of the research. The results from the pilot test were tabulated, and a statistical analysis of the results was conducted as a trail-run for the survey. Furthermore, the content validity test was used to assess the validity of the results obtained from the pilot survey.

As Aaker et al. (2004:313) point out; problems that are identified during the testing of the questionnaire should be rectified. The following changes were made to the questionnaire to address such problems:

- A space for information about the identity and contact details of the respondent and the hotel, and the time of the interview were removed from the questionnaire and placed on a separate information sheet, which was kept apart from the completed questionnaire, for administration purposes.
- Two section headings were inserted to clearly separate the section that deals with setting up the appointment from the section that contains the questions the respondents should answer during the interview.
- An additional interviewer instruction was inserted in the questionnaire: 'Interviewer instruction no. 6: Ask to e-mail or fax the questionnaire, explanatory statement, and consent from to this person for his/her perusal before the interview takes place'. The pilot study indicated that the fairly detailed and complex nature of a number of the questions required the researcher to e-mail, fax, or personally deliver the abovementioned documentation to respondents beforehand. The aim of this instruction was to allow respondents time to familiarize themselves with the contents of the documentation *before* the interviewer arrived for the appointment.
- Apart from the question measuring the overall customer retention rate of an hotel,

two additional questions were added to Section B to allow respondents to indicate the customer retention rates separately for *business* guests and guests staying for *leisure*.

- In Section D of the questionnaire, examples were added to three of the statements (Section D, Questions 1 and 2, Statements 13, 14 and 15) so as to demystify the statements the respondents had to evaluate. The additions are indicated here in italics:
 - Statement 13: 'Help guests to follow the correct procedures, *for example, placing notice boards and signage in the hotel to indicate the correct check-in procedure*'.
 - Statement 14: 'Recognize and reward guests for good behaviour, *for example, thanking a guest for assisting another*'.
 - Statement 15: 'Enforce standards of behaviour, *for example, requesting noisy guests to calm down*'.
- Respondents in the pilot study felt that the statements 'Identify reasons why guests have left' and 'Analyse defections to determine the causes why guests leave' were too similar (Section D, Questions 1 and 2, Statement 20). The second statement was removed from the questionnaire so as to avoid confusion.
- Respondents did not clearly understand Section D, Questions 1 and 2, Statement 34, namely 'Control situations where guests come into contact with employees'. This statement was reformulated to become 'Control situations where guests come into contact with employees by attempting to ensure employees listen to guests and respond to the particular needs of guests'.

6.4.7.5 The final questionnaire used in the study

Based on the implementation of the questionnaire design principles (as discussed in Sections 6.4.7.1, 6.4.7.2 and 6.4.7.3), and on the pre-testing of the questionnaire (Section 6.4.7.4), and on the tabulation of pilot survey results and the statistical analysis of these results, the final questionnaire was produced. The questionnaire is contained in Appendix B. This section provides an overview of the final questionnaire.

The first page of the questionnaire describes the procedure that the interviewer had to follow. It indicates how to select, and approach, the respondent. Instructions were also given on how to make an appointment with the respondent and forward the necessary documentation beforehand.

The questionnaire consists of six sections:

- Introduction and screening questions.
- Section A: The composition of hotel guests with regards their purpose of stay, both during the week and over weekends.
- Section B: Customer retention measurement practices.
- Section C: The importance of competitive marketing strategies being utilized *and* the management of supply and demand at the hotel.
- Section D: The importance and frequency of customer retention activities.
- Section E: The importance and ranking of primary customer retention activities.
- Section F: Demographic and general questions.

Before the questionnaire itself is presented Table 12 clarifies the links between the research objectives, the research propositions, and the questionnaire's sections and questions.

Table 12: The links between the research objectives, the research propositions, and the questionnaire's sections and questions

Linkage between research objectives and questionnaire questions		
Research objectives	Research propositions	Sections and questions
To investigate different competitive marketing strategies for hotels in Gauteng	Research proposition 1: Hotels in Gauteng consider competitive marketing strategies as important in a hotel's efforts to become and remain so	Section C, Question 1
To investigate the management of demand for and supply of service offerings at hotels in Gauteng	Research proposition 2: Hotels in Gauteng think it is important to manage demand and supply of an hotel's services	Section C, Question 2, Statements 1 and 2
To investigate the management of yield at hotels in Gauteng	Research proposition 3: Hotels in Gauteng consider it to be important to manage yield to maximize revenue	Section C, Question 2, Statement 3
To determine the customer retention measurement practices of hotels	Research proposition 4: Hotels in Gauteng measure their customer retention rate	Section B, Questions 1 to 5

<p>To determine the importance of customer retention management practices of hotels through investigating:</p> <ul style="list-style-type: none"> relationship marketing activities hotels engage in compatibility management activities hotels embrace activities hotels employ to manage customer defection activities hotels utilise to manage service failure service recovery activities hotels make use of 	<p>Research proposition 5: Hotels in Gauteng consider relationship marketing activities as important in retaining customers</p> <p>Research proposition 6: Hotels in Gauteng consider compatibility management activities to be important in retaining customers</p> <p>Research proposition 7: Hotels in Gauteng consider activities to manage customer defection as important for retaining customers</p> <p>Research proposition 8: Hotels in Gauteng consider activities to manage service failure as important for retaining customers</p> <p>Research proposition 9: Hotels in Gauteng consider service recovery activities as important in retaining customers</p>	<p>Section D, Question 1,</p> <p>Statements 1 to 8</p> <p>Statements 9 to 18</p> <p>Statements 19 to 27</p> <p>Statements 28 to 36</p> <p>Statements 37 to 46</p>
<p>To establish the performance of customer retention activities at hotels in Gauteng through investigating the execution of:</p> <ul style="list-style-type: none"> relationship marketing activities compatibility management activities activities to manage customer defection activities to manage service failure service recovery activities 	<p>Research proposition 10: Hotels in Gauteng perform relationship marketing activities to retain customers</p> <p>Research proposition 11: Hotels in Gauteng perform compatibility management activities to retain customers</p> <p>Research proposition 12: Hotels in Gauteng perform activities to manage customer defection</p> <p>Research proposition 13: Hotels in Gauteng perform activities to manage service failure so as to retain customers.</p> <p>Research proposition 14: Hotels in Gauteng perform service recovery activities so as to retain customers</p>	<p>Section D, question 2,</p> <p>Statements 1 to 8</p> <p>Statements 9 to 18</p> <p>Statements 19 to 27</p> <p>Statements 28 to 36</p> <p>Statements 37 to 46</p>

The following table, Table 13, provides an exposition of the different sections, questions, answer formats, and scales used.

Table 13: The final questionnaire's sections, questions, answer formats, and scales

Section	Question	Answer format	Scale
Section A	-	Unstructured	constant-sum scale
Section B	1	Structured	dichotomous
	2	Unstructured	-
	3	Unstructured	-
	4	Unstructured	-
	5	Unstructured	-
Section C	1	Structured	multi-item unlabelled 5-point scale
	2	Structured	multi-item unlabelled 5-point scale
Section D	1	Structured	multi-item unlabelled 5-point scale
	2	Structured	multi-item unlabelled 5-point scale
	3	Unstructured	-
Section E	-	Structured	Rank-order scale
Section F	1	Unstructured	-
	2	Unstructured	-
	3	Unstructured	-

The research's funding organization, Monash University, is bounded by the privacy and ethics legislation of the Australian State of Victoria. In order to comply with the legislation, each respondent had to be presented with an explanatory statement and consent form. The consent form had to be signed before the field worker could commence with the interview. The explanatory statement and the consent form are contained in Appendices C and D, respectively.

6.4.8 Step 8: determine the sample plan

Sampling involves the selection of a number of elements from the population from which the researcher may draw conclusions about the entire population. It is often to the advantage of the researcher to examine a part of the population rather than the entire population since a census is extremely expensive and time-consuming (Malhotra et al., 2004:224-225). Due to the abovementioned reasons, it was decided to draw a sample from the population under study.

Where such sampling is used, there is a greater amount of time that can be spent on, for example, individual interviews – which is much more sensible than trying to get through an entire population and giving each element of that population only a short time in interview. The effect of this is to increase the *quality* of the response gained from the population under survey. It is also easier for the researcher to manage surveys which involve smaller samples (Aaker et al., 2004:373). For this particular study the researcher decided to use sampling, and not a census – for all of the above reasons. The results are used to draw conclusions about the population as a whole.

It is important to note that great care should be taken when determining the sample and executing the sampling process, otherwise sampling error may occur. Sampling error refers to any type of bias attributable to mistakes in drawing a sample and/or determining the sample size (Hair et al., 2003:340). A sampling error is the result of the difference between the population parameter and the sample statistic. Sampling errors occur because a sample is never a perfect representation of the population, unless the sample includes elements of the entire population (Aaker et al., 2004:93).

The sample plan for this study involved the following five steps (Malhotra,

2004:226):

- Define the target population;
- Determine the sampling frame;
- Select sampling technique(s);
- Determine the sample size;
- Execute the sampling process.

Table 14 provides an exposition of this procedure.

Table 14: The sample plan for this study

Define the target population	
1. Elements	Hotel managers
2. Sampling units	Hotels
3. Extent	Gauteng Province, South Africa
4. Time	2005
Determine the sampling frame	182 listed hotels
Select sampling technique(s)	Stratified sampling and systematic sampling within strata
Determine the sample size	125 hotels
Execute the sampling process	Follow the plan

Source: adapted from Malhotra (2004:226)

6.4.8.1 Defining the target population

The first step of the sampling process involves defining the target population of the study. Hair et al. (2003:334) define a population as 'the identifiable total set of elements of interest being investigated by a researcher', while the target population is defined as 'the complete set of elements identified for investigation'. The target population refers to all the cases that conform to certain specifications. These specifications determine the elements that belong to the target population, as well as those that are excluded (Churchill & Iacobucci, 2002:448).

The target population selected for this study is defined in terms of elements, sample units, time, and extent. An element refers to the object from which the information is to be obtained (hotel manager). The sample unit is selected as part of the sample (hotel). The sample unit could also be the element, or as is the case of this particular study, the unit that contains the element. Extent refers to the geographical area the study covers, and time refers to the period to be considered (Malhotra, 2004:315-316).

The target population of this study is defined as hotel managers located in Gauteng Province, South Africa, during 2005.

6.4.8.2 Determining the sampling frame

A sampling frame refers to a list of population members from which a sample is drawn (Aaker et al., 2004:367). A frame of the population must be obtained before sampling can begin. Ideally a list should contain every member of the population only once; few lists, however, meet this criterion. In order to avoid problems with the list – problems relating to omissions and duplications – the researcher should take precautionary steps (Sudman & Blair, 1998:338&340).

For the purposes of this study a comprehensive list of hotels located in Gauteng was obtained from Qualitour (Pty.) Ltd. (2002). The list was originally compiled for the Gauteng Tourism Authority by Qualitour to be a comprehensive database covering all accommodation suppliers in Gauteng. The researcher updated the list from the Where-to-Stay website (<http://www.wheretostay.co.za>) as well as from the Tourism Grading

Council's website (<http://www.tourismgrading.co.za>). A list containing 182 hotels was produced to act as the sampling frame representing the target population.

In summary, so as to cover possible omissions the Qualitour list used in this study was augmented with information from current websites. To avoid duplications, finally, the list was cross-checked by the researcher.

6.4.8.3 Selecting the sampling technique(s)

There are two general types of sampling design. Probability samples use a random process to select population elements for the sample, and give every population element a known chance of selection. Non-probability samples do not use a random process; instead, elements are selected by judgement or according to their convenience (Sudman & Blair, 1998:347-348).

In a case where the population contains unique sub-groupings, a population might be encountered that is not distributed symmetrically across a normal curve. In a situation like this, the end result may be a sample that can be described as 'statistically inefficient'. One solution to this problem is stratified sampling. Stratified sampling is a probability sampling technique, which separates the population into different strata and then samples all of these strata (Burns & Bush, 2000:399-400).

The aim of stratified sampling is to improve sampling efficiency by increasing accuracy without increasing the costs of sampling (Aaker et al., 2004:382). Churchill (1999:520) demonstrates that stratified sampling is distinguished by a two-step procedure. The first involves the division of the parent population into mutually exclusive and exhaustive strata; the second involves selecting a random sample of elements from each sub-group or stratum.

Burns and Bush (2000:401) state that once the strata have been identified, simple random or systematic sampling (for example) can be used to draw a sample from each sub-group. Systematic sampling, a kind of probability sampling technique, was used to select the sampling units from the strata. Systematic sampling is a procedure that samples every i th member of the population after a random start between 1 and i

(Sudman & Blair, 1998:353).

6.4.8.4 Determine the sample size

Sample size can be determined using various techniques. Some are based on *ad hoc* methods and some are statistically grounded. *Ad hoc* methods are used when a researcher knows from experience which sample size to use. These methods involve the use of rules of thumb, which take budget constraints into account, and use comparable studies to guide the researcher. Statistical methods require the researcher to be familiar with statistics or parameters (standard error, variance, etc.) of the characteristics of interest in the population under study. Generally, four factors determine the size of the sample to be selected (Aaker et al., 2004:404):

- The number of groups that will be analysed;
- The value of the information in the study, as well as the accuracy required;
- The cost of the sample;
- The variability of the population: the more inconsistent the population the larger the sample should be.

Since the required statistics or parameters were not available beforehand. The following statistical formula was applied to guide the researcher in determining a suitable sample size. The formula used in this study is suitable for when the required statistics are not known, but the size of the target population is known, and a probability sampling technique is used (Statistiese Konsultasie Diens, 1990:17-13):

$$n = \frac{N}{1 + \left[\frac{N \times d^2}{10000} \right]}$$

$$n = \frac{182}{1 + \left[\frac{182 \times 5^2}{10000} \right]}$$

$$n = \frac{182}{1 + 0.46}$$

$$n = 124.66$$

where:

- n = size of the sample
 N = size of the population
 d = 100% - 95% confidence interval (5% level of significance)

The confidence interval refers to a 'range whose endpoints define a certain percentage of the responses to a question'. The 95 per cent confidence interval is defined as 'the range described by the mean ± 1.96 times the standard deviation' (Burns & Bush, 2000:432-433).

Based on this formula, a suitable sample size is 125 hotels out of a target population of 182 hotels at a 5 per cent level of significance ($\alpha = 0.05$).

6.4.8.5 Execution of the sampling process

The target population was separated into strata based upon (1) the *type* of hotel – whether 'group' or 'branded' hotels, on the one hand, or, on the other hand, 'private' or 'owner-managed' hotels; and (2) the *size* of the hotels, where hotels with 50 or fewer rooms are classified as 'small', hotels with 51 to 150 rooms are classified as 'medium' sized, and hotels with 151 rooms or more are classified as 'large'. Six possible strata were identified:

- Large group or branded hotels;
- Medium group or branded hotels;
- Small group or branded hotels;
- Large private hotels or owner-managed hotels;
- Medium private hotels or owner-managed hotels;

- Small private hotels or owner-managed hotels.

Table 15 provides the actual number of hotels in each of the strata that were identified.

Table 15: The number of hotels in each of the strata identified

	Group or branded hotels	Private or owner-managed hotels	Total
Small hotels	31	8	39
Medium hotels	62	20	82
Large hotels	20	41	61
Total	113	69	182

The list containing all the hotels was first re-arranged according to the six strata shown above, so as to ensure proportional representation of the population in the sample. The list was then subjected to systematic sampling to select the sampling units for this study (see Section 6.4.8.3). The hotel appearing in position 87 on the list was randomly chosen as the first sampling unit. From there on every second hotel was selected as part of the sample until a total of 91 hotels had been selected. The hotel that appears in position 10 on the list was then randomly chosen. Every third hotel on the list that had not yet been selected, was then selected until a further 31 hotels were selected from the list. The last random number used was 66. The hotel that appeared in position 66 was selected and every fourth hotel not yet selected, was selected as part of the sample – until a total of 125 hotels had been selected (see Section 6.4.8.4). Table 16 provides the results of the sample selection process.

Table 16: The number of hotels selected as part of the sample

	Group or branded hotels	Private or owner-managed hotels	Total
Small hotels	21	6	27
Medium hotels	45	13	58
Large hotels	13	27	40
Total	79	46	125

6.4.9 Step 9: data collection

The next step in the research process involves the collection of data from the sampling elements, using the questionnaires designed earlier (see Section 6.4.7). It is important to bear in mind that the personal survey method or interviewer-administered survey using in-office interviews was chosen for this particular study (see Section 6.4.4). The choice of survey form impacts on the manner in which data are collected.

Data collection involves field work. Researchers can use their own organization or a field work agency to collect data. In whichever case, Malhotra et al. (2004:245-249) suggest the following:

- Suitable field workers should be selected. The more the field worker has in common with the respondents, the greater the possibility for a successful interview.
- Field workers should be trained in issues such as making initial contact, asking questions, probing the respondents to clarify and explain answers, recording answers, and terminating interviews.
- Field workers should be supervised to ensure that the appropriate procedures and techniques are followed. Supervision involves quality control and editing, sampling control, control of cheating, and control of all activities – usually

from a central point.

- Field workers needs to be evaluated in terms of cost and time spent per interview, the response rates being obtained, the quality of the interviewing, and the quality of the data that the field worker obtains.

The researcher and two trained field workers conducted the field work for this study. One field worker was recruited from a pool of university graduates. This person has a degree in marketing, and experience in marketing research projects. The other person has experience in the banking sector and has been involved in various marketing research projects. The suggestions of Malhotra et al. (2004:245-249) concerning selection, training, supervision, and evaluation of field workers were followed by the researcher so as to minimize interviewer error.

Errors that occur during the data collection step are referred to as non-sampling errors. The greatest opportunity for non-sampling errors to occur is during the data collection stage. Non-sampling errors exclude errors due to an indifferent sample plan or inadequate sample size (Burns & Bush, 2000:454).

Non-sampling errors can be classified as non-response errors, and response errors. Non-response errors occur when respondents included in the sample do not respond. This error causes the sample to be different in size and make-up from the intended sample. In order to deal with the impact of non-response errors on the original sample, drop-down substitution was used when a respondent refused to respond. According to Burns and Bush (2000:411) this method can be used when a researcher employs systematic sampling. In this study drop-down substitution entailed contacting the next hotel manager on the list immediately following the name of the hotel manager who had refused to respond. It stands to reason that the substitution could not be up for interviewing on the *original* sampling list.

Response errors, on the other hand, occur when (1) respondents provide inaccurate answers due to their inability or unwillingness to answer; or when (2) field workers select the wrong respondents, phrase questions incorrectly, record responses incorrectly, or cheat; or when (3) researchers incorrectly analyse data (Malhotra, 2004:89-90). Apart from the suggestions of Malhotra et al. (2004) regarding field

workers, several other strategies can be followed by the researcher to reduce non-response as well as response errors. Table 17 provides a summary of a number of these strategies.

Table 17: Strategies to reduce non-response and response errors

Reducing non-response errors
<ul style="list-style-type: none"> • Advance notification through postcard and telephone • Monetary incentives • Follow-up mailings • Call-back attempts
Reducing response errors
<ul style="list-style-type: none"> • Assure the respondent of the anonymity of answers • Assure the respondent that answers will remain private • Confirm the information provided by the respondent • Use the third-person technique when embarrassing questions are asked

Source: Burns and Bush (2000:462-466&473-474)

For this particular study, the researcher attempted to reduce non-response error through advance notification. Call-backs were made to respondents who were not reached the first time around. In order to reduce response error, respondents were also assured of the anonymity of answers, and of the fact that answers would remain private. Information provided by respondents was also confirmed by interviewers. Section 7.2 provides a detailed discussion of the efforts undertaken to increase the response rate.

6.4.10 Step 10: data preparation and analysis

Before the data can be analysed it is necessary to *prepare* the data. The data preparation process involves the following activities (Malhotra, 2004:402-414; Hair et al., 2003:492-511; Churchill & Iacobucci, 2002:573):

- Check questionnaires for peculiar response patterns. Identify responses that show little variance, questionnaires received after cut-off dates, missing pages and questionnaires answered by respondents who not qualify.
- Edit questionnaires to identify unreadable, incomplete, inconsistent, and unclear responses. Check whether the proper questions were posed to respondents and responses to unstructured questions were properly recorded.
- Code the questionnaires by clustering and allocating values to each possible response in the case of each question asked.
- Enter the data or transfer the data from the questionnaires into a data analysis software package.
- Clean the data and detect errors. Data cleaning and error detection involves meticulous and comprehensive inspections for uniformity, as well as the treatment of missing responses.
- Tabulate data. Data tabulation involves the process of classifying cases into their categories.
- Statistically adjust the data through scale transformation, variable re-specification or weighting. These adjustments are not always required, but can augment the quality of data.
- Select an appropriate data analysis strategy.

Questionnaires were checked, edited, and coded when the interviews were completed. The Statistical Package for Social Sciences (SPSS) was used to process the data. Data were cleaned and errors were detected. An item non-response was merely recorded as a 'missing value' (Zikmund, 2000:558). Missing values were treated on the basis of pair wise deletion where all the available non-missing data were used for each calculation. The data were tabulated and the data analysis strategy was followed.

There are five basic kinds of statistical analysis typically used by marketing researchers. These include (Malhotra, 2004:416-417; McDaniel & Gates, 2002:516; Burns & Bush, 2000:493-496; Zikmund, 2000:580,634-635,639,644,673&677):

- *Descriptive analysis* describes the sample data matrix in such a way as to

portray the 'typical' respondent and reveal the common pattern of responses. In this study results include frequencies, numbers and percentages, means, top-box scores, low-box scores and standard deviations, where appropriate (SPSS, 2003:291-295).

- *Difference analysis* compares the mean of the responses of one group to that of another group. For this study, in order to determine whether significant differences exist between the mean responses of two groups the Independent Sample T-test and the Mann-Whitney U Test were conducted (SPSS, 2003:337-341&484). Since it is not sufficient to report only that a significant difference exists between means, the *size* of this difference is also indicated, and is known as the ETA coefficient (SPSS, 2003:311). This measure assists the researcher in estimating the amount of difference there is between two groups in the dependent variable. An analysis of variance (ANOVA) and the Kruskal-Wallis Test were performed to determine whether significant differences exist between the mean responses of more than two groups. In cases where a significant difference exists, Scheffe's Multi Comparison Test was used to identify the groups between which significant differences can be observed (SPSS, 2003:349-357&492-493). The size of these differences is also reported, i.e. the ETA coefficient is given. Where appropriate, Paired Samples T-tests were also performed to determine whether or not significant differences exist between mean responses (SPSS, 2003:341-344).
- *Associative analysis* determines the strength and direction of the relationships between two or more variables. Basic associative analysis methods include cross-tabulations and correlations. In this study appropriate variables were cross-tabulated. In order to determine whether a significant association existed between the mean responses of two groups, Fisher's Exact Test was used. A Phi coefficient was computed in order to signify the strength of the associations between the variables. In order to determine whether a significant association existed between the mean responses of more than two groups, the Pearson Chi Square Test was conducted. Cramer's V coefficient was computed to signify the strength of the association between the variables.

Pearson Product Moment Correlation was also used to measure the extent of association between two variables (SPSS, 2003:309-310; 377-381&465).

- *Inferential analysis* turns out conclusions about the population's characteristics, based on the sample data. Inferential statistics include hypothesis testing, and estimating population values based on sample results. Inferential analysis was not conducted in this study.
- *Predictive analysis* allows one to make forecasts of future events. The marketing researcher commonly uses regression or time-series analysis to enhance prediction capabilities. Regression analysis is a procedure for analysing associative relationships between a metric dependent variable and one or more independent variables. Predictive analysis was not performed in this study.

The statistical techniques used in this study are discussed in more detail in Chapter Seven alongside the presentation of the relevant results.

6.4.11 Step 11: prepare and present the final research report

This is the final step in the research process. The following chapters present the results from the primary research, as well as recommendations and conclusions based on the results from both secondary and the primary research.

6.5 SYNOPSIS

Chapter Six presents an exposition of the empirical research methodology followed in this study. The chapter also presents an overview of the research process. A theoretical discussion of each step is provided, and the research methodology used in this study, specifically, is also presented.

CHAPTER 7

RESEARCH RESULTS AND FINDINGS

7.1 INTRODUCTION

Chapter Five provides an overview of the problem statement and motivation for the research propositions. Chapter Six presents the specific research methodology followed in each step of this particular study, and justifies the methodology by referring to the theoretical foundations of marketing research.

This chapter provides an exposition of the results obtained from the data collected by means of the questionnaire fielded in this study (see Appendix B). The chapter starts off with a discussion of the realization rate attained in the data collection. The chapter then provides an assessment of the representativity, validity, and reliability of the results. The subsequent section provides a question-by-question discussion of the results, and highlights the main findings of the research.

7.2 THE RESULTS REALIZATION RATE

Not all the hotels that formed part of the sample participated in the study. A sample of 125 hotels was selected out of a possible 182 hotels (see Section 6.4.8.4). Of the 182 hotels contained in the sampling frame, 56 usable responses were obtained. This represents 30.77 per cent of the hotels contained in the sampling frame and 44.8 per cent of the hotels selected to be part of the actual sample.

Table 18 details the realization rate of the study. The table compares the number of hotels that took part in this study with the number of hotels contained in the target population as well as the number of hotels sampled in this study. Each cell in the table contains the number of hotels as well as the relative percentage of hotels that took part in the study, based on the sample size of 125.

Table 18: The results realisation rate of the study

	Group or branded hotels			Private or owner-managed hotels			Total		
	Hotels in each strata	Hotels selected as part of sample	Hotels that took part in the study (percent -age of sample)	Hotels in each strata	Hotels selected as part of sample	Hotels that took part in the study (percent -age of sample)	Hotels in each strata	Hotels selected as part of sample	Hotels that took part in the study (percent -age of sample)
Small hotels	20	13	7 (53.85%)	41	27	10 (37.03%)	61	40	17 (42.50%)
Medium hotels	62	45	24 (53.33%)	20	13	5 (38.46%)	82	58	29 (50.00%)
Large hotels	31	21	9 (42.86%)	8	6	1 (16.67%)	39	27	10 (25.64%)
Total	113	79	40 (50.63%)	69	46	16 (34.78%)	182	125	56 (44.80%)

It is evident from Table 18 that group or branded hotels are better represented in the sample than private or owner-managed hotels. A total of 50.63 per cent of the group or branded hotels in the study realized results while 34.78 per cent of private or owner-managed hotels in the study realized results.

The researcher used various strategies in an effort to increase the response rate in this study. He sent out advanced notification in the form of personalized e-mails to general managers of the hotels selected as part of the sample. The advance e-mail notifications contained an explanatory statement (see Appendix C), a consent form (see Appendix D), and an electronic copy of the questionnaire (see Appendix B). The general managers of the hotels selected as part of the sample were then contacted by telephone. The study was once again explained and attempts were made to set up interviews. If a general manager agreed to an interview but was not in possession of

the documentation sent out during the advance notification round, the abovementioned documentation was e-mailed, faxed, or hand-delivered prior to the interview. Where general managers of hotels refused to be interviewed, drop-down substitution was used – as explained in Section 6.4.9.

Eventually the general managers of all hotels contained in the sampling frame were approached for an interview. When this sampling frame was exhausted, marketing managers of all hotels selected as part of the sample – where the general manager had refused to participate – were approached with e-mail notifications and subsequent telephone calls to set up appointments. Drop-down substitution was used until the marketing managers of all hotels contained in the sampling frame had been contacted. In essence, the general managers or marketing managers of all hotels contained in the sample were approached for an interview.

A number of hotel managers indicated a willingness to take part in the study, but did not make a specific commitment to be interviewed. In these instances, follow-up telephone calls were made over an eight-week period to encourage hotel managers to participate in the study. On average ten follow-up calls were made to each hotel manager who illustrated any measure of willingness to participate.

The respondents who participated in the study ultimately included general managers and marketing managers, and a variety of other hotel managers and personnel. The positions respondents hold are presented in Section 7.4.5 of the results discussion.

The following are some of the reasons for the results realization rate of 44.8 per cent:

- Due to the nature of the information required, only senior hotel managers – typically, general or marketing managers – were able to provide the information required. These senior hotel managers cited time constraints as a major obstacle in setting up appointments to be interviewed. Many hotel managers indicated that they simply did not have time to participate in the study.
- A number of individual hotel managers and hotel groups considered the

information required too sensitive to share with the researcher.

- A number of hotel managers were not interested in taking part in the study.

Regardless of the abovementioned factors negatively impacting on the results realization rate, it can be seen in Table 18 that close to a third of the target population was surveyed – nearly half of the sample selected. The next section deals in more detail with the representativity, validity, and reliability of the results.

7.3 THE REPRESENTATIVITY, VALIDITY, AND RELIABILITY OF THE RESULTS

Before the results obtained from the questionnaire can be analysed, it is necessary to examine the representativity, validity, and reliability of the results obtained. Doing this assists in understanding the context in which results can be interpreted and conclusions drawn.

7.3.1 The representativity of the results

Section 6.4.8 provides a detailed description of the sampling plan for this study. The sampling elements were randomly selected from the sampling frame using stratified sampling, and systematic sampling within strata – as explained in Section 6.4.8. The researcher strictly followed the sample plan to ensure the representativity of the sample.

The six strata in the sample were not filled as prescribed by the sample plan (see Section 6.4.8 and Table 18). The reasons for this were discussed in Section 7.2. As stated there, however, close to a third of the target population (or nearly half of the sample) is represented in the study. It is important to note that the results are only representative of hotels located in Gauteng.

7.3.2 Assessing reliability and validity: skewness and kurtosis

Before the results can be presented, it is necessary to determine whether the results obtained for each of the activities the questionnaire measures show a normal distribution on the scale of measurement. The kurtosis and skewness of the results' distribution for each measurement set is examined. An activity for which the skewness of the distribution is less than 2.00, or where the kurtosis of the distribution is less than 7.00, falls within acceptable limits of normality (West, Finch & Curran, 1995:74). The researcher, however, expected that certain activities could fall outside the acceptable limits, especially where importance is measured, since respondents tend towards the higher end of the scale when indicating levels of importance.

All measurement sets measuring the importance of relationship marketing, compatibility management, customer defection management, service failure management, and service recovery fall within these limits. However, the distribution of results for the activity 'Develop training programmes to provide employees with good communication skills to successfully handle complaints and serve guests pro-actively' falls outside of the limits stated above. Finally, the distribution of results of the measurement sets measuring the frequency with which customer retention activities are performed, all fall within the set limits.

7.3.3 Assessing reliability

As indicated in Section 6.4.6, the measurements used in the study to collect data should be subjected to reliability and validity assessment. Cronbach's alpha was used to determine the reliability of the measurement sets. The reliability was calculated of the measurement sets which assess the importance of customer retention activities associated with relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery. The measure ranges from 0 to 1. Whilst one indicates perfect reliability, the value 0.70 is deemed to be the lower level of acceptability (Hair, Anderson, Tatham & Black, 1998:118). The reliability statistics for the measurement sets are presented in Table 19.

Table 19: Reliability statistics

Measurement sets	Cronbach's alpha
Customer retention activities associated with <i>relationship marketing</i> (8 items)	0.754
Customer retention activities associated with <i>customer compatibility management</i> (10 items)	0.898
Customer retention activities associated with <i>customer defection management</i> (9 items)	0.829
Customer retention activities associated with <i>service failure management</i> (9 items)	0.748
Customer retention activities associated with <i>service recovery</i> (10 items)	0.758

It is evident from Table 19 that Cronbach's alpha for all measurements sets are above the lower limit of acceptability of 0.70. The results indicate that the measurement sets used in the study are reliable.

7.3.4 Assessing validity

To assess the validity of a measurement – or the degree to which a measurement measures that which it is supposed to measure – the researcher used the face, or content validity approach. Factor analysis techniques were used to determine the structure validity of the measurement sets (Diamantopoulos & Schlegelmilch, 1997:216).

For the face or content validity test, the researcher looked at whether or not the questions in the questionnaire were indeed measuring what they were supposed to measure. Hotel managers who took part in the pilot study also validated the questions, as described in Section 6.4.7.4.

The structure validity was assessed for the measurement sets determining the

frequency with which customer retention activities are performed. The measurement sets for relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery were assessed.

The Kaiser-Meyer-Olkin Test of Sampling Adequacy (KMO) was conducted to determine whether or not adequate correlation exists between the activities contained within each measurement set, before a factor analysis could be conducted. A KMO statistic, an associated Bartlett's p-value, and an Anti-image Correlation statistic are determined when using this test. A KMO statistic of greater than 0.7, an associated p-value of less than or equal to 0.05, and an Anti-image Correlation statistic of greater than 0.6 indicate that adequate correlation exists to enable the researcher to conduct a factor analysis for a measurement set (Hair et al., 1998:99).

It is evident from Table 20 that for each measurement set, the KMO statistic is greater than 0.7, the associated Bartlett's p-value is less than or equal to 0.05, and the Anti-image Correlation statistic is greater than 0.6 between the statements in the measurement set. The computed KMO statistic, the associated Bartlett's p-value, and the Anti-image Correlation statistics indicate adequate correlation to conduct a factor analysis for each measurement set.

Once adequate correlation is found to exist between the activities assessed within a measurement set, a factor analysis for each measurement set can be performed (Diamantopoulos & Schlegelmilch, 1997:216). The Extraction Method: Principal Axis Factoring and the Rotation Method: Varimax with Kaiser Normalization were used (SPSS, 2003:434). The structure validity results for each measurement set, as well as the subsequent factor analysis, are reported in Table 20.

Table 20: The structure validity and the results of the factor analysis for each measurement set

Measurement set	KMO statistic	Bartlett's p-value	Factors	Cumulative percentage of variance explained
The frequency with which relationship marketing activities are performed (8 items)	0.772	0.000	2	69.506%
The frequency with which customer compatibility management activities are performed (10 items)	0.844	0.000	2	65.768%
The frequency with which customer defection management activities are performed (9 items)	0.883	0.000	2	70.122%
The frequency with which service failure management activities are performed (9 items)	0.708	0.000	1	43.995%
The frequency with which service recovery activities are performed (10 items)	0.773	0.000	2	65.490%

The results of the factor analysis reflected in Table 20 are discussed in Sections 7.3.4.1 to 7.3.4.5.

7.3.4.1 The frequency with which relationship marketing activities are performed (eight items)

With the first round of factor analysis, the eight items were reduced to two factors explaining 69.506 per cent of the variance. A second-order analysis is, however, redundant as it could reveal only one second-order factor.

7.3.4.2 The frequency with which customer compatibility management activities are performed (ten items)

With the first round of factor analysis, the ten items were reduced to two factors explaining 65.768 per cent of the variance. A second-order analysis is, however,

redundant as it could reveal only one second-order factor.

7.3.4.3 The frequency with which customer defection management activities are performed (nine items)

With the first round of factor analysis, nine items were reduced to two factors explaining 70.122 per cent of the variance. A second-order analysis is, however redundant as it could reveal only one second-order factor.

7.3.4.4 The frequency with which service failure management activities are performed (nine items)

With the first round of factor analysis, the nine items could not be reduced to two, three, or four factors. The items were grouped under one factor, which explains 43.955 per cent of the variance.

7.3.4.5 The frequency with which service recovery activities are performed (ten items)

With the first round of factor analysis, the ten items were reduced to two factors explaining 65.490 per cent of the variance. A second-order analysis is, however redundant as it could reveal only one second-order factor.

The findings presented in the foregoing section indicate that the results of the study are representative of the population under study, namely hotels in Gauteng. The measurement sets used in the study are reliable and valid. The next section of the chapter examines the results obtained from the questionnaire.

7.4 THE RESULTS OBTAINED FROM THE QUESTIONNAIRE

Section 7.4 reports the results obtained from the questionnaire, doing so on a question-by-question basis, in the order in which the questions appear in the

questionnaire. Results are reported for all hotels surveyed, as well as for the strata identified in Section 6.4.8.5 (discerning type of hotel – group or branded, as opposed to private or owner-managed; and size of hotel – small, medium, or large). It should be noted that – as stated in Sections 1.8 and 7.2 – the results realization rate and the subsequent effect it had on the number of hotels surveyed in each strata limited the range of statistical techniques that the researcher could use. An explanation of the statistical techniques used in the analysis precedes the reporting of results obtained using a particular technique.

7.4.1 Section A – Composition of hotel guests based upon purpose of stay during the week, and over weekends

An estimation of the percentage of guests who stay at hotels in Gauteng either for business-related or leisure purposes both during the week and over weekends is provided. Significance testing was also conducted to determine whether or not significant differences exist for this finding when it comes to the two types of hotel (group or branded/ private or owner-managed) and three different sizes (small, medium, or large) of hotel. Table 21 provides an exposition of the mean percentage of guests who stay at hotels in Gauteng during the week for business purposes. Of the 56 hotels 55 responded to the questions posed in Section A.

Table 21: The mean percentage of guests who stay at Gauteng hotels during the week for business-related purposes

	Group or branded hotels (N = 39)	Private or owner-managed hotels (N = 16)	Overall (N = 55)
Small hotels (N = 17)	69.86%	88.30%	80.71%
Medium hotels (N = 28)	82.26%	72.00%	80.43%
Large hotels (N = 10)	86.33%	75.00%	85.20%
Overall (N = 55)	80.97%	82.38%	81.38%

More than 80 per cent of guests who stay at hotels during the week stay for business-related purposes, both at group or branded hotels, and at private or owner-managed hotels – for all sizes of hotel: small, medium, and large. The overall percentage of guests staying during the week at participating hotels in Gauteng for business-related purposes is 81.38 per cent. Table 22 presents the mean percentage of guests who stay at Gauteng hotels during the week for *leisure*.

Table 22: The mean percentage of guests who stay at Gauteng hotels during the week for leisure

	Group or branded hotels(N = 39)	Private or owner- managed hotels(N = 16)	Overall (N = 55)
Small hotels (N = 17)	30.14%	11.70%	19.29%
Medium hotels (N = 28)	17.74%	28.00%	19.57%
Large hotels (N = 10)	13.67%	25.00%	14.80%
Overall (N = 55)	19.03%	17.62%	18.62%

In contrast with the high percentage of guests who stay at hotels in Gauteng for business-related purposes, only 18.62 per cent of guests who stay at hotels in Gauteng during the week stay for leisure. Less than 20 per cent of guests who stay at hotels during the week stay for leisure – at both group or branded, *and* private or owner-managed hotels, as well as at small, medium, and large hotels. Table 23 presents the mean percentage of guests who stay at hotels in Gauteng over weekends for *business*-related purposes.

Table 23: The mean percentage of guests who stay at Gauteng hotels over weekends for business-related purposes

	Group or branded hotels (N = 39)	Private or owner-managed hotels (N = 16)	Overall (N = 55)
Small hotels (N = 17)	27.43%	38.20%	33.76%
Medium hotels (N = 28)	31.30%	24.00%	30.00%
Large hotels (N = 10)	51.11%	80.00%	54.00%
Overall (N = 55)	35.18%	36.38%	35.53%

Of the guests who stay at Gauteng hotels over weekends, 35.53 per cent stay for business-related purposes. Table 24 presents the mean percentage of guests who stay at Gauteng hotels over weekends for *leisure* purposes.

Table 24: The mean percentage of guests who stay at Gauteng hotels over weekends for leisure

	Group or branded hotels (N = 39)	Private or owner-managed hotels (N = 16)	Overall (N = 55)
Small hotels (N = 17)	72.57%	61.80%	66.24%
Medium hotels (N = 28)	68.70%	76.00%	70.00%
Large hotels (N = 10)	48.89%	20.00%	46.00%
Overall (N = 55)	64.82%	63.63%	64.47%

It is evident from Table 23 that the majority (64.47 per cent) of guests who stay at

hotels in Gauteng over the weekend stay for leisure purposes. **The main finding is that the majority of guest who stay at hotels during the week stay for business-related purposes, while the majority of guests who stay at hotels over the weekend stay for leisure (main finding 1).**

To determine whether significant differences exist between the mean percentages of the two types of hotel (group or branded, and private or owner-managed) the Independent Sample T-test and the Mann-Whitney U Test were conducted. The Mann-Whitney U Test, a non-parametric test, was used since at least one of the groups contains fewer than 30 responses and a normal distribution of results cannot be assumed (Tustin et al., 2005:624-625; Diamantopoulos & Schlegelmilch, 1997:181-182). The researcher relied on a 95 per cent level of confidence, or a 5 per cent level of significance ($\alpha = 0.05$) (Tustin et al., 2005:568-570&590-591; Diamantopoulos & Schlegelmilch, 1997:139-140). A p-value less than or equal to 0.05 indicates a significant difference between the means in terms of both the Independent Sample T-test and the Mann Whitney U Test (Tustin et al., 2005:600; Diamantopoulos & Schlegelmilch, 1997:146-147).

Since it is not sufficient to simply report that a significant difference exists between means, a measure of the effect size is also indicated, i.e. the ETA coefficient is given. This measure assists the researcher in estimating the amount of difference that exists between two groups in the dependent variable. An effect size of 0.50 up to 1.00 indicates a large effect between the dependent and independent variables (to be precise, a large difference between two groups in the dependent variable). An effect size of 0.30 up to 0.50 indicates a medium effect between the dependent and independent variables (to be precise, a medium difference between two groups in the dependent variable), while a score of below 0.30 indicates little or no effect between the dependent and independent variables (to be precise, a small difference between two groups in the dependent variable) (Rosenthal, Rosnow & Rubin, 2000:15).

An analysis of variance (ANOVA) and the Kruskal-Wallis Test were performed to determine whether significant differences exist between the means of at least two of the three groups of hotel – small, medium, and large (SPSS, 2003:349-357&492-493; Diamantopoulos & Schlegelmilch, 1997:182-184). A p-value of greater than 0.05

indicates that a significant difference exists between the means of at least two of the three groups. In cases where a significant difference exists, Scheffe's Multiple Comparisons Test was used to identify the groups between which significant difference can be observed. A p-value of 0.05 or less, associated with the Scheffe's Multiple Comparisons Test, identifies such groups (Diamantopoulos & Schlegelmilch, 1997:146-147&187-190). A measure of the effect size is also reported, i.e. the ETA coefficient is given (Rosenthal et al., 2000:15). Table 25 reports on the significance testing of the mean percentages of guests who stay for business-related or leisure, during the week and over weekends, at group or branded and at private or owner-managed hotels.

Table 25: Significance testing of the mean percentages of guests who stay for business-related or leisure purposes during the week and over weekends, at group or branded hotels, and at private or owner-managed hotels

	Group or branded hotels		Private or owner-managed hotels		Independent Sample T-test (p-value)	Mann-Whitney U Test (p-value)
	N	Mean	N	Mean		
Guests who stay at Gauteng hotels during the week for business-related purposes	39	80.97%	16	82.38%	0.798	0.379
Guests who stay at Gauteng hotels during the week for leisure	39	19.03%	16	17.63%	0.798	0.379
Guests who stay at Gauteng hotels over weekends for business-related purposes	39	35.18%	16	36.38%	0.875	0.955
Guests who stay at Gauteng hotels over weekends for leisure	39	64.82%	16	63.62%	0.875	0.955

The significance testing results indicate that the p-values are all over 0.05 for the

mean percentages of guests who stay for either business-related or leisure purposes either during the week or over weekends at group or branded and private or owner-managed hotels. The null hypothesis that there is no difference between the means can therefore not be rejected. **The main finding is that the mean percentages of group or branded hotels on the one hand, and of private or owner-managed hotels on the other hand, are not significantly different when it comes to purpose of stay during the week and over the weekend (main finding 2).**

Table 26 presents the results of the significance testing of the mean percentages of guests who stay for business-related or leisure purposes during the week and over weekends at small, medium and large hotels.

Table 26: Significance testing of the mean percentages of guests who stay for business-related or leisure purposes during the week and over weekends at small, medium and large hotels

	Small hotels		Medium hotels		Large hotels		ANOVA (p-value)	Kruskal-Wallis Test (p-value)	ETA coefficient
	N	Mean	N	Mean	N	Mean			
Guests who stay at Gauteng hotels during the week for business-related purposes	17	80.71%	28	80.43%	10	85.20%	0.770	0.639	0.100
Guests who stay at Gauteng hotels during the week for leisure purposes	17	19.29%	28	19.57%	10	14.80%	0.770	0.639	0.100
Guests who stay at Gauteng hotels over weekends for business-related purposes	17	33.76%	28	30.00%	10	54.00%	0.031	0.032	0.354
Guests who stay at Gauteng hotels over weekends for leisure purposes	17	66.24%	28	70.00%	10	46.00%	0.031	0.032	0.354

No significant differences exist between the mean percentages for guests who stay during the weekend at small, medium and large hotels in Gauteng for business-related or leisure purposes (ANOVA and Kruskal-Wallis Test p-values are greater than 0.05). Significant differences exist, however, between small, medium, and large hotels' percentages. The mean percentages of guests who stay for business-related as well as leisure purposes over weekends are significantly different for at least two groups (ANOVA and Kruskal-Wallis Test p-values < 0.05). The Post Hoc Test reports that the p-value associated with Scheffe's Multiple Comparisons Test is 0.033 when the mean percentages of medium and large hotels are compared, indicating a significant difference between the two groups. Therefore, the effect size of 0.354, reported in

Table 26, indicates a medium difference (0.354) between the two groups (medium and large hotels) in the dependent variable (size of hotels). **The main finding is that the mean percentages of small, medium and large hotels when it comes to guests' purpose of stay (business related or leisure) over the weekend are significantly different (main finding 3).**

7.4.2 Section B – Customer retention measurement practices

Section B of the questionnaire focuses on determining whether Gauteng hotels that took part in the study measure their customer retention rate, and, if so, how they measure it. Respondents were also asked to indicate the customer retention rates (percentages) of guests who stay for business-related purposes as well as for guests who stay for leisure. Respondents finally had to indicate the overall customer retention rate of their hotel. The results from each question are presented.

7.4.2.1 Are customer retention rates measured?

In Question 1 of Section B of the questionnaire (see Appendix B) respondents were asked whether or not they measure the customer retention rate of their hotels. Table 27 provides a detailed exposition the results. The subsequent cross-tabulation indicates this frequency when it comes to type of hotel (group or branded/ private or owner-managed) and size of hotel (small, medium, or large).

The results were also used to see whether significant associations exist between whether or not hotels measure their customer retention rate and type of hotel (group or branded/ private or owner-managed). The same was done to see whether or not size of hotel (small, medium, large) makes a difference in this statistic.

Fisher's Exact Test was used to determine whether a significant association exists between whether or not hotels measure their customer retention rate and type (group or branded/ private or owner-managed) of hotel (Diamantopoulos & Schlegelmilch, 1997:178). A p-value of less than 0.05 indicates support for the null hypothesis that there is no association between variables. For a p-value of 0.05 or greater, the null hypothesis is rejected and it can be assumed that an association exists between the

variables (Diamantopoulos & Schlegelmilch, 1997:146-147). A Phi coefficient was also computed to signify the strength of the association between the variables; the value reported varies between 0.00 and 1.00. The higher the Phi coefficient, the stronger the association between the variables concerned (Diamantopoulos & Schlegelmilch, 1997:199-201). The extent of the association is determined using the same rules as for the ETA coefficient – which is discussed earlier in this section (Rosenthal et al., 2000:15).

In order to determine whether a significant association exists between whether or not hotels measure their customer retention rate and hotel size (small, medium, large), the Pearson Chi Square Test was conducted. A p-value of less than 0.05 indicates support for the null hypothesis that there is no association between variables. For a p-value of 0.05 or greater, the null hypothesis is rejected and it can be assumed that an association exists between the variables (Diamantopoulos & Schlegelmilch, 1997:146-147). Cramer's V coefficient was also computed to signify the strength of the association between the variables, which is a value reported between 0.00 and 1.00. The higher Cramer's V coefficient, the stronger is the association between the variables concerned (Tustin et al., 2005:635; SPSS, 2003:309-310; Diamantopoulos & Schlegelmilch, 1997:199-201). The extent of the association is determined using the same rules as for the ETA coefficient (Rosenthal et al., 2000:15). Table 27 presents the number and percentage of group or branded, and private or owner-managed hotels that measure their customer retention rate.

Table 27: The number and percentage of group or branded, and private or owner-managed hotels that measure their customer retention rate

	Measure				Total	
	No		Yes			
	N	%	N	%	N	%
Group or branded hotels	12	30.00%	28	70.00%	40	100.00%
Private or owner-managed hotels	5	31.30%	11	68.80%	16	100.00%
Total	17	30.40%	39	69.60%	56	100.00%

A total of 69.60 per cent of respondents indicated that the customer retention rate is being measured at the hotels they represent, while 30.40 per cent do not measure the customer retention rate. **The main finding is that the majority of hotels measure their customer retention rate (main finding 4).**

Fisher's Exact Test for significant association indicates a p-value of 1.000. This indicates support for the null hypothesis that hotel ownership type is not associated with measuring customer retention rate. The null hypothesis can therefore not be rejected. A Phi coefficient of 0.012 indicates a negligible association between hotel ownership type and whether or not customer retention rate is being measured. **The main finding is that there is no association between hotels measuring their customer retention rates and hotel ownership type (group or branded/ private or owner-managed) (main finding 5).**

Table 28 presents the number and percentage of small, medium and large hotels that measure their customer retention rate.

Table 28: The number and percentage of small, medium, and large hotels that measure their customer retention rate

	Measure customer retention rate?				Total	
	No		Yes			
	N	%	N	%	N	%
Small hotels	7	41.20%	10	58.80%	17	100.00%
Medium hotels	8	27.60%	21	72.40%	29	100.00%
Large hotels	2	20.00	8	80.00%	10	100.00%
Total	17	30.40%	39	69.60%	56	100.00%

The majority of hotels in Gauteng measure their customer retention rate. It is interesting to note that on average 80 per cent of large hotels measure their customer retention rate, followed by 72.40 per cent of medium sized hotels which do so, and 58.80 per cent of small hotels. The Pearson Chi Square Test for significant association indicates a p-value of 0.460. This indicates support for the null hypothesis that hotel size is not associated with measuring customer retention rate. The null hypothesis can therefore not be rejected. The size (small, medium, large) of the hotel is thus not significantly associated with whether or not the customer retention rate is measured. A Cramer's V coefficient of 0.167 indicates a small association between size and measuring customer retention rate. **The main finding is that there is no association between hotel size and measuring customer retention rate (main finding 6).**

7.4.2.2 Way of measuring customer retention rate

In Question 2 of Section B of the questionnaire (see Appendix B) respondents who indicated in Question 1 that they *do* measure the customer retention rate of their hotels were asked to briefly explain how they do so. Two 'methods' are identified. A total of 82.35 per cent of respondents answering this question indicated that the customer

retention rate is measured through the use of an electronic database management programme with a 'guest history' feature. The balance (17.65 per cent) of respondents indicated the use of questionnaires, which guests complete when they check in, as the method used to determine customer retention rate. (A question is included in the questionnaire to determine whether or not the guest has stayed at the hotel before.) **The main finding is that the majority of hotels that measure their customer retention rate do so by means of an electronic database management programme with a 'guest history' feature (main finding 7).**

7.4.2.3 Estimated customer retention rates

In Question 3 of Section B of the questionnaire (see Appendix B) respondents were asked to indicate the current customer retention rate for guests who stay for business-related purposes at their hotels. In Question 4 respondents were required to indicate the customer retention rate for guests staying for leisure, and in Question 5 respondents had to indicate the overall customer retention rate of their hotels.

The results for Question 3, 4, and 5 are reported jointly since all three questions relate to the customer retention rates reported at hotels in Gauteng. The mean customer retention rates for hotels are presented, as well as the results of the significance testing of the differences between the mean customer retention rates in the different types of hotel (group or branded/ private or owner-managed) and for the different sizes (small, medium, large) of hotel. Table 29 provides the number of responses (N), the mean customer retention rate (percentage), the median, and standard deviation for the customer retention rates for guests who stay for business-related purposes and leisure purposes. The overall customer retention rate is also presented.

Table 29: Customer retention rates of hotels

Customer retention rate				
Question	N	Mean	Median	Standard deviation
Question 3: What do you estimate the current customer retention rate for guests who stay for business-related purposes to be?	54	66.37%	75.00	23.656
Question 4: What do you estimate the current customer retention rate for guests who stay for leisure purposes to be?	54	38.13%	25.00	31.062
Question 5: What do you estimate the current overall customer retention rate of the hotel to be?	54	65.80%	70.00	21.115

Respondents estimate that 66.37 per cent of guests who stay for business-related purposes are retained. Only 38.13 per cent of guests who stay for leisure are retained. The results indicate that a far greater number of guests who stay for business purposes are retained than is the case when it comes to guests who stay for leisure. Respondents estimate an overall customer retention rate of 65.80 per cent for their hotels. **The main finding is that hotels retain a greater percentage of guests who stay for business-related purposes than they do for guests staying for leisure (main finding 8).**

Significance testing was conducted to determine whether the mean customer retention rates are significantly different for the different hotel types (group or branded/ private or owner-managed) and sizes (small, medium, large). In order to determine whether significant differences exist between the mean customer retention rates of two types of hotel – group or branded/ private or owner-managed – the Independent Sample T-test and the Mann-Whitney U Test were used (SPSS, 2003:337-341&484). Table 30 presents the results.

Table 30: Differences between the mean customer retention rates of two types of hotel – group or branded/ private or owner-managed

	Group or branded hotels		Private or owner-managed hotels		Independent Sample T-test (p-value)	Mann-Whitney U Test (p-value)
	N	Mean	N	Mean		
Customer retention rate for guests who stay for business-related purposes	38	68.32%	16	61.75%	0.357	0.169
Customer retention rate for guests who stay for leisure	38	35.87%	16	43.50%	0.463	0.675
Overall customer retention rate	38	66.25	16	64.69	0.805	0.970

The results of significance testing indicate that the p-values associated with differences between the mean customer retention rates for the two groups of hotels, are all above 0.05. The null hypothesis that there is no difference between the means can therefore not be rejected in each instance. **The main finding is that the mean customer retention rates for guests who stay for business-related and leisure purposes as well as the overall customer retention rates are not significantly different for the different types of hotel (main finding 9).**

To determine whether significant differences exist between the mean retention rates of small, medium and large hotels, an analysis of variance (ANOVA) and the Kruskal-Wallis Test were performed (SPSS, 2003:349-357&492-493; Diamantopoulos & Schlegelmilch, 1997:182-184). The results are presented in Table 31.

Table 31: Significance testing of the mean customer retention rates for small, medium and large hotels

	Small hotels		Medium hotels		Large hotels		ANOVA (p-value)	Kruskal-Wallis Test (p-value)
	N	Mean	N	Mean	N	Mean		
Customer retention rate for guests who stay for business-related purposes	17	71.24%	27	61.69%	10	70.00%	0.396	0.708
Customer retention rate for guests who stay for leisure	17	36.59%	27	41.07%	10	32.80%	0.758	0.725
Overall customer retention rate	17	73.35%	27	60.78%	10	66.50%	0.157	0.328

The results of significance testing indicate that the p-values associated with differences between the mean customer retention rates at small, medium and large hotels are all above 0.05. The null hypothesis that there is no difference between the means can therefore not be rejected in each instance. **The main finding is that the mean customer retention rates at small, medium and large hotels do not significantly differ (main finding 10).**

7.4.3 Section C – The importance of competitive marketing strategies being utilized and the management of supply and demand at hotels

Section C of the questionnaire explored the importance of a number of competitive marketing strategies in an hotel's efforts to be competitive; it also looked at the importance attributed to a number of activities related to the management of supply and demand of service offerings at hotels. Respondents were asked to rate these strategies *and* activities on a scale from 1 to 5, where 1 is 'not important at all' and 5 is 'very important'. The researcher considers a mean score of more than 3.00 for an activity *or* strategy as indicative that respondents consider it to be important.

7.4.3.1 The importance of competitive marketing strategies

In Question 1 of Section C of the questionnaire (see Appendix B) respondents were asked to indicate how important a number of activities are in the hotel's efforts to be competitive. Table 32 provides the overall results for the total realized sample. The table contains the number of responses (N), the mean, the top-box score, and low-box score, and standard deviation for each competitive marketing strategy.

Table 32: The importance of competitive marketing strategies

Competitive marketing strategies					
Strategy	N	Mean	Top-box score	Low-box score	Standard deviation
Create value for guests that competitors find difficult to imitate	56	4.48	67.90%	0.00%	0.874
Sustain value for guests that competitors find difficult to imitate	56	4.46	62.50%	1.80%	0.785
Create a unique positioning strategy for the hotel	56	4.32	50.00%	0.00%	0.789
Change the existing positioning strategy of the hotel to improve its appeal to guests	56	3.64	28.6%	3.60%	1.151
Manage the hotel's offerings as demand for these changes over time	56	4.25	46.40%	0.00	0.837

The total realized sample indicated that the competitive marketing strategy, 'Create value for guests that competitors find difficult to imitate' was deemed the most important competitive marketing strategy in an hotel's efforts to be competitive. A mean score of 4.48, a top-box score of 67.90 per cent (i.e. the percentage of respondents who selected the highest value, 5, on the scale of importance), a low-box score of 0.00 per cent (i.e. the percentage of respondents who selected the lowest

value, 1, on the scale of importance), and a standard deviation of 0.874 were realized. This is closely followed by 'Sustain value for guests that competitors find difficult to imitate' with a mean score of 4.46, a top-box score of 62.50 per cent, a low-box score of 1.80 per cent, and a standard deviation of 0.785. 'Change the existing positioning strategy of the hotel to improve its appeal to guests' obtained the lowest mean score of 3.64, with a top-box score of 28.6 per cent, a low-box score of 3.60 per cent, and a standard deviation of 1.151. The mean scores for all activities are above 3.00. **The main finding is that hotel managers considered all competitive marketing strategies important in an hotel's efforts to be competitive (main finding 11).**

7.4.3.2 Associations between hotel ownership type and perceived importance of certain competitive marketing strategies

The mean importance assigned to each of the competitive marketing strategies was cross-tabulated with the type of hotel (group or branded/ private or owner-managed). The results indicate whether or not there is a significant association between these two factors.

A non-itemized scale was used to measure importance on a scale from 1 to 5 where 1 is 'not important at all' and 5 'very important'. Due to the limited number of responses over the various response categories, response categories 1 to 4 were grouped into one variable, and response category five were grouped into another variable, for the purposes of this analysis.

In order to determine whether there is a relationship between hotel type and perceived importance of competitive marketing strategies, a test of association was conducted. Fisher's Exact Test was used to determine whether a significant association exists between the variables in the cross-tabulations presented below. A Phi coefficient was also computed to signify the strength of the association between the variables (SPSS, 2003:309-310; 377-381&465; Diamantopoulos & Schlegelmilch, 1997:178&199-201). The results are presented in Table 33.

Table 33: Associations between hotel ownership type and perceived importance of certain competitive marketing strategies

Competitive marketing strategy	Fisher's Exact Test (p-value)	Phi coefficient
Create value for guests that competitors find difficult to imitate	0.542	0.097
Sustain value for guests that competitors find difficult to imitate	1.000	0.000
Create a unique positioning strategy for the hotel	0.768	0.079
Change the existing positioning strategy of the hotel to improve its appeal to guests	0.047*	0.300
Manage the hotel's offerings as demand for these changes over time	0.149	0.204

* Significant association

For the first competitive marketing strategy, Fisher's Exact Test for significant association indicates a p-value of 0.542. This indicates support for the null hypothesis that ownership is not associated with creating value for guests that competitors find difficult to imitate. The null hypothesis can therefore not be rejected. Ownership of the hotel (group or branded/ private or owner-managed) is thus not significantly associated with the perceived importance of creating value for guests that competitors find difficult to imitate. A Phi coefficient of 0.097 indicates a negligible association between type of hotel ownership and the perceived importance of creating value for guests that competitors find difficult to imitate. **The main finding is that there is not a significant association between the perceived value of creating value for guests that competitors find difficult to imitate and type of hotel ownership (main finding 12).**

For the second competitive marketing strategy, Fisher's Exact Test for significant association indicates a p-value of 1.000. This indicates support for the null hypothesis

that hotel ownership type is not associated with the perceived value of sustaining value for guests that competitors find difficult to imitate. The null hypothesis can therefore not be rejected. Hotel type (group or branded/ private or owner-managed) is thus not significantly associated with the perceived importance of sustaining value for guests that competitors find difficult to imitate. A Phi coefficient of 0.00 indicates no association between the two factors in question. **The main finding is that there is not a significant association between the perceived value of sustaining value for guests that competitors find difficult to imitate, and type of hotel ownership (main finding 13).**

For the third competitive marketing strategy, Fisher's Exact Test for significant association indicates a p-value of 0.768. This indicates support for the null hypothesis that hotel type is not associated with the perceived value of creating a unique positioning strategy for the hotel. The null hypothesis can therefore not be rejected. Type of hotel (group or branded/ private or owner-managed) is thus not significantly associated with the perceived importance of creating a unique positioning strategy for the hotel. A Phi coefficient of 0.079 indicates a negligible association between the factors in question. **The main finding is that there is not a significant association between the perceived value of creating a unique positioning strategy for the hotel, and type of hotel ownership (main finding 14).**

For the fourth competitive marketing strategy, Fisher's Exact Test for significant association indicates a p-value of 0.047. This indicates no support for the null hypothesis that hotel ownership type is not associated with changing the existing positioning strategy of the hotel to improve its appeal to guests. The null hypothesis can therefore be rejected. Hotel type (group or branded/ private or owner-managed) is significantly associated with the perceived importance of changing the existing positioning strategy of the hotel to improve its appeal to guests. A Phi coefficient of 0.300 indicates a medium association between the two factors under consideration. Private or owner-managed hotels are associated with a high level of perceived importance assigned to this competitive marketing strategy and group-owned hotels are associated with it not being important at all (see Appendix G). **The main finding is that there is a significant association (of medium strength) between the perceived importance of changing the existing positioning strategy of the hotel to**

improve its appeal to guests, and type of hotel ownership. Private or owner-managed hotels are associated with high levels of perceived importance and group-owned hotels are associated with it not being important (main finding 15).

For the fifth competitive marketing strategy, Fisher's Exact Test for significant association indicates a p-value of 0.149. This indicates support for the null hypothesis that hotel type is not associated with the perceived importance of managing the hotel's offerings as demand for these changes over time. The null hypothesis can therefore not be rejected. Hotel type is thus not significantly associated with the perceived importance of managing the hotel's offerings as demand for these changes over time. A Phi coefficient of 0.204 indicates a small association between the two factors under consideration. **The main finding is that there is not a significant association between the perceived importance of managing the hotel's offerings as demand for these changes over time, and type of hotel ownership (main finding 16).**

7.4.3.3 Associations between size of hotel and the perceived importance of competitive marketing strategies

The size of hotels (small, medium, or large) was cross-tabulated with the mean importance assigned to each competitive marketing strategy, and significance testing was performed. This section comments on whether significant associations exist between the variables.

In order to determine whether a significant association exists between small, medium and large hotels and the relative importance assigned by each to each competitive marketing strategy the Pearson Chi Square Test was conducted. Cramer's V coefficient was also computed to signify the strength of the association between the variables – a value between 0.00 and 1.00 may be reported (Tustin et al., 2005:635; SPSS, 2003:309-310; Diamantopoulos & Schlegelmilch, 1997:199-201). The results are presented in Table 34. For the purposes of this analysis, response categories 1 to 4 were, once again, grouped into one variable, with 5 as the other.

Table 34: Associations between size of hotel and the perceived importance of competitive marketing strategies

Competitive marketing strategy	Pearson Chi Square (p-value)	Cramer's V coefficient
Create value for guests that competitors find difficult to imitate	0.515	0.154
Sustain value for guests that competitors find difficult to imitate	0.844	0.078
Create a unique positioning strategy for the hotel	0.681	0.117
Change the existing positioning strategy of the hotel to improve its appeal to guests	0.330	0.199
Manage the hotel's offerings as demand for these changes over time	0.049*	0.329

* Significant association

For the first competitive marketing strategy, the Pearson Chi Square Test for significant association indicates a p-value of 0.515. This indicates support for the null hypothesis that size is not associated with the perceived importance of creating value for guests that competitors find difficult to imitate. The null hypothesis can therefore not be rejected. The size (small, medium, or large) of the hotel is thus not significantly associated with the importance it places on creating value for guests that competitors find difficult to imitate. A Cramer's V coefficient of 0.154 indicates a small association between the two factors under consideration. **The main finding is that there is not a significant association between the perceived importance of creating value for guests that competitors find difficult to imitate, and the size of hotel (main finding 17).**

For the second competitive marketing strategy, the Pearson Chi Square Test for significant association indicates a p-value of 0.844. This indicates support for the null hypothesis that hotel size is not associated with the perceived importance of

sustaining value for guests that competitors find difficult to imitate. The null hypothesis can therefore not be rejected. The size (small, medium, or large) of the hotel is thus not significantly associated with the importance it gives to sustaining value for guests that competitors find difficult to imitate. A Cramer's V coefficient of 0.078 indicates a small association between the two factors under consideration. **The main finding is that there is not a significant association between the perceived importance of sustaining value for guests that competitors find difficult to imitate, and hotel size (main finding 18).**

For the third competitive marketing strategy, the Pearson Chi Square Test for significant association indicates a p-value of 0.681. This indicates support for the null hypothesis that hotel size is not associated with the perceived importance of creating a unique positioning strategy. The null hypothesis can therefore not be rejected. The size (small, medium, or large) of the hotel is thus not significantly associated with the importance it gives to creating a unique positioning strategy. A Cramer's V coefficient of 0.117 indicates a small association between the two factors under consideration. **The main finding is that there is no significant association between the perceived importance of creating a unique positioning strategy for the hotel, and the hotel's size (main finding 19).**

For the fourth competitive marketing strategy, the Pearson Chi Square Test for significant association indicates a p-value of 0.330. This indicates support for the null hypothesis that hotel size is not associated with the perceived importance of changing the existing positioning strategy of the hotel to improve its appeal to guests. The null hypothesis can therefore not be rejected. The size of the hotel (small, medium, or large) is thus not significantly associated with the importance it gives to changing its existing positioning strategy to improve its appeal to guests. A Cramer's V coefficient of 0.199 indicates a small association between the two factors involved. **The main finding is that there is not a significant association between the perceived importance of changing the existing positioning strategy of the hotel to improve its appeal to guests, and the size of the hotel (main finding 20).**

For the fifth competitive marketing strategy, the Pearson Chi Square Test for significant association indicates a p-value of 0.049. This indicates no support for the

null hypothesis that size is not associated with the perceived importance of managing the hotel's offerings as demand for these changes over time. The null hypothesis can therefore be rejected. The size of an hotel (small, medium, or large) is thus significantly associated with the importance the hotel gives to managing its offerings as demand for these changes over time. The larger an hotel, the more important this competitive marketing strategy is perceived to be (see Appendix G). A Cramer's V coefficient of 0.329 indicates that a medium association exists between the two factors in question. **The main finding is that there is a significant association (of medium strength) between the perceived importance of managing the hotel's offerings as demand for these changes over time, and the size of the hotel. The larger an hotel, the more important this competitive marketing strategy is perceived to be (main finding 21).**

7.4.3.4 Associations between whether or not hotels measure their customer retention rate and their perceptions about competitive marketing strategies

As mentioned earlier, the results concerning whether or not hotels measure their customer retention rates were cross-tabulated with the perceived importance assigned to each competitive marketing strategy. Once again, for the purposes of this analysis, the five-point scale was grouped into two variables, due to the small number of responses over the various response categories. Fisher's Exact Test was used to determine whether a significant association exists between the variables. A Phi coefficient was also computed to signify the strength of the association between the variables (SPSS, 2003:309-310; 377-381&465; Diamantopoulos & Schlegelmilch, 1997:178&199-201). Table 35 presents the results.

Table 35: Associations between whether hotels measure their customer retention rate and their perceptions about competitive marketing strategies

Competitive marketing strategies		
Association	Fisher's Exact Test (p-value)	Phi coefficient
Hotels that measure their customer retention rate and see as important creating value for guests that competitors find difficult to imitate	0.011*	0.377
Hotels that measure their customer retention rate and sustain value for guests that competitors find difficult to imitate	0.008*	0.371
Hotels that measure their customer retention rate and create a unique positioning strategy for the hotel	0.245	0.194
Hotels that measure their customer retention rate and change the existing positioning strategy of the hotel to improve its appeal to guests	0.751	0.074
Whether hotels measure their customer retention rate and manage the hotel's offerings as demand for these changes over time	0.570	0.086

* Significant association

A significant association exists between whether hotels measure their customer retention rates and their perceptions about the importance of creating value for guests that competitors find difficult to imitate: a p-value of 0.011 is reported for Fisher's Exact Test. This indicates no support for the null hypothesis that the variables are not associated. A Phi coefficient of 0.377 indicates that the association between the variables is medium. **The main finding is that hotels which *do* measure their customer retention rate consider creating value for guests that competitors find difficult to imitate significantly more important (of medium strength) than do those hotels which do not measure their customer retention rate (main finding 22).**

A significant association also exists between whether hotels measure their customer retention rates and their perceptions about the importance of sustaining value for guests that competitors find difficult to imitate: a p-value of 0.008 is reported for Fisher's Exact Test. This indicates no support for the null hypothesis that the variables are not associated. A Phi coefficient of 0.371 indicates that a medium association exists between the variables. **The main finding is that hotels which *do* measure their customer retention rate consider sustaining value for guests that competitors find difficult to imitate significantly more important (of medium strength) than do those hotels which do not measure their customer retention rate (main finding 23).**

A significant association could not, however, be found between hotels that measure their customer retention rate and the three remaining competitive marketing strategies. Phi coefficients of less than 0.3 in all three instances indicate that only a small association exists.

7.4.3.5 The perceived importance of activities to manage supply and demand

In Question 2 of Section C of the questionnaire (see Appendix B) respondents were asked to indicate how important a number of activities are in the hotel's efforts to manage supply and demand. Table 36 provides the overall results for the total realized sample. The table contains the number of responses (N), the mean response, the top-box score, the low-box score, and the standard deviation for each supply and demand management activity.

Table 36: The perceived importance of activities to manage supply and demand

Management of supply and demand					
Activity	N	Mean	Top-box score	Low-box score	Standard deviation
Manage guests' demand for products and services in an attempt to change demand, for example, charging higher room rates in peak periods, offering special discount in periods of low demand, and using a reservation system	56	3.95	48.20%	5.40%	1.285
Manage the hotel's ability to supply products and services in response to guest demand, for example, turning double rooms into family rooms and hiring extra staff during periods of high demand	56	3.88	42.90%	8.90%	1.280
Maximize revenue through manipulating room rates in response to expected demand, for example, adjust prices based on the level of demand expected	56	3.59	39.30%	12.50%	1.449

'Manage guests' demand for products and services in an attempt to change demand' obtained the highest mean score of 3.95, a top-box score of 48.20 per cent, a low-box score of 5.40 per cent, and a standard deviation of 1.285. 'Maximize revenue through manipulating room rates in response to expected demand' obtained the lowest mean score of 3.59, a top-box score of 39.30 per cent, a low-box score of 12.50 per cent, and a standard deviation of 1.449. All activities obtained a mean score of more than 3.00. **The main finding is that hotels regard supply and demand management activities as important in an hotel's efforts to manage supply and demand (main finding 24).**

7.4.3.6 Associations between hotel type and the perceived importance of activities associated with the management of supply and demand

The importance assigned to each activity associated with the management of supply and demand was cross-tabulated with the different types of hotels – group or branded, on the one hand, and private or owner-managed, on the other. The results show where

significant associations exist between the cross-tabulated variables.

Fisher's Exact Test was used to determine whether significant associations exist between hotel type and the importance they assign to activities associated with the management of supply and demand. A Phi coefficient was also computed to signify the strength of the association between the variables (SPSS, 2003:309-310; Diamantopoulos & Schlegelmilch, 1997:199-201). The results are presented in Table 37. The scale used in the questionnaire is a non-itemized scale of 1 to 5, where 1 is 'not important at all' and 5 is 'very important'. For the purposes of this analysis, response categories 1 to 4 were grouped into one variable, and 5 was the other: once again, this exigency is due to the restricted number of responses over the various response categories.

Table 37: Associations between hotel type and the perceived importance of activities associated with the management of supply and demand

Management of supply and demand activities	Fishers Exact Test (p-value)	Phi coefficient
Manage guests' demand for products and services in an attempt to change demand	0.558	0.102
Manage the hotel's ability to supply products and services in response to guest demand	0.018*	0.331
Maximize revenue through manipulating room rates in response to expected demand	1.000	0.023

* Significant association

For the association between hotel type and perceptions about the importance of managing guests' demand for products and services in an attempt to change demand, Fisher's Exact Test indicates a p-value of 0.558. This indicates support for the null hypothesis that hotel ownership type is not associated with the perceived importance of managing guests' demand for products and services in an attempt to change

demand. The null hypothesis can therefore not be rejected. Hotel type is thus not significantly associated with the importance the hotel gives to managing guests' demand for products and services in an attempt to change demand. A Phi coefficient of 0.102 indicates a small association between the two variables in question. **The main finding is that there is not a significant association between the perceived importance of managing guests' demand for products and services in an attempt to change demand, and the type of hotel (main finding 25).**

For the association between hotel type and perceptions about the importance of managing the hotel's ability to supply products and services in response to guest demand, Fisher's Exact Test indicates a p-value of 0.018. This indicates no support for the null hypothesis that hotel type is not associated with the hotel's perceptions about the importance of its ability to supply products and services in response to guest demand. The null hypothesis can therefore be rejected. Hotel type is thus significantly associated with the importance it will give to managing its ability to supply products and services in response to guest demand. A Phi coefficient of 0.331 indicates a medium association between the two variables in question. Private or owner-managed hotels are associated with high levels of perceived importance assigned to this activity, while group-owned hotels are associated with it not being important (see Appendix G). **The main finding is that there is a significant association (of medium strength) between the importance the hotel gives to managing its ability to supply products and services in response to guest demand, and hotel type. Private or owner-managed hotels are associated with a high level of perceived importance, while group-owned hotels are associated with it not being important (main finding 26).**

For the association between hotel type and the importance attributed to maximizing revenue through manipulating room rates in response to expected demand, Fisher's Exact Test indicates a p-value of 1.000. This indicates support for the null hypothesis that ownership is not associated with the importance attributed to maximizing revenue through manipulating room rates in response to expected demand. The null hypothesis can therefore not be rejected. Hotel type is thus not significantly associated with the perceived importance of maximizing revenue through manipulating room rates in response to expected demand. A Phi coefficient of 0.023 indicates a negligible

association between the two factors in question. **The main finding is that there is not a significant association between the importance given to maximizing revenue through manipulating room rates in response to expected demand, and hotel type (main finding 27).**

7.4.3.7 Associations between hotel size and the perceived importance of activities associated with the management of supply and demand

The size of hotels (small, medium, or large) was cross-tabulated with the mean importance assigned to each activity associated with the management of supply and demand. The results comment on whether or not a significant association exists between these two variables.

The Pearson Chi Square Test was conducted to determine whether a significant association exists between hotel size and the perceived importance of activities associated with the management of supply and demand. Cramer's V coefficient was also computed to signify the strength of the association between the variables (Tustin et al., 2005:635; SPSS, 2003:309-310; Diamantopoulos & Schlegelmilch, 1997:199-201). The results are presented in Table 38. For the purposes of this analysis, response categories 1 to 4 were grouped into one variable, and 5 into a second variable.

Table 38: Associations between hotel size and the perceived importance of activities associated with the management of supply and demand

Competitive marketing strategy	Chi Square Test (p-value)	Cramer's V coefficient
Manage guests' demand for products and services in an attempt to change demand	0.085	0.297
Manage the hotel's ability to supply products and services in response to guest demand	0.599	0.135
Maximize revenue through manipulating room rates in response to expected demand	0.284	0.212

The Pearson Chi Square Test was used to show significant associations between the size of the hotel and the importance it gives to managing guests' demand for products and services in an attempt to change demand. A p-value of 0.085 was calculated. This indicates support for the null hypothesis that hotel size is not associated with the perceived importance of managing guests' demand for products and services in an attempt to change demand. The null hypothesis can therefore not be rejected. The size of an hotel is thus not significantly associated with the importance it gives to managing guests' demand for products and services in an attempt to change demand. A Cramer's V coefficient of 0.297 indicates a small association between the two variables in question. **The main finding is that there is not a significant association between the importance given to managing guests' demand for products and services in an attempt to change demand, and the size of the hotel (main finding 28).**

The Pearson Chi Square Test for significant association between the size of hotels and the importance given to managing the hotel's ability to supply products and services in response to guest demand indicates a p-value of 0.599. This indicates support for the null hypothesis that size is not associated with the importance the hotel gives to managing its ability to supply products and services in response to guest demand. The null hypothesis can therefore not be rejected. The size of the hotel is thus not

significantly associated with the perceived importance of managing the hotel's ability to supply products and services in response to guest demand. A Cramer's V coefficient of 0.135 indicates a small association between the two factors under consideration. **The main finding is that there is not a significant association between the importance given to managing the hotel's ability to supply products and services in response to guest demand, and the size of the hotel (main finding 29).**

The Pearson Chi Square Test for significant association between size of hotels and the importance given to maximizing revenue through manipulating room rates in response to expected demand indicates a p-value of 0.284. This indicates support for the null hypothesis that hotel size is not associated with the importance given to maximizing revenue through manipulating room rates in response to expected demand. The null hypothesis can therefore not be rejected. The size of the hotel is thus not significantly associated with the importance it gives to maximizing revenue through manipulating room rates in response to expected demand. A Cramer's V coefficient of 0.212 indicates a small association between the two factors under consideration. **The main finding is that there is not a significant association between the importance given to maximizing revenue through manipulating room rates in response to expected demand, and the size of the hotel (main finding 30).**

7.4.3.8 Associations between whether or not hotels measure their customer retention rate and their perceptions about activities associated with the management of supply and demand

As mentioned earlier, the results concerning whether or not hotels measure their customer retention rates were cross-tabulated with the perceived mean importance assigned to each activity associated with the management of supply and demand. Once again, for the purposes of this analysis, the five-point scale was grouped into just two variables, due to the small number of responses over the various response categories. Fisher's Exact Test was used to determine whether or not a significant association exists between the variables. A Phi coefficient was also computed to signify the strength of the association between the variables (SPSS, 2003:309-310; Diamantopoulos & Schlegelmilch, 1997:178&199-201). The results are presented in

Table 39.

Table 39: Associations between whether hotels measure their customer retention rate and their perceptions about activities associated with the management of supply and demand

Management of supply and demand		
Association	Fisher's Exact Test (p-value)	Phi coefficient
Hotels that measure their customer retention rate and manage guests' demand for products and services in an attempt to change demand	0.028*	0.326
Hotels that measure their customer retention rate and manage the hotel's ability to supply products and services in response to guest demand	0.562	0.101
Hotels that measure their customer retention rate and maximize revenue through manipulating room rates in response to expected demand	1.000	0.026

* Significant association

A significant association exists between hotels that measure their customer retention rate and attribute importance to managing guests' demand for products and services in an attempt to change demand: a p-value of 0.028 is reported using Fisher's Exact Test. This indicates no support for the null hypothesis that these variables are not associated. A Phi coefficient of 0.326 indicates that a medium association exists between the variables. Significant associations do not exist between hotels that measure their customer retention rate and any of the other activities associated with supply and demand. **The main finding is that hotels which *do* measure their customer retention rate consider managing guests' demand for products and services in an attempt to change demand to be significantly more important (of medium strength) than do those hotels that do not measure customer retention rate (main finding 31).**

7.4.4 Section D – The importance and frequency of activities associated with guest retention

The results obtained from three questions are presented in this section. The first question measures the importance that respondents assigned to performing specific activities in order to retain hotel guests. The level of importance of each activity was measured on a scale from 1 to 5 where 1 is 'not important at all' and 5 is 'very important'. The researcher considers a mean score of more than 3.00 for an activity as indicative that respondents consider the activity to be important.

The second question reported in this section involved measuring the frequency with which activities – measured in the previous question in terms of their importance – to retain guests are performed at hotels in Gauteng. Respondents had to indicate the frequency, again on a five-point scale where 1 represents 'never' and 5 represents 'regularly'. Once again, the researcher considers a mean score of more than 3.00 as indicative that respondents perform the activity frequently.

The third question was an open-ended question that prompted respondents to list any other activities that hotels engage in so as to retain guests.

7.4.4.1 The perceived importance of activities to retain guests at hotels

The number of responses (N), the mean score, the top-box score, the low-box score, and standard deviation for each activity for each of the five measurement sets (relationship marketing, compatibility management, customer defection management, service failure management, and service recovery) are presented. The results of the significance testing of the difference between the overall means for the different types and sizes of hotels for the five measurement sets are also presented. A Pearson Product Moment Correlation was performed to measure the extent of the linear association between the mean customer retention rates and the overall means for the five measurement sets in terms of importance (SPSS, 2003:377; Diamantopoulos & Schlegelmilch, 1997:203-206). Results are reported where a significant correlation was found.

A Pearson Product Moment Correlation measures the extent of an association between two variables. The correlation can be either positive or negative. A positive correlation is denoted by '+' and a negative correlation by '-'. The correlation coefficient ranges from 0.00 to +/-1.00. A correlation coefficient of +/- 1.00 indicates perfect correlation, and a correlation of 0.00 indicates no correlation at all between the two variables. Correlation coefficient sizes between 0.00 and +/-1.00 may be characterized in terms of being 'none' (0.00 to +/-0.20), 'very weak' (+/-0.21 to +/-0.40), 'weak' (+/-0.41 to +/-0.60), 'moderate' (+/-0.61 to +/-0.80), and strong (+/-0.80 to +/-1.00), finally (Burns & Bush, 2000:592&594). The null hypothesis states that the correlation between two variables is zero. A p-value of greater than 0.05 supports the null hypothesis. A p-value of 0.05 or less allows for the rejection of the null hypothesis (Diamantopoulos & Schlegelmilch, 1997:146-147).

7.4.4.1.1 The perceived importance of activities associated with relationship marketing

Table 40 indicates the level of importance respondents assigned to activities associated with relationship marketing in retaining guests. Eight activities were measured.

Table 40: The perceived importance of activities associated with relationship marketing

Relationship marketing					
Activity	N	Mean	Top-box score	Low-box score	Standard deviation
Focus on building long-term relationships with guests	56	4.75	78.60%	0.00%	0.513
Ongoing management of relationships with guests	55	4.67	72.70%	0.00%	0.579
Customize relationships with individual guests or groups of guests	56	4.66	71.40%	0.00%	0.581
Endeavour to offer customized value to different guests (special prices or extra services)	55	4.29	58.20%	5.50%	1.083
Measure the satisfaction levels of guests with the service quality experienced at the hotel	55	4.62	70.90%	0.00	0.652
Recognize and reward guests for their business	55	4.33	58.20%	3.60%	0.982
Create guest loyalty towards the hotel	54	4.57	70.40%	0.00%	0.716
Maintain a database of guest preferences and details	55	4.47	78.20%	7.30%	1.168

The activity 'Focus on building long-term relationships with guests' was indicated by the total realized sample as the most important relationship marketing activity associated with customer retention. A mean score of 4.75, a top-box score of 78.60 per cent, a low-box score of 0.00 per cent, and a standard deviation of 0.513 were realized for this activity. This activity is closely followed by 'Ongoing management of relationships with guests' which had a mean score of 4.67, a top-box score of 72.70 per cent, a low-box score of 0.00 per cent, and a standard deviation of 0.579. The activity 'Endeavour to offer customized value to different guests (special prices or extra services)' realized the lowest mean score of 4.29, with a top-box score of 58.20

per cent, a low-box score of 5.50 per cent, and a standard deviation of 1.083. Mean scores for the eight activities all exceed 3.00, ranging from 4.29 to 4.75. The summated mean for the measurement set is 4.55. **The main finding is that hotels consider as important all activities associated with relationship marketing in order to retain guests (main finding 32).**

7.4.4.1.2 The perceived importance of activities associated with customer compatibility management

Table 41 indicates the level of importance respondents assigned to activities associated with compatibility management in retaining guests. Ten compatibility management activities were measured.

Table 41: The perceived importance of activities associated with customer compatibility management

Compatibility management					
Activity	N	Mean	Top-box score	Low-box score	Standard deviation
Attract similar or compatible guests to the hotel	56	3.82	35.70%	7.10%	1.193
Promote positive encounters between guests	56	3.86	35.70%	1.80%	1.086
Put rules and policies in place to guide the behaviour of guests during their stay at the hotel	56	3.84	39.30%	8.90%	1.262
Manage the physical environment to facilitate the interaction between guests, for example, in the dining room and around the pool	56	3.70	28.60%	5.40%	1.174
Help guests to follow the correct procedures, for example, placing notice boards and signage in the hotel to indicate the correct check-in procedure	55	3.98	41.80%	5.50%	1.147
Recognize and reward guests for good behaviour, for example thanking a guest for assisting another	56	3.20	21.40%	12.50%	1.354
Enforce standards of behaviour, for example, requesting noisy guests to calm down	56	4.07	48.20%	3.60%	1.142
Introduce guests to each other	56	2.52	10.70%	28.60%	1.293
Encourage employees to provide information regarding the behaviour of guests to management	55	3.85	41.80%	9.10%	1.283
Oversee the interaction between guests	55	2.73	9.10%	18.20%	1.209

The activity 'Help guests to follow the correct procedures' obtained the highest mean score in terms of the level of importance respondents attributed to it. The mean score is 3.98, with a top-box score of 41.80 per cent, a low-box score of 5.50 per cent, and a

standard deviation of 1.147. The activity 'Promote positive encounters between guests' obtained the second highest mean score: 3.86, with a top-box score of 35.70 per cent, a low-box score of 7.10 per cent, and a standard deviation of 1.086. Two activities obtained mean scores of less than 3.00. The activity 'Introduce guests to each other' obtained the lowest mean score: 2.52, a top-box score of 10.70 per cent, a low-box score of 28.60, and a standard deviation of 1.293. The activity 'Oversee the interaction between guests' obtained a mean score of 2.73, a top-box score of 9.10 per cent, a low-box score of 18.20 per cent, and a standard deviation of 1.209. **The main finding is that hotels considered as important all activities associated with compatibility management to retain guests – all except the activities 'Introduce guests to each other' and 'Oversee interaction between guests' (main finding 33).**

7.4.4.1.3 The perceived importance of activities associated with customer defection management

Table 42 indicates the level of importance respondents assigned to activities associated with customer defection management. Nine customer defection management activities were measured.

Table 42: The perceived importance of activities associated with customer defection management

Customer defection management					
Activity	N	Mean	Top-box score	Low-box score	Standard deviation
Use a database to identify guests who leave and do not come back	56	3.89	46.40%	12.50%	1.358
Identify the reasons why guests have left	56	4.32	58.90%	3.60%	1.029
Measure the customer defection rate	55	4.02	43.60%	5.50%	1.114
Identify the key service dimensions that lead to the retention of guests	56	4.41	62.50%	1.80%	0.930
Compare the performance of the hotel in terms of service quality with competitors	55	4.24	50.90%	1.80%	0.942
Compare the customer retention rate <i>or</i> defection rate of the hotel with that of other hotels	54	3.19	16.70%	7.40%	1.199
Analyse complaints	53	4.79	81.10%	0.00%	0.454
Implement strategies to counter the leaving of guests to other accommodation suppliers	55	4.27	47.30%	1.80%	0.891
Allocate resources to influence guests to refrain from leaving	55	4.04	38.20%	3.60%	0.999

The activity 'Analyse complaints' obtained the highest mean score of 4.79. The activity realized a top-box score of 81.10 per cent, a low-box score of 0.00 per cent, and a standard deviation of 0.454. The activity with the lowest mean score is 'Compare the customer retention rate *or* defection rate of the hotel with that of other hotels' with a mean score of 3.19, a top-box score of 16.70 per cent, a low-box score of 7.40 per cent, and a standard deviation of 1.199. The mean scores for the nine

activities all exceed 3.00, ranging between 3.19 and 4.79. **The main finding is that hotels considered as important all activities associated with customer defection management (main finding 34).**

7.4.4.1.4 The perceived importance of activities associated with service failure management

Table 43 indicates the level of importance respondents assigned to activities associated with service failure management. Nine service failure management activities were measured.

Table 43: The perceived importance of activities associated with service failure management

Service failure management					
Activity	N	Mean	Top-box score	Low-box score	Standard deviation
Identify service failure points or areas where failures occur	53	4.70	73.60%	0.00%	0.540
Determine the reasons why service failures occur	54	4.67	70.40%	0.00%	0.583
Identify prospective employees with good communication skills to successfully handle complaints and serve guests pro-actively	54	4.65	70.40%	0.00%	0.588
Develop training programmes to provide employees with good communication skills to successfully handle complaints and serve guests pro-actively	54	4.54	63.00%	1.90%	0.745
Adapt the organizational structure of the hotel to reduce service failures	54	4.54	63.00%	0.00%	0.693
Divide the service task into manageable parts that an employee is able to successfully manage to reduce service failures	54	4.39	55.60%	0.00%	0.787
Control situations where guests come into contact with employees by attempting to ensure employees listen to guests and respond to the particular needs of guests	54	4.44	61.10%	0.00%	0.816
Ensure managers are knowledgeable of situations where guests come into contact with employees	54	4.46	64.80%	1.90%	0.905
Conduct exit interviews with departing guests	54	3.52	33.30%	11.10%	1.384

Table 43 indicates that the activity 'Identify service failure points or areas where failures occur' obtained the highest mean score of 4.70. A top-box score of 73.60 per cent, a low-box score of 0.00 per cent, and a standard deviation of 0.540 were realized

for the importance attributed to this activity. The second highest mean score of 4.67 was obtained by the activity 'Determine the reasons why service failures occur', with a top-box score of 70.40 per cent, a low-box score of 0.00 per cent, and a standard deviation of 0.583. The lowest mean score was obtained by the activity 'Conduct exit interviews with departing guests'. The mean score here was 3.52, with a top-box score of 33.30 per cent, a low-box score of 11.10 per cent, and a standard deviation of 1.384. Mean scores for the nine activities all exceeded 3.00, ranging between 3.52 and 4.70. **The main finding is that hotels considered as important all activities associated with service failure management (main finding 35).**

7.4.4.1.5 The perceived importance of activities associated with service recovery

Table 44 indicates the level of importance respondents assigned to activities associated with service recovery. Ten service recovery activities were measured.

Table 44: The perceived importance of activities associated with service recovery

Service recovery					
Activity	N	Mean	Top-box score	Low-box score	Standard deviation
Put a service recovery process in place to win back guests who experienced a service failure	55	4.45	58.20%	0.00%	0.715
Use a standardized strategy applicable to all guests for service recovery	54	3.72	25.29%	3.70%	1.089
Vary service recovery strategies according to the seriousness and criticality of the service failure	55	4.31	50.90%	0.00%	0.791
Vary service recovery strategies according to the importance of the individual guest to the hotel	55	4.04	43.60%	3.60%	1.071
Communicate with distressed guests	54	4.85	85.20%	0.00%	0.359
Be empathetic with guests that experienced a service failure	53	4.77	77.40%	0.00%	0.423
Provide feedback to guests regarding the progress in rectifying the service failure	54	4.78	79.60%	0.00%	0.462
Offer an explanation to guests for the reason for the service failure	54	4.57	70.40%	1.90%	0.792
Empower, support, and involve employees in dealing with a service failure	54	4.65	68.50%	0.00%	0.555
Ensure employees deal with a guest in a professional manner when addressing a service failure	55	4.84	83.60%	0.00%	0.372

Table 44 indicates that the activity 'Communicate with distressed guests' obtained the highest mean score of 4.85. A top-box score of 85.20 per cent was observed. The low-box score is 0.00 per cent, and the standard deviation is 0.359. The activity 'Ensure

employees deal with a guest in a professional manner when addressing a service failure' obtained the second highest mean score of 4.84, a top-box score of 83.60 per cent, a low-box score of 0.00 per cent, and a standard deviation of 0.372. The activity 'Use a standardized strategy applicable to all guests for service recovery' obtained the lowest mean score of 3.72, a top-box score of 25.29 per cent, a low-box score of 3.70 per cent, and a standard deviation of 1.089. The mean scores for the ten activities all exceed 3.00, ranging between 3.72 and 4.85. **The main finding is that hotels considered as important all activities associated with service recovery (main finding 36).**

7.4.4.2 Different types of hotels' differing perceptions about the importance of activities associated with customer retention

In order to determine whether or not significant differences exist between the *overall* mean scores relating to the perceived importance of activities associated with retaining customers for the two (ownership) types of hotel, the Independent Sample T-test and the Mann-Whitney U Test were conducted (SPSS, 2003:337-341&484; Diamantopoulos & Schlegelmilch, 1997:180-182). The results are presented in Table 45.

Table 45: Significance testing of the overall means of different types of hotels' differing perceptions about the importance of activities associated with customer retention

	Group or branded hotels		Private or owner-managed hotels		Independent Sample T-test (p-value)	Mann-Whitney U Test (p-value)
	N	Mean	N	Mean		
Relationship marketing	39	4.5513	15	4.5083	0.780	0.550
Compatibility management	38	3.4579	16	3.8813	0.106	0.101
Customer defection management	38	4.1023	14	4.1984	0.651	0.664
Service failure management	39	4.3903	14	4.5159	0.399	0.361
Service recovery	39	4.4821	14	4.5643	0.514	0.634

The p-values associated with the perceived differences between the overall means for the importance attributed to activities associated with retaining customers by the different types of hotel (group or branded/ private or owner-managed), are all above 0.05. The null hypothesis that there is no difference between these means can therefore not be rejected. **The main finding is that the overall means indicating the importance attributed to customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) by the different types of hotel are not significantly different (main finding 37).**

7.4.4.3 Different sized hotels' differing perceptions about the importance of activities associated with customer retention

An analysis of variance (ANOVA) and the Kruskal-Wallis Test were performed to

determine whether significant differences exist between the mean scores of two or more of the three groups (small, medium, large) of hotels when it comes to the importance they attribute to activities associated with customer retention (SPSS, 2003:349-357&492-493; Diamantopoulos & Schlegelmilch, 1997:182-184). Table 46 presents the results.

Table 46: Significance testing of the overall means of different sized hotels' differing perceptions about the importance of activities associated with customer retention

	Small hotels		Medium hotels		Large hotels		ANOVA (p-value)	Kruskal-Wallis Test (p-value)
	N	Mean	N	Mean	N	Mean		
Relationship marketing	17	4.6029	27	4.4954	10	4.5500	0.790	0.879
Customer compatibility management	17	3.8059	27	3.4815	10	3.4800	0.458	0.314
Customer defection management	16	4.2708	26	4.0812	10	4.0222	0.585	0.678
Service failure management	17	4.4861	27	4.3827	10	4.4333	0.791	0.610
Service recovery	16	4.5250	27	4.4704	10	4.5083	0.811	0.790

The p-values associated with differences between the overall means for the importance attributed by different sizes of hotel to activities associated with retaining customers, are all above 0.05. The null hypothesis that there is no difference between the means can therefore not be rejected. **The main finding is that the overall means indicating the importance attributed to customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) by the**

different sizes of hotel are not significantly different (main finding 38).

7.4.4.4 Association between whether hotels measure their customer retention rate and perceived importance of customer retention activities

Table 47 provides the results on whether there is a significant association between whether or not hotels measure their customer retention rate and the importance they attribute to activities associated with customer retention.

Table 47: Association between whether hotels measure their customer retention rate and perceived importance of customer retention activities

Importance of customer retention activities		
Association	Independent sample t-test (p-value)	ETA coefficient
Hotels that measure their customer retention rate and value relationship marketing	0.137	0.205
Hotels that measure their customer retention rate and value compatibility management	0.858	0.025
Hotels that measure their customer retention rate and value customer defection	0.284	0.152
Hotels that measure their customer retention rate and value service failure	0.064	0.312
Hotels that measure their customer retention rate and value service recovery	0.028*	0.303

* Significant association

It can be reported that a significant association exists between hotels that measure their customer retention rate and the overall mean for the result which indicates hotels

seeing as important activities associated with customer retention. The Independent sample T-test (Tustin et al., 2005:624-625) reports a p-value of 0.028, which indicates no support for the null hypothesis that the variables are not associated. The effect size, or ETA coefficient (Rosenthal et al., 2000:15), indicates a medium (0.303) difference between two groups in the dependent variable – hotels which *do* measure their customer retention rate and those hotels which do not measure their customer retention rate. As for the other measurements sets, no other associations exist between whether hotels measure their customer retention rate and any other measurement set since all the other p-values obtained are greater than 0.05. **The main finding is that hotels which *do* measure their customer retention rate consider service recovery activities as significantly more important (of medium strength) than those hotels who do not measure their customer retention rate (main finding 39).**

7.4.4.5 Performance frequency of customer retention activities

Question 2 of Section D of the questionnaire (see Appendix B) measures the same activities as those that are measured in Question 1. In Question 2 the focus is on the *frequency* with which the activities are performed, instead of on their importance. This question reports on the number of responses (N), the mean score, the top-box score, the low-box score, and the standard deviation for each activity of each of the five measurements sets presented. As stated earlier in Section 7.4, a mean score of more than 3.00 indicates that the activity is frequently performed.

7.4.4.5.1 Performance frequency of activities associated with relationship marketing

Table 48 presents the frequency with which the eight activities associated with relationship marketing are performed at hotels where 1 is 'never' and 5 is 'regularly'.

Table 48: Frequency with which activities associated with relationship marketing are performed at hotels

Relationship marketing					
Activity	N	Mean	Top-box score	Low-box score	Standard deviation
Focus on building long-term relationships with guests	56	4.46	57.10%	0.00%	0.687
Ongoing management of relationships with guests	56	4.29	46.40%	0.00%	0.780
Customize relationships with individual guests or groups of guests	55	4.33	49.10%	0.00%	0.747
Endeavour to offer customized value to different guests (special prices or extra services)	56	3.75	33.90%	7.10%	1.240
Measure the satisfaction levels of guests with the service quality experienced at the hotel	56	4.16	48.20%	1.80%	1.005
Recognize and reward guests for their business	56	3.93	42.90%	3.60%	1.126
Create guest loyalty towards the hotel	56	3.82	37.50%	7.10%	1.223
Maintain a database of guest preferences and guest details	56	3.95	46.40%	5.40%	1.227

Respondents assigned the highest mean score to the activity 'Focus on building long-term relationships with guests'. A mean score of 4.46, a top-box score of 57.10 per cent, a low-box score of 0.00 per cent, and a standard deviation of 0.687 are observed. This is followed by the activity 'Customize relationships with individual guests or groups of guests' which obtained a mean score of 4.33, a top-box score of 49.10 per cent, a low-box score of 0.00 per cent, and a standard deviation of 0.747. The lowest mean score was for the activity 'Endeavour to offer customized value to different guests (special prices or extra services)' which had a mean score of 3.75, a top-box

score of 33.90 per cent, a low-box score of 7.10 per cent, and a standard deviation of 1.240. The mean scores for the activities all exceed 3.00, ranging between 3.75 and 4.46. **The main finding is that hotels frequently perform all activities associated with relationship marketing (main finding 40).**

7.4.4.5.2 Performance frequency of activities associated with customer compatibility management

Table 49 indicates the frequency with which activities associated with customer compatibility management are performed.

Table 49: Frequency with which activities associated with customer compatibility management are performed at hotels

Customer compatibility management					
Activity	N	Mean	Top-box score	Low-box score	Standard deviation
Attract similar or compatible guests to the hotel	54	3.50	31.50%	13.00%	1.356
Promote positive encounters between guests	54	3.43	25.90%	7.40%	1.268
Put rules and policies in place to guide the behaviour of guests during their stay at the hotel	54	3.67	35.20%	9.30%	1.332
Manage the physical environment to facilitate the interaction between guests (e.g. in the dining room and around the pool)	55	3.38	27.30%	10.90%	1.367
Help guests to follow the correct procedures, for example, placing notice boards and signage in the hotel to indicate the correct check-in procedure	56	3.73	41.10%	5.40%	1.300
Recognize and reward guests for good behaviour, for example, thanking a guest for assisting another	55	2.89	20.00%	18.20%	1.383
Enforce standards of behaviour, for example, requesting noisy guests to calm down	55	3.85	45.50%	3.60%	1.283
Introduce guests to each other	55	2.42	10.90%	29.10%	1.301
Encourage employees to provide information regarding the behaviour of guests to management	56	3.71	35.70%	7.10%	1.289
Oversee the interaction between guests	54	2.67	14.80%	24.10%	1.374

The activity 'Enforce standards of behaviour' obtained the highest mean score in terms of the frequency with which it is performed. The mean score for the activity is 3.85, the top-box score is 45.50 per cent, the low-box score is 3.60 per cent, and the standard deviation is 1.283. Three activities are not frequently performed. The activity

that is performed least frequently is 'Introduce guests to each other' which has a mean score of 2.42, a top-box score of 10.90 per cent, a low-box score of 29.10 per cent, and a standard deviation of 1.301. The other two infrequently performed activities are 'Oversee the interaction between guests' and 'Recognize and reward guests for good behaviour' which had mean scores of 2.67 and 2.89, respectively. **The main finding is that hotels frequently perform all activities associated with compatibility management except 'Introduce guests to each other', 'Oversee the interaction between guests' and 'Recognize and reward guests for good behaviour' (main finding 41).**

7.4.4.5.3 Performance frequency of activities associated with customer defection management

Table 50 indicates the frequency with which activities associated with customer defection management are performed.

Table 50: Frequency with which activities associated with customer defection management are performed at hotels

Customer defection management					
Activity	N	Mean	Top-box score	Low-box score	Standard deviation
Use a database to identify guests who leave and do not come back	54	3.30	33.30%	14.80%	1.475
Identify the reasons why guests have left	54	3.67	42.60%	13.00%	1.467
Measure the customer defection rate	54	3.15	24.10%	13.00%	1.379
Identify the key service dimensions that lead to the retention of guests	54	3.85	40.70%	7.40%	1.235
Compare the performance of the hotel in terms of service quality with competitors	56	3.98	44.60%	10.70%	1.258
Compare the customer retention rate <i>or</i> defection rate of the hotel with that of other hotels	54	2.50	7.40%	33.30%	1.285
Analyse complaints	55	4.62	67.30%	5.50%	0.593
Implement strategies to counter the leaving of guests to other accommodation suppliers	55	3.69	32.70%	7.30%	1.230
Allocate resources to influence guests to refrain from leaving	55	3.44	29.10%	10.90%	1.330

The results presented in Table 50 indicates that the activity ‘Analyse complaints’ obtained the highest mean score in terms of the frequency with which it is performed. The mean score for this activity is 4.42, with a top-box score of 67.30 per cent, a low-box score of 5.50 per cent, and a standard deviation of 0.593. The lowest mean score in terms of the frequency with which an activity is performed is for ‘Compare the customer retention rate *or* defection rate of the hotel with that of other hotels’. The

mean score for the activity is 2.50, the top-box score is 7.40 per cent, the low-box score is 33.30 per cent, and the standard deviation is 1.285. **The main finding is that hotels frequently perform all activities associated with customer defection management except ‘Compare the customer retention rate *or* defection rate of the hotel with that of other hotels’ (main finding 42).**

7.4.4.5.4 Performance frequency of activities associated with service failure management

Table 51 indicates the frequency with which activities associated with service failure management are performed.

Table 51: Performance frequency of activities associated with service failure management

Service failure management					
Activity	N	Mean	Top-box score	Low-box score	Standard deviation
Identify service failure points or areas where failures occur	56	4.35	57.10%	3.60%	0.943
Determine the reasons why service failures occur	55	4.36	58.20%	1.80%	0.947
Identify prospective employees with good communication skills to successfully handle complaints and serve guests pro-actively	56	4.21	50.0%	3.60%	1.004
Develop training programmes to provide employees with good communication skills to successfully handle complaints and serve guests pro-actively	56	3.93	35.70%	5.40%	1.093
Adapt the organizational structure of the hotel to reduce service failures	56	3.96	37.50%	1.80%	1.026
Divide the service task into manageable parts that an employee is able to successfully manage to reduce service failures	56	3.89	33.90%	1.80%	1.039
Control situations where guests come into contact with employees by attempting to ensure employees listen to guests and respond to the particular needs of guests	56	3.98	39.30%	10.70%	1.018
Ensure managers know of situations where guests come into contact with employees	55	4.15	47.30%	7.30%	0.970
Conduct exit interviews with departing guests	55	3.02	21.80%	21.80%	1.459

The activity 'Determine the reasons why service failures occur' obtained the highest mean score in terms of the frequency with which it is performed. The mean score here is 4.36, the top-box score is 58.20 per cent, the low-box score is 1.80 per cent, and the

standard deviation is 0.947. The activity 'Identify service failure points or areas where failures occur' obtained the second highest mean score of 4.35, a top-box score of 57.10 per cent, a low-box score of 3.60 per cent, and a standard deviation of 0.943. The activity that obtained the lowest mean score is 'Conduct exit interviews with departing guests' which has a mean score of 3.02, a top-box score of 21.80 per cent, a low-box score of 21.80 per cent, and a standard deviation of 1.459. The mean scores for the activities all exceed 3.00, ranging from 3.02 to 4.36. **The main finding is that hotels frequently perform all activities associated with service failure management (main finding 43).**

7.4.4.5.5 Performance frequency of activities associated with service recovery

Table 52 indicates the frequency with which activities associated with service recovery are performed.

Table 52: Frequency with which activities associated with service recovery are performed at hotels

Service recovery					
Activity	N	Mean	Top-box score	Low-box score	Standard deviation
Put a service recovery process in place to win back guests who experienced a service failure	55	4.02	43.60%	1.80%	1.097
Use a standardized strategy applicable to all guests for service recovery	56	3.32	17.90%	12.50%	1.223
Vary service recovery strategies according to the seriousness and criticality of the service failure	53	3.89	43.40%	5.70%	1.171
Vary service recovery strategies according to the importance of the individual guest to the hotel	54	3.63	33.30%	9.30%	1.307
Communicate with distressed guests	56	4.70	75.00%	0.00%	0.570
Be empathetic with guests that experienced a service failure	55	4.55	63.60%	0.00%	0.662
Provide feedback to guests regarding the progress in rectifying the service failure	56	4.43	55.40%	0.00%	0.759
Offer an explanation to guests for the reason for the service failure	56	4.34	60.70%	1.80%	0.996
Empower, support, and involve employees to deal with a service failure	56	4.29	44.60%	0.00%	0.780
Ensure employees deal with a guest in a professional manner when addressing a service failure	55	4.51	63.60%	0.00%	0.767

The activity 'Communicate with distressed guests' obtained the highest mean score in terms of the frequency with which it is performed. The mean score for this activity is

4.70, with a top-box score of 75.00 per cent, a low-box score of 0.00 per cent, and a standard deviation of 0.570. The activity 'Be empathetic with guests that experienced a service failure' obtained the second highest mean score of 4.55, with a top-box score of 63.60 per cent, a low-box score of 0.00 per cent, and a standard deviation of 0.662. The activity which obtained the lowest mean score in terms of the frequency with which it is performed is 'Use a standardized strategy applicable to all guests for service recovery'. This activity obtained a mean score of 3.32, a top-box score of 17.90 per cent, a low-box score of 12.50 per cent, and a standard deviation of 1.223. The mean scores for the activities all exceed 3.00, ranging between 3.32 and 4.70. **The main finding is that hotels frequently perform all activities associated with service recovery (main finding 44).**

7.4.4.6 Difference in the frequencies with which customer retention activities are performed in different types of hotels

In order to determine whether significant differences exist between the overall means of the measurement sets for the two types of hotels (group or branded/ private or owner-managed) in terms of the frequency with which customer retention activities are performed, the Independent Sample T-test and the Mann-Whitney U Test were conducted (SPSS, 2003:337-341&484; Diamantopoulos & Schlegelmilch, 1997:180-182). Table 53 provides the results.

Table 53: Significance testing of the overall means of the different frequencies with which customer retention activities are performed in different types of hotels

	Group or branded hotels		Private or owner-managed hotels		Independent Sample T-test (p-value)	Mann-Whitney U Test (p-value)
	N	Mean	N	Mean		
Relationship marketing	39	4.0385	16	4.2188	0.414	0.429
Customer compatibility management	37	3.1405	16	3.8188	0.018	0.018
Customer defection management	37	3.4204	15	3.8519	0.152	0.099
Service failure management	39	3.8917	15	4.2148	0.125	0.108
Service recovery	39	4.0769	13	4.3615	0.182	0.120

The results of significance testing indicate that the p-values associated with differences between the overall means for the frequency with which activities associated with retaining customers are performed by the different types of hotels, are all above 0.05. The null hypothesis that there is no difference between the means can therefore not be rejected in terms of each measurement set. **The main finding is that the overall means are not significantly different for the frequency with which customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) are performed by the different types of hotels (main finding 45).**

7.4.4.7 Difference in the frequencies with which customer retention activities are performed in different sized hotels

An analysis of variance (ANOVA) and the Kruskal-Wallis Test were performed to determine whether significant differences exist between the means of two or more of the three different sizes of hotel (small, medium, large) when it comes to the frequency with which customer retention activities are performed (SPSS, 2003:349-357&492-493; Diamantopoulos & Schlegelmilch, 1997:182-184). Table 54 reports on the findings.

Table 54: Significance testing of the overall means of the different frequencies with which customer retention activities are performed in different sized hotels

	Small hotels		Medium hotels		Large hotels		ANOVA (p-value)	Kruskal- Wallis Test (p-value)
	N	Mean	N	Mean	N	Mean		
Relationship marketing	17	4.1471	28	3.9732	10	4.3250	0.408	0.466
Customer compatibility management	17	3.6824	27	3.2148	9	3.1000	0.214	0.161
Customer defection management	16	3.6944	26	3.5214	10	3.3667	0.706	0.358
Service failure management	16	4.0903	28	3.9246	10	3.9667	0.751	0.441
Service recovery	15	4.2467	27	4.0296	10	4.3200	0.400	0.366

The results of significance testing indicate that the p-values associated with differences between the overall means for the frequency with which activities associated with retaining customers are performed by different sized hotels, are all above 0.05. The null hypothesis that there is no difference between the means can

therefore not be rejected in each instance. **The main finding is that the overall means are not significantly different for the frequency with which customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) are performed by different sized hotels (main finding 46).**

7.4.4.8 Association between whether hotels measure their customer retention rate and the frequency with which they perform relationship marketing activities

It was also found that a significant association exists between hotels measuring their customer retention rate and the overall mean for the frequency with which relationship marketing activities are performed. The Independent sample T-test reported a p-value of 0.034, which indicates no support for the null hypothesis that the variables are not associated. The effect size (ETA coefficient) indicates a small (0.286) difference between two groups in the dependent variable - hotels which *do* measure their customer retention rate and those hotels which do not measure their customer retention rate. **The main finding is that hotels which *do* measure their customer retention rate perform relationship marketing activities significantly more frequently than do those hotels which do not measure their customer retention rate (main finding 47).**

7.4.4.9 Association between whether hotels measure their customer retention rate and the frequency with which they perform service recovery activities

A significant association also exists between hotels measuring their customer retention rate and the overall mean for the frequency with which service recovery activities are performed. The Independent sample T-test reports a p-value of 0.026, which indicates no support for the null hypothesis that the variables are not associated. The effect size (ETA coefficient) indicates a medium (0.309) difference between two groups in the dependent variable (those hotels who do measure their customer retention rate and those who do not). No significant association exists between the hotels measuring their customer retention rate and any of the other measurement sets. **The main finding is that hotels which *do* measure their customer retention rate perform service recovery activities significantly more**

frequently than do those hotels which do not measure their customer retention rate (main finding 48).

7.4.4.10 Differences between the measures of *importance* and *frequency* of activities associated with customer retention

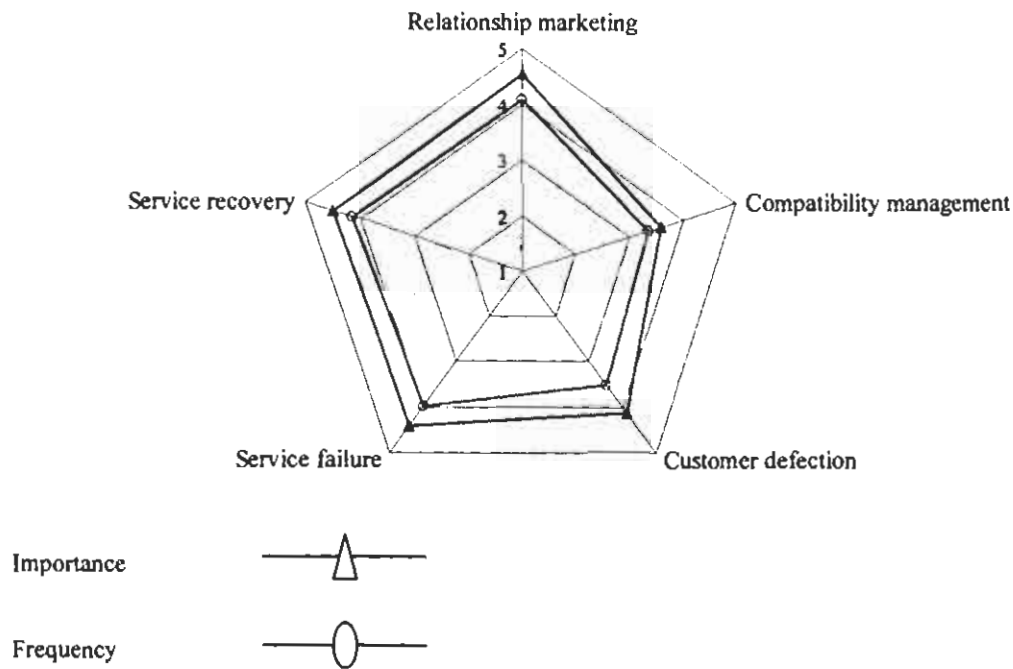
The overall mean of each measurement set which measured the *importance* of activities associated with customer retention was compared with the corresponding overall mean of each measurement set which measured the *frequency* with which customer retention activities are performed. This comparison was done in order to determine whether significant differences exist between these two means. The Paired Samples T-test was conducted. The null hypothesis for this test states that there is no difference between the means. A p-value of more than 0.05 indicates support for the null hypothesis that there is no difference between the means. A p-value of less than or equal to 0.05 indicates no support for the null hypothesis. The effect size is once again reported (Tustin et al., 2005:633; Burns & Bush, 2000:542-551; Diamantopoulos & Schlegelmilch, 1997:146-147&195). The results are presented in Table 55.

Table 55: Significance testing of differences between the measures of *importance* and *frequency* of activities associated with customer retention

	Importance		Frequency		Paired-Samples T-test (p-value)	ETA coefficient
	N	Mean	N	Mean		
Relationship marketing	54	4.5394	54	4.0787	0.000	0.641
Customer compatibility management	53	3.5830	53	3.3453	0.001	0.452
Customer defection management	50	4.1156	50	3.5044	0.000	0.631
Service failure management	53	4.4235	53	3.9769	0.000	0.615
Service recovery	51	4.4961	51	4.1412	0.000	0.614

The results of the Paired Sample T-test indicate an associated p-value of less than 0.05 for the difference between the means of each measurement set (of importance, and of frequency). Therefore, significant differences exist between the means of these two sets. The means for the measurement sets measuring importance are significantly higher than the means of the measurement sets measuring frequency. The effect size is *large* for relationship marketing, customer defection management, service failure management, and service recovery. The effect size for customer compatibility management is reported as *medium*. The difference between the overall means of the measurement sets is represented graphically in Figure 8.

Figure 8: The difference between mean measurements of *importance* and of *frequency* assigned by hotels to customer retention activities



The main finding is that the overall means are significantly different for the perceived importance of customer retention activities, and the frequency with which such activities are performed. The means for the perceived *importance* of relationship marketing, customer defection management, service failure management, and service recovery are all significantly higher than the *frequency* with which these activities are performed. The mean for the perceived importance of customer compatibility management is also higher (in the medium range) than the corresponding mean for the frequency with which compatibility management is performed (main finding 49).

7.4.4.11 Other activities hotels engage in to retain customers

In Question 3 of Section D of the questionnaire (see Appendix B) respondents were asked to indicate other activities they engage in to retain guests. Table 56 provides a

list of such additional activities, as well as the number of hotels indicating these extra activities.

Table 56: Additional activities to retain guest at hotels

Activity	N
Post-stay questionnaires or contact guests to determine their satisfaction levels	2
Welcome-back recognition when guests return	1
Personal interaction between management, staff, and guests	5
Know who guests are and know them by name	2
Diversity training to sensitize staff to differences between guests	1
Being visible in community upliftment work	1
Keep database up-to-date with guest details (such as birthday dates)	2
Personalize services to suit guest needs (e.g. provide favourite room or adapt check-in and check-out times)	1

Several activities were indicated. The activities that are most prevalent include personal interaction with guests, asking guests to complete post-stay questionnaires, knowing guests by name, and keeping an up-to-date database.

7.4.5 Section E – Importance ranking of primary activities associated with retaining guests

This section of the questionnaire required respondents to rank four primary customer retention activities *or* groupings of customer retention activities in terms of their perceived overall importance in retaining guests at hotels. In this section 1 represents

the 'least important' activity, and 4 the 'most important' activity.

7.4.5.1 Frequency of the ranking of primary customer retention activities

The frequency (number (N) and percentage of responses) of the ranking that each primary customer retention activity received is presented. These results are then used to indicate whether or not significant associations exist between the rankings for, on the one hand, type of hotel (group or branded/ private or owner-managed) and, on the other hand, the size (small, medium, or large) of the hotel. Table 57 provides an exposition of the results.

Table 57: Importance, or ranking, of the primary customer retention activities

Primary customer retention activities								
	Least important —————> Most important							
	1		2		3		4	
	N	%	N	%	N	%	N	%
Build and maintain long-term relationships with guests	4	7.10%	4	7.10%	6	10.70%	42	75.00%
Manage the interaction between guests	31	55.40%	14	25.00%	6	10.70%	5	8.90%
Manage the rate at which guests defect to other accommodation suppliers	17	30.40%	29	51.80%	9	16.10%	1	1.80%
Identify service failures and take corrective action when service failures do occur	4	7.10%	9	16.10%	34	60.70%	9	16.10%

The results indicate that most of the respondents (75.00 per cent) consider activities

associated with relationship marketing as most important in retaining guests. This is followed by identifying service failure and taking corrective action, which obtained the largest number of second places (60.60 per cent), and by customer defection management which obtained the most third places (51.80 per cent). Managing the interaction between guests was seen as least important by respondents, with 55.40 per cent of them regarding it as the least important activity. **The main finding is that 'Build and maintain long-term relationships with guests' and 'Identify service failures and take corrective action when service failures occur' are ranked by most hotels as the most important activities in retaining guests. Conversely, 'Manage the interaction between guests' and 'Manage the rate at which guests defect to other accommodation suppliers' were ranked by most hotels as the least important activities in this endeavour (main finding 50).**

7.4.5.2 The relative importance of primary customer retention activities for the different types of hotels

What was now determined was the relative importance of primary customer retention activities for the different ownership *types* of hotel. Fisher's Exact Test was used to determine whether a significant association exists between the variables in the cross-tabulations presented here. A Phi coefficient was also computed to signify the strength of the association between the variables (Diamantopoulos & Schlegelmilch, 1997:178&199-201). For the purposes of this analysis, response categories 1 and 2 (representing lower rankings in terms of importance) were grouped into one variable, and response categories 3 and 4 (representing the higher rankings in terms of importance) were grouped into the second variable. This was done due to the small number of responses over the various response categories.

7.4.5.2.1 The importance of building and maintaining long-term relationships with guests as seen by the different types of hotels

Table 58 indicates the importance of building and maintaining long-term relationships with guests as seen by the different ownership types of hotels.

Table 58: Importance of building and maintaining long-term relationships with guests as seen by the different types of hotels

	Importance of building and maintaining long-term relationships with guests				Total	
	1 and 2 (less important)		3 and 4 (more important)			
	N	%	N	%	N	%
Group or branded hotels	6	15.00%	34	85.00%	40	100.00%
Private or owner-managed hotels	2	12.50%	14	87.50%	16	100.00%
Total	8	14.30%	48	85.70%	56	100.00%

Fisher's Exact Test for significant association indicates a p-value of 1.000. This indicates support for the null hypothesis that hotel ownership type is not associated with the perceived importance of building and maintaining long-term relationships with guests. The null hypothesis can therefore not be rejected. The type of hotel is thus not significantly associated with the importance it gives to building and maintaining long-term relationships with guests. A Phi coefficient of 0.032 indicates a negligible association between hotel type and the perceived importance of building and maintaining long-term relationships with guests. **The main finding is that there is not a significant association between the hotel ownership type and importance given to building and maintaining long-term relationships with guests (main finding 51).**

7.4.5.2.2 The importance of managing interaction between guests as seen by the different types of hotels

Table 59 indicates the importance of managing the interaction between guests as seen by the different types of hotels.

Table 59: Importance of managing interaction between guests as seen by the different types of hotels

	Importance of managing the interaction between guests				Total	
	1 and 2 (less important)		3 and 4 (more important)			
	N	%	N	%	N	%
Group or branded hotels	31	77.50%	9	22.50%	40	100.00%
Private or owner-managed hotels	14	87.50%	2	12.50%	16	100.00%
Total	45	80.40%	11	19.60%	56	100.00%

Fisher's Exact Test for significant association indicates a p-value of 0.483. This indicates support for the null hypothesis that hotel ownership type is not associated with the perceived importance of managing the interaction between guests. The null hypothesis can therefore not be rejected. The type of hotel is thus not significantly associated with the importance it gives to managing the interaction between guests. A Phi coefficient of 0.032 indicates a negligible association between hotel type and the perceived importance of managing the interaction between guests. **The main finding is that there is not a significant association between the hotel type and importance given to managing the interaction between guests (main finding 52).**

7.4.5.2.3 The importance of managing the rate at which guests defect to other accommodation suppliers, as seen by the different types of hotels

Table 60 indicates the importance of managing the rate at which guests defect to other accommodation suppliers, as seen by the different types of hotels.

Table 60: Importance of managing the rate at which guests defect to other accommodation suppliers, as seen by the different types of hotels

	Importance of managing the rate at which guests defect to other accommodation suppliers				Total	
	1 and 2 (less important)		3 and 4 (more important)			
	N	%	N	%	N	%
Group or branded hotels	32	80.00%	8	20.00%	40	100.00%
Private or owner-managed hotels	14	87.50%	2	12.50%	16	100.00%
Total	46	80.40%	10	19.60%	56	100.00%

Fisher's Exact Test for significant association indicates a p-value of 0.707. This indicates support for the null hypothesis that hotel ownership type is not associated with the perceived importance of managing the rate at which guests defect to other accommodation suppliers. The null hypothesis can therefore not be rejected. The type of hotel is thus not significantly associated with the importance it gives to managing the rate at which guests defect to other accommodation suppliers. A Phi coefficient of 0.089 indicates a negligible association between hotel type and the perceived importance of managing the rate at which guests defect to other accommodation suppliers. **The main finding is that there is not a significant association between the hotel type and importance given to managing the guest defection rate (main finding 53).**

7.4.5.2.4 The importance of identifying service failures and taking corrective action when service failures do occur, as seen by the different types of hotels

Table 61 indicates the importance of identifying service failures and taking corrective action when service failures do occur, as seen by the different types of hotels.

Table 61: Importance of identifying service failures and taking corrective action when service failures do occur, as seen by the different types of hotels

	Importance of identifying service failures and taking corrective action when service failures do occur				Total	
	1 and 2 (less important)		3 and 4 (more important)			
	N	%	N	%	N	%
Group or branded hotels	11	27.50%	29	72.50%	40	100.00%
Private or owner-managed hotels	2	12.50%	14	87.50%	16	100.00%
Total	13	23.20%	43	76.80%	56	100.00%

Fisher's Exact Test for significant association indicates a p-value of 0.308. This indicates support for the null hypothesis that hotel ownership type is not associated with the perceived importance of identifying service failures and taking corrective action when service failures do occur. The null hypothesis can therefore not be rejected. Hotel type is thus not significantly associated with the importance an hotel gives to identifying service failures and taking corrective action when these occur. A Phi coefficient of 0.161 indicates a small association between hotel type and the importance it gives to identifying service failures and taking corrective action when these occur. **The main finding is that there is not a significant association between**

the hotel type and the importance it gives to identifying service failures and taking corrective action when service failures occur (main finding 54).

7.4.5.3 The relative importance of primary customer retention activities for the different sizes of hotels

What was now determined was the relative importance of primary customer retention activities for the different sizes (small, medium, or large) of hotel. To do this, the Pearson Chi Square Test was conducted. Cramer's V coefficient was also computed to signify the strength of the association between the variables (Tustin et al., 2005:635; SPSS, 2003:309-310; Diamantopoulos & Schlegelmilch, 1997:199-201). For the purposes of this analysis, response categories 1 and 2 (representing lower rankings in terms of importance) were grouped into one variable, and response categories 3 and 4 (representing the higher rankings in terms of importance) were grouped into the second variable. This was done due to the small number of responses over the various response categories.

7.4.5.3.1 The relative importance of building and maintaining long-term relationships, as seen by different sized hotels

Table 62 indicates the perceived importance of building and maintaining long-term relationships with guests for small, medium and large hotels.

Table 62: Importance of building and maintaining long-term relationships, as seen by different sized hotels

	Importance of building and maintaining long-term relationships with guests				Total	
	1 and 2 (less important)		3 and 4 (more important)			
	N	%	N	%	N	%
Small hotels	1	5.90%	16	94.10%	17	100.00%
Medium hotels	6	20.70%	23	79.30%	29	100.00%
Large hotels	1	10.00%	9	90.00%	10	100.00%
Total	8	14.30%%	48	85.70%%	56	100.00%

The Pearson Chi Square Test for significant association indicates a p-value of 0.350. This indicates support for the null hypothesis that hotel size is not associated with the importance the hotel gives to building and maintaining long-term relationships with guests. The null hypothesis can therefore not be rejected. The size (small, medium, or large) of the hotel is thus not significantly associated with the importance it gives to building and maintaining long-term relationships with guests. A Cramer's V coefficient of 0.194 indicates a small association between the two variables in question here. **The main finding is that there is not a significant association between the importance given to building and maintaining long-term relationships with guests, and the size of the hotel (main finding 55).**

7.4.5.3.2 The relative importance of managing the interaction between guests, as seen by different sized hotels

Table 63 indicates the importance of managing the interaction between guests for small, medium, and large hotels.

Table 63: Importance of managing the interaction between guests for different sized hotels

	Importance of managing the interaction between guests				Total	
	1 and 2 (less important)		3 and 4 (more important)			
	N	%	N	%	N	%
Small hotels	1	5.90%	16	94.10%	17	100.00%
Medium hotels	6	20.70%	23	79.30%	29	100.00%
Large hotels	1	10.00%	9	90.00%	10	100.00%
Total	8	14.30%%	48	85.70%%	56	100.00%

The Pearson Chi Square Test for significant association indicates a p-value of 0.594. This indicates support for the null hypothesis that hotel size is not associated with the importance the hotel gives to managing the interaction between guests. The null hypothesis can therefore not be rejected. The size (small, medium, or large) of the hotel is thus not significantly associated with the importance it gives to managing the interaction between guests. A Cramer's V coefficient of 0.136 indicates a small association between the two variables in question here. **The main finding is that there is not a significant association between the importance given to managing the interaction between guests, and the size of the hotel (main finding 56).**

7.4.5.3.3 The relative importance of managing the rate at which guests defect to other accommodation suppliers, as seen by different sized hotels

Table 64 indicates the importance of managing the rate at which guests defect to other accommodation suppliers for small, medium and large hotels.

Table 64: Importance of managing the rate at which guests defect to other accommodation suppliers for different sized hotels

	Importance of managing the rate at which guests defect to other accommodation suppliers				Total	
	1 and 2 (less important)		3 and 4 (more important)			
	N	%	N	%	N	%
Small hotels	1	5.90%	16	94.10%	17	100.00%
Medium hotels	6	20.70%	23	79.30%	29	100.00%
Large hotels	1	10.00%	9	90.00%	10	100.00%
Total	8	14.30%%	48	85.70%%	56	100.00%

The Pearson Chi Square Test for significant association indicates a p-value of 0.138. This indicates support for the null hypothesis that hotel size is not associated with the importance the hotel gives to managing the rate at which guests defect to other hotels. The null hypothesis can therefore not be rejected. The size (small, medium, or large) of the hotel is thus not significantly associated with the importance it gives to managing the rate at which guests defect to other hotels. A Cramer's V coefficient of 0.266 indicates a small association between the two variables in question here. **The main finding is that there is not a significant association between the importance given to managing the rate at which guests defect to other hotels, and the size of the hotel (main finding 57).**

7.4.5.3.4 The relative importance of identifying service failures and taking corrective action when service failures do occur, as seen by different sized hotels

Table 65 indicates the perceived importance of identifying service failures and taking corrective action when service failures do occur for small, medium, and large hotels.

Table 65: Importance of identifying service failures and taking corrective action when service failures do occur for different sized hotels

	Importance of identifying service failures and taking corrective action when service failures do occur				Total	
	1 and 2 (less important)		3 and 4 (more important)			
	N	%	N	%	N	%
Small hotels	2	11.80%	15	88.20%	17	100.00%
Medium hotels	9	31.00%	20	69.00%	29	100.00%
Large hotels	2	20.00%	8	80.00%	10	100.00%
Total	13	23.20%%	43	76.80%	56	100.00%

The Pearson Chi Square Test for significant association indicates a p-value of 0.316. This indicates support for the null hypothesis that hotel size is not associated with identifying service failures and taking corrective action when service failures do occur. The null hypothesis can therefore not be rejected. The size (small, medium, or large) of the hotel is thus not significantly associated with the importance it gives to identifying service failures and taking corrective action when service failures occur. A Cramer's V coefficient of 0.203 indicates a small association between the two variables in question here. **The main finding is that there is not a significant association between the importance given to identifying service failures and taking corrective action when service failures do occur, and the size of the hotel (main finding 58).**

7.4.6 Section F – Demographic and general questions

Section F of the questionnaire provides more information about the respondents who were interviewed and the hotels that employ them. Respondents were asked to

indicate the position that they occupy, the number of years they have been in the position, as well as how long the hotel has been in existence. The results of each question are presented in this part of the chapter.

7.4.6.1 Position of respondent

In Question 1 of Section F of the questionnaire (see Appendix B) respondents were asked to indicate the position they hold at the hotel. Table 66 presents the results in terms of the frequency – number and percentage – of the different positions held by respondents who took part in the study.

Table 66: Respondents' position at hotels

Position	Frequency	Per cent
Assistant general manager	3	5.4%
Duty manager	2	3.6%
Front desk manager	1	1.8%
General Manager	39	69.6%
Guest relations manager	2	3.6%
Human resources director	1	1.8%
Marketing manager	2	3.6%
Operations manager	2	3.6%
Personal assistant to the general manager	3	5.4%

Of the 55 respondents who indicated their position at the hotel, the majority of them – 39, or 69.9 per cent – are general managers. Three personal assistants and only two

marketing managers participated. **The main finding is that the majority of respondents are general managers of hotels, and the rest hold a variety of positions (main finding 59).**

7.4.6.2 Tenure in current position

In Question 2 of Section F of the questionnaire (see Appendix B) respondents were asked to indicate how long they had been in their current position. Table 67 provides an exposition of this data. The table represents the number of responses (N), the minimum number of years, as well as the maximum number of years indicated by respondents. It also reports the standard deviation.

Table 67: Number of years in current position at hotel

	N	Minimum	Maximum	Mean	Standard deviation
How long in current position?	55	0.20	15.00	4.04	3.766

Fifty-five respondents indicated that they had been in the current position for a period of between 10 weeks and 15 years. The mean number of years respondents had been in the current position is 4.04 years, with a standard deviation of 3.766. **The main finding is that respondents have occupied their current position from anywhere between ten weeks to fifteen years, with a mean of 4.04 years (main finding 60).**

7.4.6.3 Existence of hotel

In Question 3 of Section F of the questionnaire (see Appendix B) respondents were asked about the length of existence of their hotel. The results for this question provide an exposition of the number of years hotels that participated in the study have been in existence. Also indicated is that the mean number of years hotels have been in business differs significantly in terms of hotel type and size (see Sections 7.4.6.3.1 and 7.4.6.3.2). Table 68 presents the number of responses (N), the minimum number

of years, as well as the maximum number of years indicated by respondents. The table also reports the standard deviation.

Table 68: Number of years of hotel's existence

	N	Minimum	Maximum	Mean	Standard deviation
How long in business?	55	2	60	12.83	9.845

Fifty-five respondents indicated that their hotels have been in existence anywhere between 2 and 60 years. The mean number of years hotels have been in existence is 12.83, with a standard deviation of 9.845. **The main finding is that the ages of hotels participating in the study vary greatly, between 2 and 60 years, with a mean of 12.83 years (main finding 61).**

7.4.6.3.1 Difference in length of existence of group or branded, and private or owner-managed hotels

To determine whether significant age differences exist between the mean percentages of the two types of hotel – group or branded, and private or owner-managed – the Independent Sample T-test and the Mann-Whitney U Test were conducted (SPSS, 2003:337-341&484; Diamantopoulos & Schlegelmilch, 1997:180-182). The results are presented in Table 69.

Table 69: Significance testing of the mean number of years group or branded hotels, as opposed to private or owner-managed hotels, have been in business

	Group or branded hotels		Private or owner-managed hotels		Independent Sample T-test (p-value)	Mann-Whitney U Test (p-value)
	N	Mean	N	Mean		
How long has the hotel been in business?	39	10.7564	16	17.8750	0.083	0.091

The results indicate that the mean number of years group or branded hotels in the study have been in business is not significantly different from the age of the private or owner-managed hotels studied. Since the p-values for both tests are greater than 0.05, the null hypothesis that there is no difference between the means can therefore not be rejected. **The main finding is that the mean number of years group or branded hotels in the study have been in business is not significantly different from the age of private or owner-managed hotels studied (main finding 62).**

7.4.6.3.2 Difference in length of existence of small, medium, and large hotels

An analysis of variance (ANOVA) and the Kruskal-Wallis Test were performed to determine whether significant differences exist between the means of at least two of the three groups (small, medium, or large) of hotel studied (SPSS, 2003:349-357&492-493; Diamantopoulos & Schlegelmilch, 1997:182-184). Table 70 reports on the results.

Table 70: Significance testing of the mean number of years different sized hotels have been in business

	Small hotels		Medium hotels		Large hotels		ANOVA (p-value)	Kruskal- Wallis Test (p-value)
	N	Mean	N	Mean	N	Mean		
How long has the hotel been in business?	17	12.8529	29	12.3103	9	14.4444	0.856	0.507

The results indicate that the mean number of years for which the different sized hotels (small, medium, or large) have been in business do not differ significantly. Since the p-values for both tests are greater than 0.05, the null hypothesis that there is no difference between the means can therefore not be rejected. **The main finding is that the mean number of years small, medium, and large hotels have been in business do not differ significantly (main finding 63).**

7.5 RESEARCH PROPOSITIONS

This section evaluates the research propositions, as formulated in Section 1.6 and motivated in Section 5.3, against the main findings of the study presented in Section 7.4. The propositions are linked with specific questions in the questionnaire (see Table 13).

7.5.1 Proposition 1

Proposition 1

Hotels in Gauteng consider competitive marketing strategies to be important in an hotel's efforts to become competitive, and remain so.

Proposition 1 is linked with Section C, Question 1. The main findings that were made from this question are:

- Hotel managers considered all competitive marketing strategies important (main finding 11).
- There is not a significant association between creating value for guests that competitors find difficult to imitate and type of hotel ownership (main finding 12).
- There is not a significant association between the perceived importance of creating value for guests that competitors find difficult to imitate, and the size of hotel (main finding 17).
- There is not a significant association between the perceived value of sustaining value for guests that competitors find difficult to imitate, and type of hotel ownership (main finding 13).
- There is not a significant association between the perceived importance of sustaining value for guests that competitors find difficult to imitate, and hotel size (main finding 18).
- There is not a significant association between the perceived value of creating a unique positioning strategy for the hotel, and type of hotel ownership (main finding 14).
- There is no significant association between the perceived importance of creating a unique positioning strategy for the hotel, and the hotel's size (main finding 19).
- The main finding is that there is a significant association (of medium strength) between the perceived importance of changing the existing positioning strategy of the hotel to improve its appeal to guests, and type of hotel ownership. Private or owner-managed hotels are associated with high levels of perceived importance and group-owned hotels are associated with it not being important (main finding 15).
- There is not a significant association between the perceived importance of changing the existing positioning strategy of the hotel to improve its appeal to guests, and the size of the hotel (main finding 20).
- There is not a significant association between the perceived importance of

managing the hotel's offerings as demand for these changes over time, and type of hotel ownership (main finding 16).

- There is a significant association (of medium strength) between the perceived importance of managing the hotel's offerings as demand for these changes over time, and the size of the hotel. The larger an hotel, the more important this competitive marketing strategy is perceived to be (main finding 21).
- Hotels which *do* measure their customer retention rate consider creating value for guests that competitors find difficult to imitate significantly more important (of medium strength) than do those hotels which do not measure their customer retention rate (main finding 22).
- Hotels which *do* measure their customer retention rate consider sustaining value for guests that competitors find difficult to imitate significantly more important (of medium strength) than do those hotels which do not measure their customer retention rate (main finding 23).

Proposition 1 is therefore supported by the empirical data of the study.

7.5.2 Propositions 2 and 3

Proposition 2

Hotels in Gauteng think it is important to manage the demand and supply of an hotel's services.

Proposition 3

Hotels in Gauteng consider it to be important to manage yield to maximize revenue.

Propositions 2 and 3 are linked with Section C, Question 2, Statements 1 to 3 of the questionnaire (see Appendix B). The main findings that were made from this question

are:

- Hotels regard supply and demand management activities as important in an hotel's efforts to manage supply and demand (main finding 24).
- There is not a significant association between the perceived importance of managing guests' demand for products and services in an attempt to change demand, and the type of hotel (main finding 25).
- There is not a significant association between the importance given to managing guests' demand for products and services in an attempt to change demand, and the size of the hotel (main finding 28).
- There is a significant association (of medium strength) between the importance the hotel gives to managing its ability to supply products and services in response to guest demand, and hotel type. Private or owner-managed hotels are associated with a high level of perceived importance, while group-owned hotels are associated with it not being important (main finding 26).
- There is not a significant association between the importance given to managing the hotel's ability to supply products and services in response to guest demand, and the size of the hotel (main finding 29).
- Hotels which *do* measure their customer retention rate consider managing guests' demand for products and services in an attempt to change demand to be significantly more important (of medium strength) than do those hotels that do not measure customer retention rate (main finding 31).
- There is not a significant association between the importance given to maximizing revenue through manipulating room rates in response to expected demand, and hotel type (main finding 27).
- There is not a significant association between the importance given to maximizing revenue through manipulating room rates in response to expected demand, and the size of the hotel (main finding 30).

Propositions 2 and 3 are therefore supported by the empirical results of the study.

7.5.3 Proposition 4

Proposition 4

Hotels in Gauteng measure their customer retention rate.

Proposition 4 is linked with Section B, Questions 1 to 5. The main findings that were made in terms of these questions are:

- The majority of hotels measure their customer retention rate (main finding 4).
- There is no association between hotels measuring their customer retention rates and hotel ownership type (group or branded/ private or owner-managed) (main finding 5).
- There is no association between hotel size and measuring customer retention rate (main finding 6).
- The majority of hotels in Gauteng that measure their customer retention rate do so by means of an electronic database management programme with a 'guest history' feature (main finding 7).
- Hotels retain a greater percentage of guests who stay for business-related purposes than they do for guests staying for leisure (main finding 8).
- The mean customer retention rates for guests who stay for business-related and leisure purposes as well as the overall customer retention rates are not significantly different for the different types of hotel (main finding 9).
- The mean customer retention rates at small, medium and large hotels do not significantly differ (main finding 10).
- Hotels which *do* measure their customer retention rate consider service recovery activities as significantly more important (of medium strength) than those hotels who do not measure their customer retention rate (main finding 39).
- Hotels which *do* measure their customer retention rate perform relationship marketing activities significantly more frequently than do those hotels which do not measure their customer retention rate (main finding 47).

- Hotels which *do* measure their customer retention rate perform service recovery activities significantly more frequently than do those hotels which do not measure their customer retention rate (main finding 48).

Proposition 4 is therefore supported by the empirical results of the study.

7.5.4 Proposition 5

Proposition 5
Hotels in Gauteng consider relationship marketing activities as important in retaining customers.

Proposition 5 is linked with Section D, Question 1, Statements 1 to 8 of the questionnaire (see Appendix B). The main findings that were made in terms of this question are:

- Hotels consider as important all activities associated with relationship marketing in order to retain guests (main finding 32).
- The overall means indicating the importance attributed to customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) by the different types of hotel are not significantly different (main finding 37).
- The overall means indicating the importance attributed to customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) by the different sizes of hotel are not significantly different (main finding 38).
- 'Build and maintain long-term relationships with guests' and 'Identify service failures and take corrective action when service failures occur' are ranked by most hotels as the most important activities in retaining guests. Conversely,

'Manage the interaction between guests' and 'Manage the rate at which guests defect to other accommodation suppliers' were ranked by most hotels as the least important activities in this endeavour (main finding 50).

- There is not a significant association between the hotel ownership type and importance given to building and maintaining long-term relationships with guests (main finding 51).
- There is not a significant association between the importance given to building and maintaining long-term relationships with guests, and the size of the hotel (main finding 55).

Research proposition 5 is therefore supported by the empirical results of the study.

7.5.5 Proposition 6

Proposition 6
Hotels in Gauteng consider compatibility management activities to be important in retaining customers.

Research proposition 6 is linked with section D, Question 1, Statements 9 to 18 of the questionnaire (see Appendix B). The main findings that were made in terms of this question are:

- Hotels considered as important all activities associated with compatibility management to retain guests – all except the activities 'Introduce guests to each other' and 'Oversee interaction between guests' (main finding 33).
- The overall means indicating the importance attributed to customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) by the different types of hotel are not significantly different (main finding 37).
- The overall means indicating the importance attributed to customer retention

activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) by the different sizes of hotel are not significantly different (main finding 38).

- 'Manage the interaction between guests' and 'Manage the rate at which guests defect to other accommodation suppliers' were ranked by most hotels as the least important activities in retaining guests (main finding 50).
- There is not a significant association between the hotel type and importance given to managing the interaction between guests (main finding 52).
- There is not a significant association between the importance given to managing the interaction between guests, and the size of the hotel (main finding 56).

Proposition 6 is therefore partially supported by the empirical results of the study.

7.5.6 Proposition 7

Proposition 7
Hotels in Gauteng consider activities to manage customer defection as important for retaining customers.

Proposition 7 is linked with Section D, Question 1, Statements 19 to 27 of the questionnaire (see Appendix B). The main findings that were made in terms of this question are:

- Hotels considered as important all activities associated with customer defection management (main finding 34).
- The overall means indicating the importance attributed to customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) by the different types of hotel are not significantly different (main

finding 37).

- The overall means indicating the importance attributed to customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) by the different sizes of hotel are not significantly different (main finding 38).
- 'Manage the interaction between guests' and 'Manage the rate at which guests defect to other accommodation suppliers' were ranked by most hotels as the least important activities in retaining guests (main finding 50).
- There is not a significant association between the hotel type and importance given to managing the guest defection rate (main finding 53).
- There is not a significant association between the importance given to managing the rate at which guests defect to other hotels, and the size of the hotel (main finding 57).

Proposition 7 is therefore supported by the empirical results of the study.

7.5.7 Proposition 8

Proposition 8
Hotels in Gauteng consider activities to manage service failure as important for retaining customers.

Proposition 8 is linked with Section D, Question 1, Statements 28 to 36 of the questionnaire (see Appendix B). The main findings that were made in terms of this question are:

- Hotels considered as important all activities associated with service failure management (main finding 35).
- The overall means indicating the importance attributed to customer retention activities (relationship marketing, customer compatibility management,

customer defection management, service failure management, and service recovery) by the different types of hotel are not significantly different (main finding 37).

- The overall means indicating the importance attributed to customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) by the different sizes of hotel are not significantly different (main finding 38).
- 'Build and maintain long-term relationships with guests' and 'Identify service failures and take corrective action when service failures occur' are ranked by most hotels as the most important activities in retaining guests (main finding 50).
- There is not a significant association between the hotel type and the importance it gives to identifying service failures and taking corrective action when service failures occur (main finding 54).
- There is not a significant association between the importance given to identifying service failures and taking corrective action when service failures do occur, and the size of the hotel (main finding 58).

Proposition 8 is therefore supported by the empirical results of the study.

7.5.8 Proposition 9

Proposition 9
Hotels in Gauteng consider service recovery activities as important in retaining customers.

Proposition 9 is linked with Section D, Question 1, Statements 37 to 46 of the questionnaire (see Appendix B). The main findings that were made in terms of this question are:

- Hotels considered as important all activities associated with service recovery (main finding 36).
- The overall means indicating the importance attributed to customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) by the different types of hotel are not significantly different (main finding 37).
- The overall means indicating the importance attributed to customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) by the different sizes of hotel are not significantly different (main finding 38).
- 'Build and maintain long-term relationships with guests' and 'Identify service failures and take corrective action when service failures occur' are ranked by most hotels as the most important activities in retaining guests (main finding 50).
- There is not a significant association between the hotel type and the importance it gives to identifying service failures and taking corrective action when service failures occur (main finding 54).
- There is not a significant association between the importance given to identifying service failures and taking corrective action when service failures do occur, and the size of the hotel (main finding 58).

Proposition 9 is therefore supported by the empirical results of the study.

7.5.9 Proposition 10

Proposition 10
Hotels in Gauteng perform relationship marketing activities to retain customers.

Proposition 10 is linked to Section D, Question 2, Statements 1 to 8 of the

questionnaire (see Appendix B). The main findings that were made in terms of this question are:

- Hotels frequently perform all activities associated with relationship marketing (main finding 40).
- The overall means are not significantly different for the frequency with which customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) are performed by the different types of hotels (main finding 45).
- The overall means are not significantly different for the frequency with which customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) are performed by different sized hotels (main finding 46).

Proposition 10 can therefore be supported by the empirical results of the study.

7.5.10 Proposition 11

Proposition 11

Hotels in Gauteng perform compatibility management activities to retain customers.

Proposition 11 is linked with Section D, Question 2, Statements 9 to 18 of the questionnaire (see Appendix B). The main findings that were made in terms of this question are:

- Hotels in Gauteng frequently perform all activities associated with compatibility management except 'Introduce guests to each other', 'Oversee the interaction between guests' and 'Recognize and reward guests for good behaviour' (main finding 41).

- The overall means are not significantly different for the frequency with which customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) are performed by the different types of hotels (main finding 45).
- The overall means are not significantly different for the frequency with which customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) are performed by different sized hotels (main finding 46).

Proposition 11 is therefore partially supported by the empirical results of the study.

7.5.11 Proposition 12

Proposition 12

Hotels in Gauteng perform activities to manage customer defection.

Proposition 12 is linked with Section D, Question 2, Statements 19 to 27 of the questionnaire (see Appendix B). The main findings that were made in terms of this question are:

- Hotels frequently perform all activities associated with customer defection management except 'Compare the customer retention rate *or* defection rate of the hotel with that of other hotels' (main finding 42).
- The overall means are not significantly different for the frequency with which customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) are performed by the different types of hotels (main finding 45).
- The overall means are not significantly different for the frequency with which

customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) are performed by different sized hotels (main finding 46).

Proposition 12 is therefore partially supported by the empirical results of the study.

7.5.12 Proposition 13

Proposition 13
Hotels in Gauteng perform activities to manage service failure so as to retain customers.

Proposition 13 is linked with Section D, Question 2, Statements 28 to 36 of the questionnaire (see Appendix B). The main findings that were made in terms of this question are:

- Hotels frequently perform all activities associated with service failure management (main finding 43).
- The overall means are not significantly different for the frequency with which customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) are performed by the different types of hotels (main finding 45).
- The overall means are not significantly different for the frequency with which customer retention activities (relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery) are performed by different sized hotels (main finding 46).

Proposition 13 is therefore supported by the empirical results of the study.

recovery are all significantly higher than the *frequency* with which these activities are performed. The mean for the perceived importance of customer compatibility management is also higher (in the medium range) than the corresponding mean for the frequency with which compatibility management is performed (main finding 49).

The findings of the study either support or partially support research Propositions 5 to 14. It is, however, important to note that respondents consider as important the customer retention activities associated with relationship marketing, customer compatibility management, customer defection management, service failure management, and service recovery – and yet these ‘important’ activities are not matched by the level of action taken to implement them in practice.

7.6 SYNOPSIS

Chapter Seven reports on the realization rate of the study as well as the representativity, validity, and reliability of results. The chapter provides a question-by-question exposition of the results obtained from data gathered by means of the questionnaire. The main findings – based on these results – are presented. Finally, the research propositions are evaluated against the main findings of the study.

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CHAPTER 8

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

8.1 INTRODUCTION

The previous chapter provides an exposition of the research results. The major findings are presented and support is given to the research propositions which were formulated in Chapter One and motivated in Chapter Five.

Chapter Eight provides a summary of the findings of the study, highlights the implications thereof, and presents the conclusions. The research objectives are linked with the questions in the questionnaire, as well as with the relevant sections in the results chapter (Chapter Seven). A customer retention framework for hotels in Gauteng is provided, and general recommendations are made.

8.2 SUMMARY

Chapter One introduces the study and clarifies its terminology. The background to the study is discussed with reference both to the factors impacting on hotels in Gauteng, and to the fundamentals of customer retention management. The chapter gives the study's problem statement, as well as the goals and research objectives of the study. The research propositions of the study are presented, and the research methodology is briefly explained. The restrictions of the study are revealed, and the outline of chapters is presented.

Chapter Two defines relationship marketing. Furthermore it elicits the context of relationship marketing and discusses the dimensions of a business's different relationships. The extent of a business's relationships with other stakeholders is considered, and the relationship management process is explained. The future of

relationship marketing is also sketched.

In Chapter Three the competitive marketing strategies available to a service business are presented. The chapter presents marketing strategies a service business may consider so as to compete successfully. The strategies are concerned with how to gain and sustain competitive advantage. Service positioning is shown to be a tool that can be used to position the service offering of a business for competitive advantage in the market. The marketing strategies presented also indicate how a service business can use an understanding of the life cycle of services as a strategic tool. Also considered are the possible strategies a service business can implement to *defend* its competitive position. The chapter examines how a business might manage demand for its services – as well as supply. The focus here is on the management of customer demand and service capacity, as well as on yield management.

Chapter Four explores customer retention. Customer retention measurement is briefly discussed. The chapter addresses compatibility management, which involves the management of the interaction between customers, as well as the management of customer defections. Service failure and recovery management, as well as the role of relationship marketing in customer retention, are also addressed.

Chapter Five restates the research's problem statement, motivating this in the light of the literature review conducted in Chapters Two to Four.

Chapter Six provides insight into the research methodology followed in the study. A definition of marketing research is provided, and a framework for conducting marketing research is proposed. A theoretical foundation is constructed for each of the steps in the marketing research process. The chapter also presents the *specific* research methodology followed in each step of the study.

Chapter Seven provides the results obtained from the empirical section of the study. The reliability and validity of results are assessed, followed by a question-by-question exposition of results. Main findings are based on the results presented. The chapter also reports on whether or not the main findings support the research propositions expounded in Chapter One and motivated in Chapter Five.

The present chapter is a summary of the study. The recommendations and the conclusions are also presented. Table 71 is a key: it sets out the links between the research objectives of the study presented in Chapter One, the questions in the questionnaire (discussed in Chapter Six and contained in Appendix B), and the sections in Chapter Seven where the results are finally discussed.

Table 71: Links between research objectives, questions in the questionnaire, and the discussion of findings

Links between research objectives, questionnaire questions, and discussion of findings		
Research objectives	Questionnaire sections and questions	Results discussions
To investigate different competitive marketing strategies for hotels in Gauteng	Section C, Question 1	Sections 7.4.3.1 to 7.4.3.4
To investigate the management of demand for, and supply of, service offerings at hotels in Gauteng	Section C, Question 2, Statements 1 and 2	Sections 7.4.3.5 to 7.4.3.8
To investigate the management of yield at hotels in Gauteng	Section C, Question 2, Statement 3	Sections 7.4.3.5 to 7.4.3.8
To determine the customer retention measurement practices of hotels	Section B, Questions 1 to 5	Section 7.4.2
To determine the importance of customer retention management practices of hotels through investigating: <ul style="list-style-type: none"> relationship marketing activities hotels engage in compatibility management activities hotels embrace activities hotels employ to manage customer defection activities hotels utilize to manage service failure service recovery activities hotels make use of 	Section D, Question 1, Statements 1 to 8 Statements 9 to 18 Statements 19 to 27 Statements 28 to 36 Statements 37 to 46	Sections 7.4.4.1 to 7.4.4.4, 7.4.4.10 and 7.4.5 Section 7.4.4.1.1 Section 7.4.4.1.2 Section 7.4.4.1.3 Section 7.4.4.1.4 Section 7.4.4.1.5
To establish the performance of customer retention activities at hotels in Gauteng through investigating the execution of: <ul style="list-style-type: none"> relationship marketing activities compatibility management activities activities to manage customer defection activities to manage service failure service recovery activities 	Section D, Question 2, Statements 1 to 8 Statements 9 to 18 Statements 19 to 27 Statements 28 to 36 Statements 37 to 46	Sections 7.4.4.5 to 7.4.4.10 Section 7.4.4.5.1 Section 7.4.4.5.2 Section 7.4.4.5.3 Section 7.4.4.5.4 Section 7.4.4.5.5

It is evident from Table 71 that the research objectives supporting the study's goal, and presented in Section 1.5.2, were achieved. The following section presents the

conclusions that can be drawn from the main findings of the study.

8.3 CONCLUSIONS BASED ON THE MAIN FINDINGS OF THE STUDY

Section 8.3 provides a summary of the main findings of the study based upon the literature review presented in Chapter Two through Four, as well as on the empirical research results presented in Chapter Seven. This section summarizes the role of competitive marketing strategies in improving an hotel's ability to compete, and eventually *retain* customers. The role of closely matching supply and demand *and* maximizing revenue through yield management in order to achieve capacity utilization at hotels in Gauteng is also addressed. The major findings about the customer retention management activities in Gauteng hotels – as suggested by Kurtz and Clow (1998) for service businesses in general – are summarized, and the implications of these findings are presented.

8.3.1 Competitive marketing strategies

As uncovered in the literature review, a service business like an hotel needs to put in place competitive marketing strategies to improve its ability to compete with other businesses, by retaining a greater number of customers (Kurtz & Clow, 1998:308). A business like an hotel should gain and sustain competitive advantage (Hill & Jones, 2001:123; Hitt et al., 2001:5; Anderson & Vincze, 2000:76; Passemard & Kleiner, 2000:12; Chaharbaghi and Lynch, 1999:49; Ma, 1999:259&261). It is necessary to position the hotel and its service offerings so as to provide it with competitive advantage in the market (Belch & Belch, 2004:51; Cravens et al., 2002:8; Lovelock, 2001:200; Palmer, 2001:177; Anderson & Vincze, 2000:209). Any service offering goes through a number of phases, from entering to finally leaving the portfolio of services offered by a service business. Each of these phases calls for an adjustment in the marketing strategies followed (Palmer, 2001:190; McColl et al., 1998:188-189; Kurtz & Clow, 1998:318).

It was found that competitive marketing strategies are considered important in an

hotel's efforts to be competitive (main finding 11). Hotels considered the activity 'Creating value for guests that competitors find difficult to imitate' to be the most important competitive marketing strategy, followed by 'Sustaining value for guests that competitors find difficult to imitate', 'Creating a unique positioning strategy for the hotel', 'Managing the hotel's offerings as demand for these changes over time', and 'Changing the existing positioning strategy of the hotel to improve its appeal to guests' (see Section 7.4.3.1).

The implication of this finding is that hotels in Gauteng should put in place competitive marketing strategies as part of their customer retention framework, since to do so is considered important in order to be competitive – as we saw in the literature review, and as the findings of the study show (main finding 11). The competitive marketing strategies should focus on an hotel's efforts to:

- Gain and sustain a competitive advantage over other hotels (see Section 3.2.1).
- Position or reposition service offerings competitively (see Section 3.2.2).
- Manage service offerings throughout their respective life cycles (see Section 3.2.3).

The following factors should also be taken into account when suggesting a customer retention framework for a Gauteng hotel:

- Significant associations exist between the perceived importance of changing the existing positioning strategy of the hotel to improve its appeal to guests and the type of hotel ownership in question. Private or owner-managed hotels are associated with high levels of perceived importance and group-owned hotels are associated with it not being important (main finding 15).
- Significant associations exist between the perceived importance of managing the hotel's offerings as demand for these changes over time and the size of hotels. The larger an hotel, the more important this competitive marketing strategy is perceived to be (main finding 21).
- Hotels which *do* measure their customer retention rate consider creating and sustaining value for guests that competitors find difficult to imitate

significantly more important than do those hotels which do not measure their customer retention rate (main findings 22 and 23).

8.3.2 Managing supply and demand

The literature review uncovered the fact that demand and supply do not always coincide. Supply may exceed demand in quieter times and demand may exceed supply in peak times. When supply exceeds demand an hotel is left with unused resources (like hotel rooms). When demand exceeds supply and there are *no* rooms available, an hotel may have no option but to turn customers away (Kurtz & Clow, 1998:345).

In a properly designed and managed service business, the capacity of the facility, the supporting equipment, and the service personnel should all be in equilibrium with each other – as well as with the demand for the service being offered. Operations should be designed to minimize the risk of bottlenecks occurring. This is, however, difficult to achieve since the level of demand fluctuates and demand patterns are difficult to predict. Minimizing bottlenecks is difficult to achieve, furthermore, because of the varying time and effort it takes to process each customer *and* because of the fact that the presence of the customer is implicit when it comes to *service* delivery (Adenso-Díaz, Conzález-Torre & García, 2002:286; Klassen & Rohleder, 2002:527; Lovelock, 2001:401).

Since services are perishable, managing demand and supply (or capacity) plays a key role in the hospitality industry (Kotler et al., 2003:59). Palmer (2001:389) states that a service business's financial success depends on its ability to closely match supply with demand.

Lee-Ross and Johns (1996:66) show that yield management allows a business to maximize revenue under conditions of fluctuating demand where the product is perishable – such as with the services offered by an hotel. A business needs to determine which combination of price, customer, demand, and volume will optimize revenue. Yield management uses capacity management tools, pricing tools and other revenue-optimizing strategies to find the ideal combination of all of these factors

(Barth, 2002:136).

The study found that activities associated with the management of supply and demand are regarded as important by hotels in Gauteng (main finding 24). The activities in question involve managing guests' demand for products and services, managing the hotel's ability to supply products and services, and maximizing revenue through manipulating room rates – i.e. yield management (see Section 7.4.3.5).

The implication is that in order for an hotel in Gauteng to successfully manage demand and supply of its services the following strategies need to be considered by the hotel:

- Manage the demand of guests for service offerings (see Section 3.3.1).
- Manage service capacity or supply (see Section 3.3.2).
- Manage fixed capacity gainfully (see Section 3.3.3).

The following factors should also be taken into account when suggesting a customer retention framework for a Gauteng hotel:

- A significant association exists between the perceived importance given to managing the hotel's ability to supply products and services in response to guest demand and the ownership type of the hotel. Private or owner-managed hotels are associated with a high level of perceived importance, while group-owned hotels are associated with it not being important (main finding 26).
- Hotels which *do* measure their customer retention rate consider managing guests' demand for products and services in an attempt to change demand significantly more important than do those hotels which do not measure their customer retention rate (main finding 31).

8.3.3 Measuring the customer retention rate

Payne (2000:114) states that measuring customer retention rates is the first step in improving loyalty to, and the profitability of, a service business. Many businesses do

not, however, understand the importance of improving customer retention rates, and the impact of these rates on profitability (Clark, 1997:295). If a business is serious about improving customer retention it should firstly define what customer retention means for the business, and then put in place the necessary measures to quantify it (Aspinall et al., 2001:87). De Souza (1992:25) argues that if customer retention is not measured, the business will surely not be able to manage it.

The majority of hotels in Gauteng measure their customer retention rate (main finding 4). The majority of hotels in Gauteng which measure their customer retention rate do so by means of an electronic database management programme with a 'guest history' feature (main finding 7). Hotels in Gauteng retain a greater percentage of guests who stay for business-related purposes than guests who stay for leisure (main finding 8). Hotels which *do* measure their customer retention rate consider service recovery activities associated with customer retention significantly more important than do those hotels which do not measure their customer retention rate (main finding 39). Hotels that *do* measure their customer retention rate perform the relationship marketing and service recovery activities associated with customer retention significantly more frequently than do those hotels which do not measure their customer retention rate (main findings 47 & 48).

The implication of these findings is that hotels should put in place processes to be able to measure their customer retention rates – and then come up with strategies to improve their customer retention rate (main findings 4, 7, 39, 47 and 48).

8.3.4 Customer retention management at hotels in Gauteng

The literature review illustrates that a service business such as an hotel retains customers by making sure they are compatible with each other, by keeping track of, and managing customer defections, by addressing service failure with recovery strategies, and by maintaining long-term value-creating relationships with customers (see Sections 4.3, 4.4, 4.5 and 4.6). The main findings concerning customer retention management are now presented, in the following sections.

8.3.4.1 Relationship marketing

The adoption of a relationship marketing approach is favoured by the fact that customers are becoming increasingly sophisticated and cynical. Also, competition in the marketplace where service businesses such as hotels are operating is becoming more multifaceted and vigorous (Appiah-Adu et al., 2000:100). Then there is the fact that customers tend to shop around more before a purchase decision is taken (Bond & Stone, 2004:170). Relationship marketing provides the basis for building and enhancing relationships with customers. Stronger relationships with customers result in competitive advantage.

The long-term success of a business depends on its ability to build positive relationships with customers (Claycomb & Martin, 2001:385&396). Gilpin (1996:148) states that relationship marketing is increasingly being referred to and incorporated into hospitality marketing theory and practice. Ryals (2002:241) gets to the essence of the subject in stating that relationship marketing focuses on customer retention and the management of customer relationships over the life time of the customer. Retaining customers and building loyalty have become the key factors in the implementation of relationship marketing for many businesses (Nasir & Nasir, 2005:37).

According to Bennett and Strydom (2001:17), the focus has shifted from one-time transactions to ongoing relationships. The sale is not the end of the marketing process but the beginning of a relationship in which the buyer and seller become interdependent. The purpose of relationship marketing is not to secure a sale, but to maintain long-term relationships between business, the government, the public, suppliers of raw materials, employees, and current and potential customers. Ryals (2002:241) reminds us that relationship marketing focuses on customer retention and managing customer relationships over the entire lifetime of the customer.

Hotels in Gauteng consider all activities associated with relationship marketing as being important (main finding 32). Activities related to building and maintaining long-term relationships with guests are ranked as the most important activities associated with retaining guests. There is no significant association between this attitude and ownership type or size of hotel (see Section 7.4.4.1.1). Hotels in Gauteng

perform all activities associated with relationship marketing frequently (main finding 40). Table 72 provides an exposition of the importance given to activities associated with relationship marketing, and the frequency with which such activities are performed.

For Table 72 through Table 76 a '+' indicates that the activity is considered important or is frequently performed. A mean score of more than 3.00 was obtained. A '-', on the other hand, indicates that the activity is *not* important or is *not* frequently performed. A mean score of 3.00 or less was obtained.

Table 72: The relative importance and frequency of activities associated with relationship marketing at hotels in Gauteng

Relationship marketing activities		
Activity	Considered important ($\bar{x} > 3.00$)	Frequently performed ($\bar{x} > 3.00$)
Focus on building long-term relationships with guests	+	+
Ongoing management of relationships with guests	+	+
Customize relationships with individual guests or groups of guests	+	+
Endeavour to offer customized value to different guests (special prices or extra services)	+	+
Measure guests' satisfaction levels with the services quality experienced at the hotel	+	+
Recognize and reward guests for their business	+	+
Create guest loyalty towards the hotel	+	+
Maintain a database of guest preferences and guest details	+	+

The implication of the above findings is that all the activities alluded to in the literature review should be included in a customer retention framework for hotels in Gauteng (see Sections 7.4.4.1.1 and 7.4.4.5.1).

8.3.4.2 Customer compatibility management

Hotels exhibit many characteristics typical of service businesses that require customer compatibility management (Rowley, 2000:166; Martin & Pranter, 1989:10-11). In many instances service experiences occur at hotels while other customers are present (Grove & Fisk, 2001:63; Parker & Ward, 2000:342). Interaction most often takes place between customers in the service area of an hotel (Baron & Harris, 2003:66). This interaction can breed empathy or hostility (Rowley, 2000:165; 1996:15; 1995:7; Martin, 1996:166; McGarth & Otnes, 1995:271). Kurtz & Clow (1998:389) state that even when customers are satisfied with the service they have received from a service business, they may be dissatisfied with the way they have been treated by other customers. When there is a high degree of customer contact, 'wrong' customers can have a negative effect on the atmosphere of the service facility, as well as on other customers' sense of security (Berkley, 1997:83).

Hotels in Gauteng considered all activities associated with customer compatibility management as important, except 'Introduce guests to each other' and 'Oversee interaction between guests' (main finding 33). Activities associated with managing the interaction between guests were ranked by most hotels in Gauteng as the least important factor in retaining guests (main finding 50).

Hotels in Gauteng perform all activities associated with customer compatibility management frequently except 'Introduce guests to each other', 'Oversee the interaction between guests', and 'Recognize and reward guests for good behaviour, e.g. thanking a guest for assisting another' (main finding 41). Table 73 provides an exposition of the activities associated with customer compatibility management in terms of their importance and the frequency with which they are performed.

Table 73: The relative importance and frequency of activities associated with customer compatibility management at hotels in Gauteng

Compatibility management activities		
Activity	Considered important ($\bar{x} > 3.00$)	Frequently performed ($\bar{x} > 3.00$)
Attract similar or compatible guests to the hotel	+	+
Promote positive encounters between guests	+	+
Put rules and policies in place to guide the behaviour of guests during their stay at the hotel	+	+
Manage the physical environment to facilitate the interaction between guests, e.g. in the dining room and around the pool	+	+
Help guests to follow the correct procedures, e.g. placing notice boards and signage in the hotel to indicate the correct check-in procedure	+	+
Recognize and reward guests for good behaviour, e.g. thanking a guest for assisting another	+	-
Enforce standards of behaviour, e.g. requesting noisy guests to calm down	+	+
Introduce guests to each other	-	-
Encourage employees to provide information regarding the behaviour of guests to management	+	+
Oversee the interaction between guests	-	-

The implication of these findings is that eight of the ten activities dealt with in the literature review should be included in any customer retention framework for hotels in Gauteng (see Sections 7.4.4.1.2 and 7.4.4.5.2). The activity 'Recognize and reward guests for good behaviour, e.g. thanking a guest for assisting another' should be

included since it is considered important, although it is not frequently performed (see Section 7.4.4.1.2). The activities 'Introduce guests to each other' and 'Oversee the interaction between guests' are not to be included since neither are considered important or are frequently performed (see Sections 7.4.4.1.2 and 7.4.4.5.2).

8.3.4.3 Customer defection management

Reicheld (1996:56) holds that an increase in the defection rate leads to a dwindling cash flow to the business from the customers – even if the business manages to *replace* lost customers. The profitability of customers will increase the longer they remain with the business (Trubik & Smith, 2000:206). Customer defection impacts negatively on profits; yet, despite this, few businesses do anything about customer defection (Credle, 1995). A reduction in the customer defection rate can increase profits to a far greater extent than could growth in market share, better margins, or other factors usually associated with competitive advantage (Colgate et al., 1996:23-24).

Hotels in Gauteng consider all activities associated with customer defection management as important (main finding 34). In terms of the overall rankings of the four primary customer retention activities, or groupings (see Section 7.4.5), 'Managing the interaction between guests', followed by 'Managing the rate at which guests defect to other accommodation suppliers' were ranked by most hotels in Gauteng as the least important activities to retain guests (main finding 50).

Hotels in Gauteng perform all activities associated with customer defection management frequently – except 'Compare the customer retention rate or defection rate of the hotel with that of other hotels' (main finding 42). Table 74 provides an exposition of the relative importance and frequency of activities associated with customer defection management.

Table 74: The relative importance and frequency of activities associated with customer defection management at hotels in Gauteng

Customer defection activities		
Activity	Considered important ($\bar{x} > 3.00$)	Frequently performed ($\bar{x} > 3.00$)
Use a databasc to identify guests who leave and do not come back	+	+
Identify the reasons why guests have left	+	+
Measure the customer defection rate	+	+
Identify the key service dimensions that lead to the retention of guests	+	+
Compare the performance of the hotel in terms of service quality with competitors	+	+
Compare the customer retention rate <i>or</i> defection rate of the hotel with that of other hotels	+	-
Analyse complaints	+	+
Implement strategies to counter guests leaving for other accommodation suppliers	+	+
Allocate resources to influence guests to refrain from leaving	+	+

The implication of these findings is that all the activities uncovered in the literature review should be included in any customer retention framework for hotels in Gauteng (see Sections 7.4.4.1.3 and 7.4.4.5.3). The activity ‘Compare the customer retention rate *or* defection rate of the hotel with that of other hotels’ should be included since it is considered important – although it is not frequently performed (see Section 7.4.4.5.3).

8.3.4.4 Service failure management

Due to the inseparability of production and consumption, service failures occur, in many instances, at the point of consumption. This leaves little chance for recovery without inconveniencing guests. Hotels are also characterized by round-the-clock operations, as well as by highly fluctuating demand. These factors cause the hotel industry to be highly susceptible to service failures (Lewis & McCann, 2004:6). A service failure does not always result in lost customers but harms the customer's confidence in the business (Cranage, 2004:210). It is therefore important to identify possible failure points in the service delivery process, as well as methods to prevent failures from happening again (Cranage, 2004:211; Ahmed, 2002:19).

Hotels in Gauteng consider all activities associated with service failure management as important (main finding 35). As for the rankings assigned to the four primary customer retention activities or groupings (see Section 7.4.5), activities related to service failure management and to service recovery are ranked as the most important activities to retain guests. In this attitude there is no significant association with hotel ownership type, or size (main findings 50, 54 and 58). Hotels in Gauteng perform all activities associated with service recovery frequently (main finding 43). Table 75 provides an exposition of the activities associated with service failure management, in terms of the activities' importance and the frequency with which they are performed.

Table 75: The relative importance and frequency of activities associated with service failure management at hotels in Gauteng

Service failure activities		
Activity	Considered important ($\bar{x} > 3.00$)	Frequently performed ($\bar{x} > 3.00$)
Identify service failure points or areas where failures occur	+	+
Determine the reasons why service failures occur	+	+
Identify prospective employees with good communication skills to successfully handle complaints and serve guests pro-actively	+	+
Develop training programmes to provide employees with good communication skills to successfully handle complaints and serve guests pro-actively	+	+
Adapt the organizational structure of the hotel to reduce service failures	+	+
Divide the service task into manageable parts that an employee is able to successfully manage to reduce service failures	+	+
Control situations where guests come into contact with employees by attempting to ensure employees listen to guests and respond to the particular needs of guests	+	+
Ensure managers are knowledgeable about situations where guests come into contact with employees	+	+
Conduct exit interviews with departing guests	+	+

The implication of these findings is that all activities uncovered in the literature review should be included in any customer retention framework for hotels in Gauteng (see Sections 7.4.4.1.4 and 7.4.4.5.4).

8.3.4.5 Service recovery

Boshoff and Klemz (2005:1) view service recovery as a strategy that a service business can put in place to correct service failures that occur, with the aim of reinstating the customer's perceived level of satisfaction and keeping the customer loyal. Griffin (2001:9) states that businesses should have a 'win-back' programme in place to return high-value customers to the business. A service business should plan for service recovery. If an employee is able to bring about successful service recovery, this can lead to a high level of customer satisfaction (Baron & Harris, 2003:64).

Hotels in Gauteng consider all activities associated with service recovery as important (main finding 36). These activities are also all frequently performed by hotels (main finding 44). In terms of the rankings assigned to the four primary customer retention activities, or groupings (see Section 7.4.5), the activities related to service failure management and service recovery are ranked as the most important activities in retaining guests. In this attitude there is no significant association with ownership type, or size of hotel (main findings 50, 54 and 58). Table 76 provides an exposition of the activities associated with service recovery, in terms of the activities' importance and the frequency with which they are performed.

Table 76: The relative importance and frequency of activities associated with service recovery at hotels in Gauteng

Service recovery activities		
Activity	Considered important ($\bar{x} > 3.00$)	Frequently performed ($\bar{x} > 3.00$)
Put a service recovery process in place to win back guests who experienced a service failure	+	+
Use a standardized strategy applicable to all guests for service recovery	+	+
Vary service recovery strategies according to the seriousness and criticality of the service failure	+	+
Vary service recovery strategies according to the importance of the individual guest to the hotel	+	+
Communicate with distressed guests	+	+
Be empathetic with guests who experienced a service failure	+	+
Provide feedback to guests regarding progress in rectifying the service failure	+	+
Offer an explanation to guests for the reason for the service failure	+	+
Empower, support, and involve employees to deal with a service failure	+	+
Ensure employees deal with a guest in a professional manner when addressing a service failure	+	+

The implication of these findings is that all activities uncovered in the literature review should be included in a customer retention framework for hotels in Gauteng (see Sections 7.4.4.1.5 and 7.4.4.5.5).

8.3.4.6 The importance versus the frequency of activities associated with the components of customer retention management

It is important to note that the overall means for the importance given to customer retention activities (relationship marketing, compatibility management, customer defection management, service failure management, and service recovery) did not significantly differ for the different *types* of hotel ownership (main finding 37). So too, the overall means for the importance given to customer retention activities (relationship marketing, compatibility management, customer defection management, service failure management, and service recovery) did not significantly differ for the different sizes of hotel (main finding 38). The implication of this is that any proposed customer retention framework should not differ from the abovementioned customer retention activities for the different sizes and ownership types of hotel.

The overall means are significantly different for the importance given to customer retention activities and the frequency with which these activities are performed. The means for the importance given to performing activities to do with relationship marketing, customer defection management, service failure management, and service recovery are significantly higher than the corresponding means for the frequency with which these activities are performed. The means for the importance of activities associated with customer compatibility management are also higher than the corresponding means for the frequency with which these activities are performed (main finding 49).

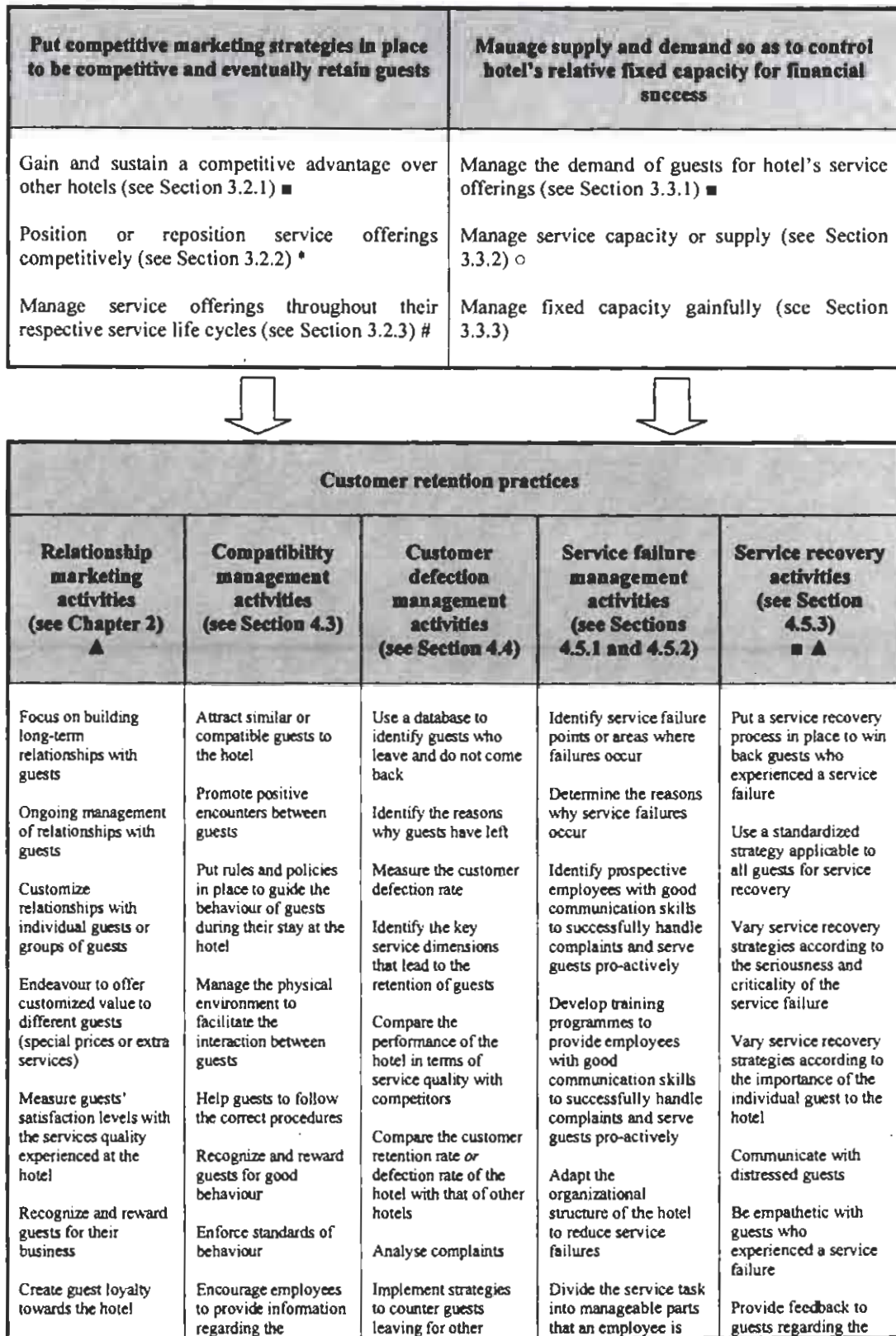
The implication of this finding is that hotels in Gauteng consider the activities evaluated in this survey to be important in their quest to retain guests – but they do not perform these activities to the extent they feel they should be doing so. Hotel managers thus know what to do in order to retain guests; the fact is, quite simply, that they do not always implement the necessary strategies (see Section 7.4.4.10).

On the basis of the above conclusions, Section 8.4 suggests a customer retention framework for hotels in Gauteng.

8.4 A CUSTOMER RETENTION FRAMEWORK FOR HOTELS IN GAUTENG

This section presents a customer retention framework for hotels in Gauteng, based upon the findings of the literature review, the research results, and the resultant conclusions that can be drawn from these findings (see Section 8.3). The proposed customer retention framework is suitable for all hotels in Gauteng, irrespective of ownership type and size, or of whether or not hotels measure their customer retention rate. However, where the results have indicated significant associations between, on the one hand, the different types of hotels (ownership type *or* size *or* fact of hotels measuring their customer retention rate or not) and, on the other hand, the strategies or activities included in the framework, these are indicated (see Section 8.3). The proposed customer retention framework for hotels is presented in Figure 9.

Figure 9: A customer retention framework for hotels in Gauteng



Maintain a database of guest preferences and guest details	behaviour of guests to management	accommodation suppliers Allocate resources to influence guests to refrain from leaving	able to successfully manage to reduce service failures Control situations where guests come into contact with employees by attempting to ensure employees listen to guests and respond to the particular needs of guests Ensure managers are knowledgeable of situations where guests come into contact with employees Conduct exit interviews with departing guests	progress in rectifying the service failure Offer an explanation to guests for the reason for the service failure Empower, support and involve employees to deal with a service failure Ensure employees deal with a guest in a professional manner when addressing a service failure
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Measure customer retention rate

■ Hotels which *do* measure their customer retention rate consider these strategies or activities to be more important than do those hotels which do not measure their customer retention rate.

▲ Hotels which *do* measure their customer retention rate perform these strategies or activities more frequently than do those hotels which do not measure their customer retention rate.

• Changing the existing positioning strategy of the hotel to improve its appeal to guests is associated with it being more important for private or owner-managed hotels and less important for group-owned hotels.

Managing the hotel's offerings as demand for these changes over time (through the service life cycle) is more important the larger an hotel.

○ Managing the hotel's ability to supply products and services in response to guest demand is associated with it being more important for private or owner-managed and less important for group-owned hotels.

The goal of the study, as set out in Section 1.5.1, has been achieved with the framework presented here. The following general recommendations are now put forward, and are based upon the literature review as well as the results of the empirical research:

- The researcher observed that in most cases each of the components associated with customer retention are dealt with separately by authors on the topic. Kurtz and Clow (1998) put forward a more comprehensive framework, which provided an important perspective in this study. It is recommended that more

work be done on developing a comprehensive framework or model for customer retention for the services industry in general, and for the hotel industry in particular – as well as other specific industries.

- Recent and relevant literature on topics such as customer compatibility management in the services industry is limited and needs to be expanded.
- The literature review of the study included literature related to customer retention in general, customer retention in the services industry (banks and libraries), customer retention in the hospitality industry (restaurants and entertainment services), and customer retention in the hotel industry. More research needs to be done to expand the literature covering customer retention in the hotel industry.
- The current study needs to be expanded to include hotels in South Africa and Southern Africa. Many of the factors impacting on hotels in Gauteng are as relevant in other parts of the country and sub-continent as they are in Gauteng (see Section 1.3.1).
- National and regional studies should be conducted to draw *comparisons* between the customer retention practices of hotels that differ in location, ownership type, size, target market – and any other differentiating characteristics – in order to determine whether or not customer retention management practices differ for these different sorts of hotels.
- Since the results of this study indicate that activities associated with the different components of customer retention management are not *performed* to a level that corresponds with the *importance* attached to them by hotels, it is necessary to investigate the reasons why this is the case. It seems that hotels know what is needed to retain guests, but do not get around to doing it.

8.5 SYNOPSIS

The study tasked itself with investigating the customer retention practices of hotels in Gauteng in order to suggest a customer retention framework for hotels. The goal of the study, as well as its research objectives, have been achieved (see Sections 8.2 and 8.4). It can be concluded, finally, that the results obtained add to the body of knowledge of customer retention management in general, and, more specifically, to the understanding of customer retention in the hotel industry.

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APPENDIX A – PILOT QUESTIONNAIRE

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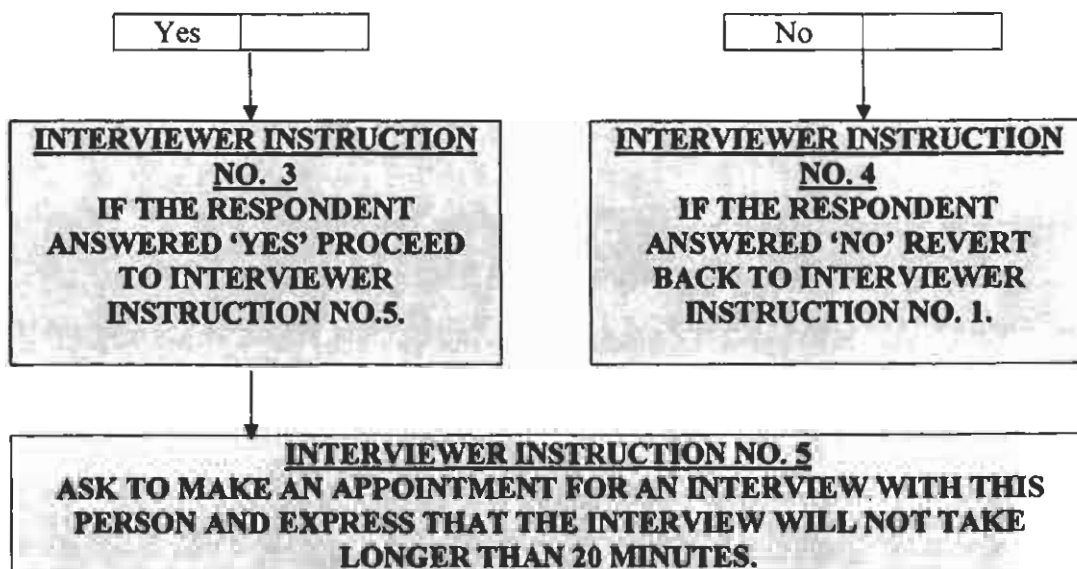
CUSTOMER RETENTION QUESTIONNAIRE

INTERVIEWER INSTRUCTION NO. 1
PHONE THE NUMBER ON THE LIST PROVIDED AND ASK THE FOLLOWING FROM THE PERSON ANSWERING THE PHONE:

Good day, Sir/Madam. My name is ... (state your name). I represent Danie Petzer who is a Doctorate student at the North-West University. He is currently collecting data for his thesis. Can you please tell me who in your hotel is responsible for managing guest related matters?

INTERVIEWER INSTRUCTION NO. 2
ASK TO SPEAK TO THIS PERSON. ASK THE FOLLOWING TO HIM OR HER AND MARK THE ANSWER IN THE APPROPRIATE BLOCK:

Good day, Sir/Madam. My name is ... (state your name). I represent Danie Petzer who is a Doctorate student at the North-West University, Potchefstroom Campus. He is currently collecting data for his thesis. The study examines guest retention practices of hotels. Are you responsible for, or familiar with, the hotel's guest retention practices such as relationship building with guests, customer-to-customer management, defection management, service failures and service recovery efforts?



Date of interview : _____
Time of interview : _____
Physical address : _____

INTERVIEWER INSTRUCTION NO. 6
READ THE FOLLOWING STATEMENT TO THE RESPONDENT:

Good day, Sir/Madam. My name is ... (state your name). I represent Danie Petzer who is a Doctorate student at the North West University, Potchefstroom Campus. He is currently collecting data for his thesis. The topic of the thesis is 'Customer retention management for the hotel industry in Gauteng'.

The interview will not take longer than 20 minutes. Everything you say will be treated with the strictest confidence and all information will be used for research purposes only. Information will be anonymously reported and neither the individual nor the hotel will be identified in any way whatsoever.

SECTION A

INTERVIEWER INSTRUCTION NO. 7
READ EACH QUESTION TO THE RESPONDENT AND WRITE THE ANSWER IN THE CORRESPONDING BLOCK.

Please describe the hotel guests in terms of the following:

Guests staying during the week	
• What percentage of guests stays at the hotel during the week for <i>business</i> -related purposes?	
• What percentage of guests stays at the hotel during the week for <i>leisure</i> purposes?	
Total	100%
Guests staying during the weekend	
• What percentage of guests stays at the hotel during weekends for <i>business</i> -related purposes?	
• What percentage of guests stays at the hotel during week ends for <i>leisure</i> purposes?	
Total	100%

SECTION B

INTERVIEWER INSTRUCTION NO. 8
READ THE QUESTION TO THE RESPONDENT AND MARK THE
ANSWER IN THE APPROPRIATE BLOCK.

1. Do you measure the customer retention rate of the hotel?

Yes

No

INTERVIEWER INSTRUCTION

NO. 9

**IF THE RESPONDENT
ANSWERED 'YES' PROCEED
WITH QUESTIONS 2 AND 3.
READ QUESTIONS 2 AND 3 TO
THE RESPONDENT AND
WRITE THE ANSWERS IN THE
APPROPRIATE SPACES.**

INTERVIEWER INSTRUCTION

NO. 10

**IF THE RESPONDENT
ANSWERED 'NO' SKIP
QUESTION 2 AND PROCEED TO
QUESTION 3.
READ QUESTION 3 TO THE
RESPONDENT AND WRITE THE
ANSWER IN THE
APPROPRIATE SPACE.**

2. Briefly explain how you measure the customer retention rate.

3. What do you estimate the current customer retention rate of the hotel to be?
per cent.

SECTION C

INTERVIEWER INSTRUCTION NO. 11

**READ THE QUESTION AND EACH STATEMENT TO THE RESPONDENT
AND MARK EACH ANSWER IN THE CORRESPONDING BLOCK.**

1. Indicate on a scale of 1 to 5, where 1 is 'not important at all' and 5 is 'very important', how important the following activities are in the hotel's efforts to be competitive:

Activities					
Competitive marketing strategies					
• Create value for guests that competitors find difficult to imitate.	1	2	3	4	5
• Sustain value for guests that competitors find difficult to imitate.	1	2	3	4	5
• Create a unique positioning strategy for the hotel.	1	2	3	4	5
• Change the existing positioning strategy of the hotel to improve its appeal to guests.	1	2	3	4	5
• Manage the hotel's offerings as demand for these changes over time.	1	2	3	4	5

2. Indicate on a scale of 1 to 5, where 1 is 'not important at all' and 5 is 'very important', how important the following activities are in the hotel's efforts to manage supply and demand:

Activities					
Management of supply and demand					
• Manage guests' demand for products and services in an attempt to change demand, for example, charging higher room rates in peak periods, offering special discount in periods of low demand and using a reservation system.	1	2	3	4	5
• Manage the hotel's ability to supply products and services in response to guest demand, for example, turning double rooms into family rooms and hiring extra staff during periods of high demand.	1	2	3	4	5
• Maximize revenue through manipulating room rates in response to expected demand, for example, adjust prices based on the level of demand expected.	1	2	3	4	5

SECTION D

INTERVIEWER INSTRUCTION NO. 12

**READ THE QUESTIONS AND EACH STATEMENT TO THE RESPONDENT
AND MARK EACH ANSWER IN THE CORRESPONDING BLOCK.**

1. Indicate on a scale of 1 to 5, where 1 is 'not important at all' and 5 is 'very important', how important you consider performing the following activities in retaining guests at the hotel:

2. Indicate on a scale of 1 to 5, where 1 represents 'never' and 5 represents 'regularly', how often the following activities are performed at the hotel:

(1)					Relationship marketing	(2)				
1	2	3	4	5	Focus on building long-term relationships with guests.	1	2	3	4	5
1	2	3	4	5	Ongoing management of relationships with guests.	1	2	3	4	5
1	2	3	4	5	Customize relationships with individual guests or groups of guests.	1	2	3	4	5
1	2	3	4	5	Endeavour to offer customized value to different guests (special prices or extra services).	1	2	3	4	5
1	2	3	4	5	Measure the satisfaction levels of guests with the services quality experienced at the hotel.	1	2	3	4	5
1	2	3	4	5	Recognize and reward guests for their business	1	2	3	4	5
1	2	3	4	5	Create guest loyalty towards the hotel.	1	2	3	4	5
1	2	3	4	5	Maintain a database of guest preferences and guest details.	1	2	3	4	5
(1)					Compatibility management	(2)				
1	2	3	4	5	Attract similar or compatible guests to the hotel.	1	2	3	4	5
1	2	3	4	5	Promote positive encounters between guests.	1	2	3	4	5
1	2	3	4	5	Put rules and policies in place to guide the behaviour of guests during their stay at the hotel.	1	2	3	4	5
1	2	3	4	5	Manage the physical environment to facilitate the interaction between guests, for example in the dining room and around the pool.	1	2	3	4	5
1	2	3	4	5	Help guests to follow the correct procedures.	1	2	3	4	5
1	2	3	4	5	Recognize and reward guests for good behaviour.	1	2	3	4	5
1	2	3	4	5	Enforce standards of behaviour.	1	2	3	4	5
1	2	3	4	5	Introduce guests to each other.	1	2	3	4	5
1	2	3	4	5	Encourage employees to provide information regarding the behaviour of guests to management.	1	2	3	4	5
1	2	3	4	5	Oversee the interaction between guests.	1	2	3	4	5
(1)					Customer defection management	(2)				
1	2	3	4	5	Use a database to identify guests who leave and do not come back.	1	2	3	4	5
1	2	3	4	5	Identify the reasons why guests have left	1	2	3	4	5
1	2	3	4	5	Measure the customer defection rate.	1	2	3	4	5
1	2	3	4	5	Identify the key service dimensions that lead to the retention of guests.	1	2	3	4	5
1	2	3	4	5	Compare the performance of the hotel in terms of service quality with competitors.	1	2	3	4	5
1	2	3	4	5	Compare the customer retention rate or defection rate of the hotel with that of other hotels.	1	2	3	4	5
1	2	3	4	5	Analyse defections to determine the causes why guests leave.	1	2	3	4	5
1	2	3	4	5	Analyse complaints.	1	2	3	4	5

1	2	3	4	5	Implement strategies to counter the leaving of guests to other accommodation suppliers.	1	2	3	4	5
1	2	3	4	5	Allocate resources to influence guests to refrain from leaving.	1	2	3	4	5
(1)					Service failure management	(2)				
1	2	3	4	5	Identify service failure points or areas where failures occur.	1	2	3	4	5
1	2	3	4	5	Determine the reasons why service failures occur.	1	2	3	4	5
1	2	3	4	5	Identify prospective employees with good communication skills to successfully handle complaints and serve guests pro-actively.	1	2	3	4	5
1	2	3	4	5	Develop training programmes to provide employees with good communication skills to successfully handle complaints and serve guests pro-actively.	1	2	3	4	5
1	2	3	4	5	Adapt the organizational structure of the hotel to reduce service failures.	1	2	3	4	5
1	2	3	4	5	Divide the service task into manageable parts to reduce service failures.	1	2	3	4	5
1	2	3	4	5	Control situations where guests come into contact with employees.	1	2	3	4	5
1	2	3	4	5	Ensure managers are knowledgeable of situations where guests come into contact with employees.	1	2	3	4	5
1	2	3	4	5	Conduct exit interviews with departing guests.	1	2	3	4	5
(1)					Service recovery	(2)				
1	2	3	4	5	Put a service recovery process in place to win back guests who experienced a service failure.	1	2	3	4	5
1	2	3	4	5	Use a standardized strategy applicable to all guests for service recovery.	1	2	3	4	5
1	2	3	4	5	Vary service recovery strategies according to the seriousness and criticality of the service failure.	1	2	3	4	5
1	2	3	4	5	Vary service recovery strategies according to the importance of the individual guest to the hotel.	1	2	3	4	5
1	2	3	4	5	Communicate with distressed guests.	1	2	3	4	5
1	2	3	4	5	Be empathetic with guests that experienced a service failure.	1	2	3	4	5
1	2	3	4	5	Provide feedback to guests regarding the progress in rectifying the service failure.	1	2	3	4	5
1	2	3	4	5	Offer an explanation to guests for the reason for the service failure.	1	2	3	4	5
1	2	3	4	5	Empower, support and involve employees to deal with a service failure.	1	2	3	4	5
1	2	3	4	5	Ensure employees deal with a guest in a professional manner when addressing a service failure.	1	2	3	4	5

3. What other activities, not listed here, does the hotel engage in to retain guests?

INTERVIEWER INSTRUCTION NO. 13
INDICATE TO THE RESPONDENT THAT THERE ARE ONLY A FEW QUESTIONS LEFT.

SECTION E

INTERVIEWER INSTRUCTION NO. 14

**READ THE QUESTION AND EACH STATEMENT TO THE RESPONDENT
AND WRITE THE ANSWER IN THE CORRESPONDING BLOCK.**

Rank the importance of the following activities in retaining guests at the hotel, where 1 is the 'least important' activity and 4 the 'most important' activity.

Activities	
• Build and maintain long-term relationships with guests.	
• Manage the interaction between guests.	
• Manage the rate at which guests defect to other accommodation suppliers.	
• Identify service failures and take corrective action when service failures do occur.	

SECTION F

INTERVIEWER INSTRUCTION NO. 15

**READ EACH QUESTION TO THE RESPONDENT AND WRITE OR MARK
THE ANSWER IN THE APPROPRIATE SPACE OR BLOCK.**

1. What position do you hold at this hotel? _____
2. How long have you been in this position? _____ years.
3. How long has the hotel been in business? _____ years.

INTERVIEWER INSTRUCTION NO. 18

THANK THE RESPONDENT FOR HIS OR HER CO-OPERATION.

For office use:					
Ownership	Group or branded hotel			Privately owned or owner managed hotel	
Size	Small		Medium		Large

APPENDIX B – FINAL QUESTIONNAIRE

CUSTOMER RETENTION QUESTIONNAIRE

Setting up an appointment

INTERVIEWER INSTRUCTION NO. 1

PHONE THE NUMBER ON THE LIST PROVIDED AND ASK THE FOLLOWING FROM THE PERSON ANSWERING THE PHONE:

Good day, Sir/Madam. My name is ... (state your name). I represent Danie Petzer, a lecturer at Monash University's South Africa campus. He is a Doctorate student at the North-West University and is currently collecting data for his thesis. Can you please tell me who in your hotel is responsible for managing guest related matters?

INTERVIEWER INSTRUCTION NO. 2

ASK TO SPEAK TO THIS PERSON. ASK THE FOLLOWING TO HIM OR HER AND MARK THE ANSWER IN THE APPROPRIATE BLOCK:

Good day, Sir/Madam. My name is ... (state your name). I represent Danie Petzer, a lecturer at Monash University's South Africa Campus. He is a Doctorate student at the North-West University, Potchefstroom Campus and is currently collecting data for his thesis. The study examines guest retention practices in the hotel industry. Are you responsible for, or familiar with, the hotel's guest retention practices such as relationship building with guests, customer-to-customer management, defection management, service failures and service recovery efforts?

Yes

No

INTERVIEWER INSTRUCTION

NO. 3

IF THE RESPONDENT ANSWERED 'YES' PROCEED TO INTERVIEWER INSTRUCTION NO.5.

INTERVIEWER INSTRUCTION

NO. 4

IF THE RESPONDENT ANSWERED 'NO' REVERT BACK TO INTERVIEWER INSTRUCTION NO. 1.

INTERVIEWER INSTRUCTION NO. 5

ASK TO MAKE AN APPOINTMENT FOR AN INTERVIEW WITH THIS PERSON AND EXPRESS THAT THE INTERVIEW WILL TAKE 20 MINUTES TO COMPLETE.

INTERVIEWER INSTRUCTION NO. 6

ASK TO E-MAIL OR FAX THE QUESTIONNAIRE, EXPLANATORY STATEMENT AND CONSENT FORM TO THIS PERSON FOR HIS/HER PERUSAL BEFORE THE INTERVIEW TAKES PLACE.

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Questionnaire to be completed during appointment

INTERVIEWER INSTRUCTION NO. 7
READ THE FOLLOWING STATEMENT TO THE RESPONDENT:

Good day, Sir/Madam. My name is ... (state your name). I represent Danie Petzer, a lecturer at Monash University's South Africa campus. He is a Doctorate student at the North West University, Potchefstroom Campus and is currently collecting data for his thesis. The topic of the thesis is 'Customer retention management for the hotel industry in Gauteng'.

The interview will take 20 minutes to complete. As stated in the explanatory statement, everything you say will be treated with the strictest confidence and all information will be used for research purposes only. Information will be anonymously reported and neither the individual nor the hotel will be identified in any way whatsoever.

SECTION A

INTERVIEWER INSTRUCTION NO. 8
READ EACH QUESTION TO THE RESPONDENT AND WRITE THE ANSWER IN THE CORRESPONDING BLOCK.

Please describe the hotel guests in terms of the following:

Guests staying during the week	
• What percentage of guests stays at the hotel during the week for <i>business</i> -related purposes?	
• What percentage of guests stays at the hotel during the week for <i>leisure</i> purposes?	
Total	100%
Guests staying during the weekend	
• What percentage of guests stays at the hotel during weekends for <i>business</i> -related purposes?	
• What percentage of guests stays at the hotel during week ends for <i>leisure</i> purposes?	
Total	100%

SECTION B

INTERVIEWER INSTRUCTION NO. 9
READ THE QUESTION TO THE RESPONDENT AND MARK THE
ANSWER IN THE APPROPRIATE BLOCK.

1. Do you measure the customer retention rate of the hotel?

Yes

No

INTERVIEWER INSTRUCTION
NO. 10
IF THE RESPONDENT
ANSWERED 'YES' PROCEED
WITH QUESTIONS 2 AND 3.
READ QUESTIONS 2 AND 3 TO
THE RESPONDENT AND
WRITE THE ANSWERS IN THE
APPROPRIATE SPACES.

INTERVIEWER INSTRUCTION
NO. 11
IF THE RESPONDENT
ANSWERED 'NO' SKIP
QUESTION 2 AND PROCEED TO
QUESTION 3.
READ QUESTION 3 TO THE
RESPONDENT AND WRITE THE
ANSWER IN THE
APPROPRIATE SPACE.

2. Briefly explain how you measure the customer retention rate.

3. What do you estimate the current customer retention rate for guests who stay for *business* related purposes to be? _____ per cent.

4. What do you estimate the current customer retention rate for guests who stay for *leisure* purposes to be? _____ per cent.

5. What do you estimate the current *overall* customer retention rate of the hotel to be? _____ per cent.

SECTION C

INTERVIEWER INSTRUCTION NO. 12

**READ THE QUESTION AND EACH STATEMENT TO THE RESPONDENT
AND MARK EACH ANSWER IN THE CORRESPONDING BLOCK.**

1. Indicate on a scale of 1 to 5, where 1 is 'not important at all' and 5 is 'very important', how important the following activities are in the hotel's efforts to be competitive:

Activities					
Competitive marketing strategies					
• Create value for guests that competitors find difficult to imitate.	1	2	3	4	5
• Sustain value for guests that competitors find difficult to imitate.	1	2	3	4	5
• Create a unique positioning strategy for the hotel.	1	2	3	4	5
• Change the existing positioning strategy of the hotel to improve its appeal to guests.	1	2	3	4	5
• Manage the hotel's offerings as demand for these changes over time.	1	2	3	4	5

2. Indicate on a scale of 1 to 5, where 1 is 'not important at all' and 5 is 'very important', how important the following activities are in the hotel's efforts to manage supply and demand:

Activities					
Management of supply and demand					
• Manage guests' demand for products and services in an attempt to change demand, for example, charging higher room rates in peak periods, offering special discount in periods of low demand and using a reservation system.	1	2	3	4	5
• Manage the hotel's ability to supply products and services in response to guest demand, for example, turning double rooms into family rooms and hiring extra staff during periods of high demand.	1	2	3	4	5
• Maximize revenue through manipulating room rates in response to expected demand, for example, adjust prices based on the level of demand expected.	1	2	3	4	5

SECTION D

INTERVIEWER INSTRUCTION NO. 13

**READ THE QUESTIONS AND EACH STATEMENT TO THE RESPONDENT
AND MARK EACH ANSWER IN THE CORRESPONDING BLOCK.**

1. Indicate on a scale of 1 to 5, where 1 is 'not important at all' and 5 is 'very important', how important you consider performing the following activities in retaining guests at the hotel:

2. Indicate on a scale of 1 to 5, where 1 represents 'never' and 5 represents 'regularly', how often the following activities are performed at the hotel:

(1)					Relationship marketing	(2)				
1	2	3	4	5	Focus on building long-term relationships with guests.	1	2	3	4	5
1	2	3	4	5	Ongoing management of relationships with guests.	1	2	3	4	5
1	2	3	4	5	Customize relationships with individual guests or groups of guests.	1	2	3	4	5
1	2	3	4	5	Endeavour to offer customized value to different guests (special prices or extra services).	1	2	3	4	5
1	2	3	4	5	Measure the satisfaction levels of guests with the services quality experienced at the hotel.	1	2	3	4	5
1	2	3	4	5	Recognize and reward guests for their business.	1	2	3	4	5
1	2	3	4	5	Create guest loyalty towards the hotel.	1	2	3	4	5
1	2	3	4	5	Maintain a database of guest preferences and guest details.	1	2	3	4	5
(1)					Compatibility management	(2)				
1	2	3	4	5	Attract similar or compatible guests to the hotel.	1	2	3	4	5
1	2	3	4	5	Promote positive encounters between guests.	1	2	3	4	5
1	2	3	4	5	Put rules and policies in place to guide the behaviour of guests during their stay at the hotel.	1	2	3	4	5
1	2	3	4	5	Manage the physical environment to facilitate the interaction between guests, for example, in the dining room and around the pool.	1	2	3	4	5
1	2	3	4	5	Help guests to follow the correct procedures, for example, placing notice boards and signage in the hotel to indicate the correct check-in procedure.	1	2	3	4	5
1	2	3	4	5	Recognize and reward guests for good behaviour, for example, thanking a guest for assisting another.	1	2	3	4	5
1	2	3	4	5	Enforce standards of behaviour, for example, requesting noisy guests to calm down.	1	2	3	4	5
1	2	3	4	5	Introduce guests to each other.	1	2	3	4	5
1	2	3	4	5	Encourage employees to provide information regarding the behaviour of guests to management.	1	2	3	4	5
1	2	3	4	5	Oversee the interaction between guests.	1	2	3	4	5
(1)					Customer defection management	(2)				
1	2	3	4	5	Use a database to identify guests who leave and do not come back.	1	2	3	4	5
1	2	3	4	5	Identify the reasons why guests have left	1	2	3	4	5
1	2	3	4	5	Measure the customer defection rate.	1	2	3	4	5
1	2	3	4	5	Identify the key service dimensions that lead to the retention of guests.	1	2	3	4	5
1	2	3	4	5	Compare the performance of the hotel in terms of service quality with competitors.	1	2	3	4	5

1	2	3	4	5	Compare the customer retention rate or defection rate of the hotel with that of other hotels.	1	2	3	4	5
1	2	3	4	5	Analyse complaints.	1	2	3	4	5
1	2	3	4	5	Implement strategies to counter the leaving of guests to other accommodation suppliers.	1	2	3	4	5
1	2	3	4	5	Allocate resources to influence guests to refrain from leaving.	1	2	3	4	5
(1)					Service failure management	(2)				
1	2	3	4	5	Identify service failure points or areas where failures occur.	1	2	3	4	5
1	2	3	4	5	Determine the reasons why service failures occur.	1	2	3	4	5
1	2	3	4	5	Identify prospective employees with good communication skills to successfully handle complaints and serve guests pro-actively.	1	2	3	4	5
1	2	3	4	5	Develop training programmes to provide employees with good communication skills to successfully handle complaints and serve guests pro-actively.	1	2	3	4	5
1	2	3	4	5	Adapt the organizational structure of the hotel to reduce service failures.	1	2	3	4	5
1	2	3	4	5	Divide the service task into manageable parts that an employee is able to successfully manage to reduce service failures.	1	2	3	4	5
1	2	3	4	5	Control situations where guests come into contact with employees by attempting to ensure employees listen to guests and respond to the particular needs of guests.	1	2	3	4	5
1	2	3	4	5	Ensure managers are knowledgeable of situations where guests come into contact with employees.	1	2	3	4	5
1	2	3	4	5	Conduct exit interviews with departing guests.	1	2	3	4	5
(1)					Service recovery	(2)				
1	2	3	4	5	Put a service recovery process in place to win back guests who experienced a service failure.	1	2	3	4	5
1	2	3	4	5	Use a standardized strategy applicable to all guests for service recovery.	1	2	3	4	5
1	2	3	4	5	Vary service recovery strategies according to the seriousness and criticality of the service failure.	1	2	3	4	5
1	2	3	4	5	Vary service recovery strategies according to the importance of the individual guest to the hotel.	1	2	3	4	5
1	2	3	4	5	Communicate with distressed guests.	1	2	3	4	5
1	2	3	4	5	Be empathetic with guests that experienced a service failure.	1	2	3	4	5
1	2	3	4	5	Provide feedback to guests regarding the progress in rectifying the service failure.	1	2	3	4	5
1	2	3	4	5	Offer an explanation to guests for the reason for the service failure.	1	2	3	4	5
1	2	3	4	5	Empower, support and involve employees to deal with a service failure.	1	2	3	4	5
1	2	3	4	5	Ensure employees deal with a guest in a professional manner when addressing a service failure.	1	2	3	4	5

3. What other activities, not listed here, does the hotel engage in to retain guests?

INTERVIEWER INSTRUCTION NO. 14
INDICATE TO THE RESPONDENT THAT THERE ARE ONLY A FEW
QUESTIONS LEFT.

SECTION E

INTERVIEWER INSTRUCTION NO. 15
READ THE QUESTION AND EACH STATEMENT TO THE RESPONDENT
AND WRITE THE ANSWER IN THE CORRESPONDING BLOCK.

Rank the importance of the following activities in retaining guests at the hotel, where 1 is the 'least important' activity and 4 the 'most important' activity.

Activities	
• Build and maintain long-term relationships with guests.	
• Manage the interaction between guests.	
• Manage the rate at which guests defect to other accommodation suppliers.	
• Identify service failures and take corrective action when service failures do occur.	

SECTION F

INTERVIEWER INSTRUCTION NO. 16
READ EACH QUESTION TO THE RESPONDENT AND WRITE OR MARK
THE ANSWER IN THE APPROPRIATE SPACE OR BLOCK.

1. What position do you hold at this hotel? _____
2. How long have you been in this position? _____ years.
3. How long has the hotel been in business? _____ years.

INTERVIEWER INSTRUCTION NO. 19
THANK THE RESPONDENT FOR HIS OR HER CO-OPERATION.

For office use:					
Ownership	Group or branded hotel			Privately owned or owner managed hotel	
Size	Small		Medium		Large

APPENDIX C – EXPLANATORY STATEMENT

MONASH University



18 May 2005

Explanatory Statement – Customer manager

Title: Customer retention management for the hotel industry in Gauteng

This information sheet is for you to keep.

My name is Danie Petzer and I am a lecturer in the School of Business and Economics at Monash South Africa.

For the purposes of this study I have compiled a comprehensive list of hotels located in Gauteng obtained from Qualitour (Pty.) Ltd. (2002). The list was compiled for the Gauteng Tourism Authority by Qualitour (Pty.) Ltd as a comprehensive database on all accommodation suppliers in Gauteng for their website. I updated the list from the Where-to-Stay Website (<http://www.wheretostay.co.za>) as well as the Tourism Grading Council's Website (<http://www.tourismgrading.co.za>). A total of 125 hotels were selected through systematic sampling. I am contacting the person responsible for customer management at each of these hotels to participate in the research.

The aim of this study is to investigate customer retention management practices of hotels in Gauteng. I am conducting this research to propose comprehensive customer retention management practices for the hotel industry in Gauteng.

The research involves customer managers of hotels. An in-office administered interview will be used to obtain information. The research involves customer managers at hotels responsible for, or familiar with, the hotel's customer retention practices such as relationship building with guests, customer to customer management, defection management, service failure and service recovery efforts.

I will be assisted by a trained interviewer to conduct the interviews. The interview will take approximately 20 minutes of your time. The questions that we will be asking are not likely to cause you any significant distress and only minor inconvenience but no discomfort.

Taking part in this study is completely voluntary - you are under no obligation to consent to participation and you may withdraw at any stage, or avoid answering questions which are felt to be too personal or intrusive.

All aspects of the study, including results, will be strictly confidential and only the researchers will have access to information on participants. Storage of the data collected will adhere to the University regulations and kept on University premises in a locked cupboard/filing cabinet for 5 years. A report of the study (thesis) will be submitted for publication, but individual participants will not be identifiable in such a report.

If you have any queries or would like to be informed of the aggregate research findings, please contact Danie Petzer on 011 950 4120 or fax on 011 950 4022 or e-mail at daniel.petzer@buseco.monash.edu. The findings are accessible for five years.

Should you have any complaint concerning the manner in which this research is conducted, please do not hesitate to contact the Monash University Standing Committee on Ethics in Research Involving Humans at the following address:

The Secretary
The Standing Committee on Ethics in Research Involving Humans (SCERH)
Building 3d
Research Grants & Ethics Branch
Monash University VIC 3800
Tel: +61 3 9905 2052 Fax: +61 3 9905 1420
E-mail: scerh@adm.monash.edu.au

Thank you.

Daniel Petzer

APPENDIX D – CONSENT FORM

Consent Form – Hotel manager

Title: Customer retention management for the hotel industry in Gauteng

NOTE: This consent form will remain with the Monash University researcher for his records.

I agree to take part in the Monash University research project specified above. I have had the project explained to me, and I have read the Explanatory Statement, which I keep for my records. I understand that agreeing to take part means that I am willing to:

I agree to be interviewed by the researcher or interviewer

☐ Yes ☐ No

I agree to make myself available for a further interview if required

☐ Yes ☐ No

I understand that my participation is voluntary, that I can choose not to participate in part or all of the project, and that I can withdraw at any stage of the project without being penalised or disadvantaged in any way.

I understand that any data that the researcher extracts from the interview for use in reports or published findings will not, under any circumstances, contain names or identifying characteristics.

I understand that any information I provide is confidential, and that no information that could lead to the identification of any individual will be disclosed in any reports on the project, or to any other party.

I understand that data from the interview will be kept in a secure storage and accessible to the research team. I also understand that the data will be destroyed after a 5 year period unless I consent to it being used in future research.

Participant's name:

Signature:

Date:

APPENDIX E – SKEWNESS AND KURTOSIS

Section D

Importance of Activities

Relationship Marketing

Statistics

	N					
	Missing	Mean	Median	Std. Deviation	Skewness	Kurtosis
Long term relationships	0	4.75	5.00	.513	-1.985	3.275
Ongoing management	1	4.67	5.00	.579	-1.612	1.685
Customize relationships	0	4.66	5.00	.581	-1.533	1.431
Customized value	1	4.29	5.00	1.083	-1.794	2.864
Measure satisfaction	1	4.62	5.00	.652	-1.496	1.021
Recognize and reward	1	4.33	5.00	.982	-1.684	2.974
Create loyalty	2	4.57	5.00	.716	-1.389	.448
Maintain database	1	4.47	5.00	1.168	-2.246	3.899

Compatibility Management

Statistics

	N					
	Missing	Mean	Median	Std. Deviation	Skewness	Kurtosis
Attract similar	0	3.82	4.00	1.193	-.909	.144
Promote pos encounters	0	3.86	4.00	1.086	-.590	-.558
Rules and policies	0	3.84	4.00	1.262	-.982	.063
Physical environment	0	3.70	4.00	1.174	-.703	-.342
Correct procedures	1	3.98	4.00	1.147	-1.111	.617
Recognize and reward	0	3.20	3.00	1.354	-.143	-1.226
Enforce standards	0	4.07	4.00	1.142	-1.132	.400

Introduce guests	0	2.52	2.50	1.293	.456	-.716
Provide information	1	3.85	4.00	1.283	-.975	-.021
Oversee interaction	1	2.73	3.00	1.209	.225	-.751

Customer Defection Management

Statistics

	N					
		Mean	Median	Std. Deviation	Skewness	Kurtosis
Database to identify	0	3.89	4.00	1.358	-1.111	.100
Identify reasons	0	4.32	5.00	1.029	-1.731	2.692
Measure defection rate	1	4.02	4.00	1.114	-1.122	.871
Identify key dimensions	0	4.41	5.00	.930	-1.770	2.994
Compare performance	1	4.24	5.00	.942	-1.188	1.230
Compare retention	2	3.19	3.00	1.199	-.030	-.923
Analyse complaints	3	4.79	5.00	.454	-2.105	3.908
Implement strategies	1	4.27	4.00	.891	-1.552	2.921
Allocate resources	1	4.04	4.00	.999	-1.115	1.349

Service Failure Management

Statistics

	N					
		Mean	Median	Std. Deviation	Skewness	Kurtosis
Identify service failure points	3	4.70	5.00	.540	-1.624	1.841
Determine reasons	2	4.67	5.00	.583	-2.178	6.715
Identify prospective employees	2	4.65	5.00	.588	-1.477	1.248
Develop training programmes	2	4.54	5.00	.745	-2.405	8.521
Adapt organisational structure	2	4.54	5.00	.693	-1.552	2.429
Divide service task	2	4.39	5.00	.787	-1.064	.300
Control situations	2	4.44	5.00	.816	-1.434	1.428

Ensure managers are knowledgeable	2	4.46	5.00	.905	-2.026	4.208
Conduct exit interviews	2	3.52	4.00	1.384	-.484	-1.034

Service Recovery

Statistics

	N					
	Missing	Mean	Median	Std. Deviation	Skewness	Kurtosis
Service recovery process	1	4.45	5.00	.715	-.937	-.421
Use standardised strategy	2	3.72	4.00	1.089	-.690	-.125
Vary according seriousness	1	4.31	5.00	.791	-.619	-1.116
Vary according importance	1	4.04	4.00	1.071	-1.013	.586
Communicate with distressed	2	4.85	5.00	.359	-2.038	2.235
Empathetic with guests	3	4.77	5.00	.423	-1.346	-.198
Provide feedback	2	4.78	5.00	.462	-1.952	3.178
Offer explanation	2	4.57	5.00	.792	-2.387	7.061
Empower, support and involve	2	4.65	5.00	.555	-1.311	.830
Professional manner	1	4.84	5.00	.373	-1.870	1.551

Frequency of Activities

Relationship Marketing

Statistics

	N					
	Missing	Mean	Median	Std. Deviation	Skewness	Kurtosis
Long term relationships	0	4.46	5.00	.687	-.916	-.337
Ongoing management	0	4.29	4.00	.780	-.794	-.093
Customize relationships	1	4.33	4.00	.747	-.623	-.932
Customized value	0	3.75	4.00	1.240	-.809	-.299
Measure satisfaction	0	4.16	4.00	1.005	-1.115	.704
Recognize and reward	0	3.93	4.00	1.126	-.727	-.241

Create loyalty	0	3.82	4.00	1.223	-.884	-.058
Maintain database	0	3.95	4.00	1.227	-.935	-.150

Compatibility Management

Statistics

	N		Mean	Median	Std. Deviation	Skewness	Kurtosis
	Missing						
Attract similar	2		3.50	4.00	1.356	-.518	-.796
Promote pos encounters	2		3.43	3.50	1.268	-.289	-.989
Rules and policies	2		3.67	4.00	1.332	-.697	-.701
Physical environment	1		3.38	4.00	1.367	-.329	-1.172
Correct procedures	0		3.73	4.00	1.300	-.559	-.966
Recognize and reward	1		2.89	3.00	1.383	.246	-1.121
Enforce standards	1		3.85	4.00	1.283	-.702	-.896
Introduce guests	1		2.42	2.00	1.301	.684	-.541
Provide information	0		3.71	4.00	1.289	-.707	-.654
Oversee interaction	2		2.67	2.00	1.374	.408	-1.025

Customer Defection Management

Statistics

	N		Mean	Median	Std. Deviation	Skewness	Kurtosis
	Missing						
Database to identify	2		3.30	3.00	1.475	-.170	-1.373
Identify reasons	2		3.67	4.00	1.467	-.696	-.976
Measure defection rate	2		3.15	3.00	1.379	-.007	-1.255
Identify key dimensions	2		3.85	4.00	1.235	-.894	-.047
Compare performance	0		3.98	4.00	1.258	-1.330	.954
Compare retention	2		2.50	3.00	1.285	.249	-.973
Analyse complaints	1		4.62	5.00	.593	-1.309	.770

Implement strategies	1	3.69	4.00	1.230	-.677	-.406
Allocate resources	1	3.44	3.00	1.330	-.373	-.936

Service Failure Management

Statistics

	N					
	Missing	Mean	Median	Std. Deviation	Skewness	Kurtosis
Identify service failure points	0	4.36	5.00	.943	-1.867	4.028
Determine reasons	1	4.35	5.00	.947	-1.571	2.267
Identify prospective employees	0	4.21	4.50	1.004	-1.457	2.133
Develop training programmes	0	3.93	4.00	1.093	-1.067	.847
Adapt organisational structure	0	3.96	4.00	1.026	-.764	-.040
Divide service task	0	3.89	4.00	1.039	-.687	-.204
Control situations	0	3.98	4.00	1.018	-.607	-.782
Ensure managers are knowledgeable	1	4.15	4.00	.970	-.807	-.469
Conduct exit interviews	1	3.02	3.00	1.459	-.033	-1.334

Services Recovery

Statistics

	N					
	Missing	Mean	Median	Std. Deviation	Skewness	Kurtosis
Service recovery process	1	4.02	4.00	1.097	-.911	-.124
Use standardised strategy	0	3.32	3.00	1.223	-.466	-.462
Vary according seriousness	3	3.89	4.00	1.171	-.743	-.112
Vary according importance	2	3.63	4.00	1.307	-.637	-.669
Communicate with distressed	0	4.70	5.00	.570	-1.754	2.186
Empathetic with guests	1	4.55	5.00	.662	-1.168	.212
Provide feedback	0	4.43	5.00	.759	-1.429	2.077
Offer explanation	0	4.34	5.00	.996	-1.541	1.778

Empower, support and involve	0	4.29	4.00	.780	-1.033	.942
Professional manner	1	4.51	5.00	.767	-1.694	2.686

APPENDIX F – FACTOR ANALYSIS AND RELIABILITES

Factor Analyses and Reliabilities of Section D Question 2

Relationship Marketing

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.772
Bartlett's Test of Sphericity	Approx. Chi-Square	240.605
	Df	28
	Sig.	.000

Anti-image Matrices

		Long term relationships	Ongoing management	Customize relationships	Customized value	Measure satisfaction	Recognize and reward	Create loyalty	Maintain database
Anti-image Correlation	Long term relationships	.765(a)	-.437	-.110	.157	-.273	-.256	.327	-.037
	Ongoing management	-.437	.811(a)	-.524	-.053	-.042	-.155	-.078	-.223
	Customize relationships	-.110	-.524	.777(a)	-.291	.196	-.059	.014	.162
	Customized value	.157	-.053	-.291	.759(a)	-.581	-.076	.083	-.076
	Measure satisfaction	-.273	-.042	.196	-.581	.664(a)	.309	-.353	-.139
	Recognize and reward	-.256	-.155	-.059	-.076	.309	.802(a)	-.431	-.147
	Create loyalty	.327	-.078	.014	.083	-.353	-.431	.714(a)	-.369
	Maintain database	-.037	-.223	.162	-.076	-.139	-.147	-.369	.870(a)
a Measures of Sampling Adequacy(MSA)									

Communalities

	Initial	Extraction
Long term relationships	.608	.593
Ongoing management	.770	.915
Customize relationships	.624	.641
Customized value	.565	.433
Measure satisfaction	.619	.503
Recognize and reward	.576	.462
Create loyalty	.602	.623
Maintain database	.574	.642
Extraction Method: Principal Axis Factoring.		

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.235	52.936	52.936	3.863	48.282	48.282	2.484	31.048	31.048
2	1.326	16.570	69.506	.949	11.866	60.148	2.328	29.100	60.148
3	.933	11.661	81.167						
4	.498	6.220	87.387						
5	.349	4.358	91.745						
6	.315	3.934	95.678						
7	.180	2.254	97.932						
8	.165	2.068	100.000						

Extraction Method: Principal Axis Factoring.

Factor Matrix(a)

	Factor	
	1	2
Ongoing management	.895	-.338

Maintain database	.726	.337
Recognize and reward	.678	
Customize relationships	.674	-.431
Long term relationships	.674	-.372
Create loyalty	.635	.469
Customized value	.633	.178
Measure satisfaction	.601	.376

Extraction Method: Principal Axis Factoring.

a 2 factors extracted. 11 iterations required.

Rotated Factor Matrix(a)

	Factor	
	1	2
Ongoing management	.882	.371
Customize relationships	.786	.151
Long term relationships	.745	.193
Recognize and reward	.530	.426
Create loyalty	.138	.777
Maintain database	.295	.745
Measure satisfaction	.178	.687
Customized value	.337	.565

Extraction Method: Principal Axis Factoring.
Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 3 iterations.

Factor Transformation Matrix

Factor	1	2
1	.726	.688
2	-.688	.726

Extraction Method: Principal Axis Factoring.
Rotation Method: Varimax with Kaiser Normalization.

Reliability

Case Processing Summary

		N	%
Cases	Valid	55	98.2
	Excluded(a)	1	1.8
	Total	56	100.0

a Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.860	8

Item Statistics

	Mean	Std. Deviation	N
Long term relationships	4.47	.690	55
Ongoing management	4.29	.786	55
Customize relationships	4.33	.747	55
Customized value	3.75	1.250	55
Measure satisfaction	4.16	1.014	55
Recognize and reward	3.95	1.129	55
Create loyalty	3.84	1.229	55
Maintain database	3.95	1.239	55

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Long term relationships	28.25	29.897	.557	.851
Ongoing management	28.44	27.695	.757	.832

Customize relationships	28.40	29.578	.546	.851
Customized value	28.98	25.389	.605	.845
Measure satisfaction	28.56	27.288	.591	.845
Recognize and reward	28.78	26.137	.620	.841
Create loyalty	28.89	25.506	.609	.844
Maintain database	28.78	24.507	.696	.832

Scale Statistics			
Mean	Variance	Std. Deviation	N of Items
32.73	34.572	5.880	8

Compatibility Management

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.844
Approx. Chi-Square		284.962
Bartlett's Test of Sphericity	Df	45
	Sig.	.000

Anti-image Matrices

		Attract similar	Promote pos encounters	Rules and policies	Physical environment	Correct procedures	Recognize and reward	Enforce standards	Introduce guests	Provide information	Oversee interaction
Anti-image correlation	Attract similar	.840(a)	-.463	.109	.189	-.190	-.145	-.003	-.088	-.044	.015
	Promote pos encounters	-.463	.777(a)	-.282	-.565	.246	.080	.051	-.052	-.019	-.139
	Rules and policies	.109	-.282	.840(a)	.085	-.416	-.090	-.244	.082	-.208	.063
	Physical environment	.189	-.565	.085	.821(a)	-.338	-.070	.084	-.101	-.038	-.086

Correct procedures	-.190	.246	-.416	-.338	.815(a)	-.189	.006	-.090	-.037	.112
Recognize and reward	-.145	.080	-.090	-.070	-.189	.929(a)	.001	-.267	-.022	-.168
Enforce standards	-.003	.051	-.244	.084	.006	.001	.809(a)	-.150	-.518	.103
Introduce guests	-.088	-.052	.082	-.101	-.090	-.267	-.150	.882(a)	.002	-.480
Provide information	-.044	-.019	-.208	-.038	-.037	-.022	-.518	.002	.865(a)	-.245
Oversee interaction	.015	-.139	.063	-.086	.112	-.168	.103	-.480	-.245	.865(a)

Measures of Sampling Adequacy(MSA)

Communalities

	Initial	Extraction
Attract similar	.463	.406
Promote pos encounters	.699	.639
Rules and policies	.577	.582
Physical environment	.643	.601
Correct procedures	.541	.438
Recognize and reward	.532	.525
Enforce standards	.537	.635
Introduce guests	.669	.660
Provide information	.633	.692
Oversee interaction	.639	.596
Extraction Method: Principal Axis Factoring.		

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of	Cumulative	Total	% of	Cumulative	Total	% of	Cumulative

	Variance		%	Variance		%	Variance		%
1	5.341	53.408	53.408	4.926	49.258	49.258	3.405	34.054	34.054
2	1.236	12.360	65.768	.849	8.488	57.746	2.369	23.692	57.746
3	.792	7.920	73.688						
4	.677	6.769	80.457						
5	.591	5.907	86.363						
6	.359	3.592	89.955						
7	.336	3.363	93.319						
8	.290	2.903	96.222						
9	.209	2.090	98.312						
10	.169	1.688	100.000						
Extraction Method: Principal Axis Factoring.									

Factor Matrix(a)

	Factor	
	1	2
Introduce guests	.788	-.197
Provide information	.749	.363
Promote pos encounters	.747	-.285
Oversee interaction	.734	-.240
Physical environment	.727	-.269
Recognize and reward	.719	
Rules and policies	.678	.349
Correct procedures	.648	.134
Attract similar	.611	-.181
Enforce standards	.590	.536
Extraction Method: Principal Axis Factoring.		
a 2 factors extracted. 11 iterations required.		

Rotated Factor Matrix(a)

	Factor

	1	2
Promote pos encounters	.765	.230
Introduce guests	.745	.325
Physical environment	.740	.231
Oversee interaction	.728	.258
Recognize and reward	.621	.372
Attract similar	.594	.230
Enforce standards	.140	.785
Provide information	.371	.745
Rules and policies	.324	.691
Correct procedures	.432	.502
Extraction Method: Principal Axis Factoring.		
Rotation Method: Varimax with Kaiser Normalization.		
a Rotation converged in 3 iterations.		

Factor Transformation Matrix

Factor	1	2
1	.792	.611
2	-.611	.792
Extraction Method: Principal Axis Factoring.		
Rotation Method: Varimax with Kaiser Normalization.		

Reliability

Case Processing Summary

		N	%
Cases	Valid	53	94.6
	Excluded(a)	3	5.4
	Total	56	100.0
a Listwise deletion based on all variables in the procedure.			

Reliability Statistics

Cronbach's Alpha	N of Items
.902	10

Item Statistics

	Mean	Std. Deviation	N
Attract similar	3.51	1.368	53
Promote pos encounters	3.43	1.279	53
Rules and policies	3.70	1.324	53
Physical environment	3.40	1.378	53
Correct procedures	3.79	1.291	53
Recognize and reward	2.91	1.404	53
Enforce standards	3.83	1.297	53
Introduce guests	2.43	1.323	53
Provide information	3.77	1.281	53
Oversee interaction	2.68	1.384	53

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Attract similar	29.94	78.554	.577	.897
Promote pos encounters	30.02	77.057	.700	.889
Rules and policies	29.75	77.843	.634	.893
Physical environment	30.06	76.247	.676	.891
Correct procedures	29.66	78.498	.622	.894
Recognize and reward	30.55	75.676	.686	.890
Enforce standards	29.62	80.509	.525	.900
Introduce guests	31.02	75.557	.743	.886

Provide information	29.68	77.068	.698	.889
Oversee interaction	30.77	76.025	.683	.890

Scale Statistics			
Mean	Variance	Std. Deviation	N of Items
33.45	94.406	9.716	10

Customer Defection Management

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.883
Approx. Chi-Square	287.684
Bartlett's Test of Sphericity	Df
	36
	Sig.
	.000

Anti-image Matrices

Anti-image Correlation		Database to identify	Identify reasons	Measure defection rate	Identify key dimensions	Compare performance	Compare retention	Analyse complaints	Implement strategies	Allocate resources
	Database to identify	.872(a)	-.238	-.322	-.192	.244	-.282	.079	-.155	.110
	Identify reasons	-.238	.900(a)	-.317	-.221	.178	-.200	-.096	-.186	.056
	Measure defection rate	-.322	-.317	.914(a)	-.190	-.105	-.041	-.032	-.073	-.239
	Identify key dimensions	-.192	-.221	-.190	.913(a)	-.259	.151	-.114	.078	-.134
	Compare performance	.244	.178	-.105	-.259	.808(a)	-.283	-.012	-.462	-.027
	Compare retention	-.282	-.200	-.041	.151	-.283	.878(a)	.150	.074	-.105
	Analyse	.079	-.096	-.032	-.114	-.012	.150	.861(a)	-.074	-.023

complaints									
Implement strategies	-.155	-.186	-.073	.078	-.462	.074	-.074	.861(a)	-.438
Allocate resources	.110	.056	-.239	-.134	-.027	-.105	-.023	-.438	.899(a)

a Measures of Sampling Adequacy(MSA)

Communalities

	Initial	Extraction
Database to identify	.682	.798
Identify reasons	.713	.772
Measure defection rate	.773	.824
Identify key dimensions	.609	.595
Compare performance	.582	.620
Compare retention	.483	.419
Analyse complaints	.125	.077
Implement strategies	.738	.813
Allocate resources	.641	.670
Extraction Method: Principal Axis Factoring.		

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.280	58.665	58.665	4.980	55.330	55.330	3.000	33.333	33.333
2	1.031	11.457	70.122	.608	6.754	62.085	2.588	28.752	62.085
3	.853	9.474	79.596						
4	.533	5.922	85.517						
5	.408	4.533	90.051						
6	.301	3.348	93.398						

7	.241	2.678	96.077			
8	.200	2.222	98.299			
9	.153	1.701	100.000			

Extraction Method: Principal Axis Factoring.

Factor Matrix(a)

	Factor	
	1	2
Measure defection rate	.900	-.123
Implement strategies	.852	.294
Identify reasons	.834	-.276
Database to identify	.791	-.415
Allocate resources	.779	.249
Identify key dimensions	.771	
Compare performance	.667	.418
Compare retention	.639	-.101
Analyse complaints	.259	.102

Extraction Method: Principal Axis Factoring.

a 2 factors extracted. 10 iterations required.

Rotated Factor Matrix(a)

	Factor	
	1	2
Database to identify	.865	.225
Identify reasons	.803	.357
Measure defection rate	.748	.514
Identify key dimensions	.585	.503
Compare retention	.541	.356
Implement strategies	.432	.791
Compare performance	.212	.758
Allocate resources	.409	.709

Analyse complaints	.123	.249
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Extraction Method: Principal Axis Factoring.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 3 iterations.

Factor Transformation Matrix

Factor	1	2
1	.740	.673
2	-.673	.740

Extraction Method: Principal Axis Factoring.

Rotation Method: Varimax with Kaiser Normalization.

Reliability

Case Processing Summary

		N	%
Cases	Valid	52	92.9
	Excluded(a)	4	7.1
	Total	56	100.0

a Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.910	9

Item Statistics

	Mean	Std. Deviation	N
Database to identify	3.31	1.502	52
Identify reasons	3.63	1.482	52
Measure defection rate	3.10	1.376	52
Identify key dimensions	3.83	1.248	52

Compare performance	3.92	1.281	52
Compare retention	2.50	1.276	52
Analyse complaints	4.62	.599	52
Implement strategies	3.63	1.237	52
Allocate resources	3.37	1.329	52

Item-Total Statistics

		Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Database	to	28.60	58.598	.729	.898
Identify					
Identify reasons		28.27	57.652	.789	.892
Measure					
defection rate		28.81	57.688	.863	.887
Identify	key				
dimensions		28.08	61.445	.747	.896
Compare					
performance		27.98	63.470	.613	.905
Compare					
retention		29.40	63.383	.621	.905
Analyse					
complaints		27.29	74.719	.245	.922
Implement					
strategies		28.27	60.593	.804	.892
Allocate					
resources		28.54	60.606	.737	.897

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
31.90	77.618	8.810	9

Service Failure Management

Factor Matrix(a)

a Attempted to extract 3 factors. In iteration 50, the communality of a variable exceeded 1.0. Extraction was terminated.

Factor Matrix(a)

a Attempted to extract 4 factors. In iteration 50, the communality of a variable exceeded 1.0. Extraction was terminated.

Factor Matrix(a)

a Attempted to extract 2 factors. In iteration 50, the communality of a variable exceeded 1.0. Extraction was terminated.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.708
	Approx. Chi-Square	201.875
Bartlett's Test of Sphericity	Df	36
	Sig.	.000

Anti-image Matrices

		Identify service failure points	Determine reasons	Identify prospective employees	Develop training programmes	Adapt organisational structure	Divide service task	Control situations	Ensure managers are knowledgeable	Conduct exit interviews
Anti-image Correlation	Identify service failure points	.565(a)	-.628	.015	.151	-.386	.310	.067	-.179	-.016
	Determine reasons	-.628	.627(a)	.097	-.237	.127	-.195	-.182	.143	-.035
	Identify prospective employees	.015	.097	.811(a)	-.484	-.120	-.047	-.043	-.203	-.188
	Develop training programmes	.151	-.237	-.484	.753(a)	-.126	.043	-.067	.044	.054
	Adapt organisational	-.386	.127	-.120	-.126	.702(a)	-.663	.038	-.175	.059

structure									
Divide service task	.310	-.195	-.047	.043	-.663	.639(a)	-.090	.086	-.035
Control situations	.067	-.182	-.043	-.067	.038	-.090	.744(a)	-.605	-.420
Ensure managers are knowledgeable	-.179	.143	-.203	.044	-.175	.086	-.605	.747(a)	.129
Conduct exit interviews	-.016	-.035	-.188	.054	.059	-.035	-.420	.129	.772(a)

Measures of Sampling Adequacy(MSA)

Communalities

	Initial	Extraction
Identify service failure points	.557	.210
Determine reasons	.516	.238
Identify prospective employees	.530	.469
Develop training programmes	.427	.316
Adapt organisational structure	.653	.499
Divide service task	.550	.301
Control situations	.663	.590
Ensure managers are knowledgeable	.612	.514
Conduct exit interviews	.344	.236
Extraction Method: Principal Axis Factoring.		

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.956	43.955	43.955	3.374	37.488	37.488
2	1.301	14.457	58.412			
3	1.092	12.139	70.551			

4	.824	9.158	79.709
5	.689	7.656	87.365
6	.435	4.829	92.194
7	.313	3.475	95.669
8	.200	2.228	97.897
9	.189	2.103	100.000

Extraction Method: Principal Axis Factoring.

Factor Matrix(a)

	Factor
	1
Control situations	.768
Ensure managers are knowledgeable	.717
Adapt organisational structure	.706
Identify prospective employees	.685
Develop training programmes	.562
Divide service task	.549
Determine reasons	.488
Conduct exit interviews	.486
Identify service failure points	.459
Extraction Method: Principal Axis Factoring.	
A 1 factors extracted. 5 iterations required.	

Rotated Factor Matrix(a)

a Only one factor was extracted. The solution cannot be rotated.

Reliability

Case Processing Summary

		N	%
Cases	Valid	54	96.4

Excluded(a)	2	3.6
Total	56	100.0

a Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.828	9

Item Statistics

	Mean	Std. Deviation	N
Identify service failure points	4.35	.955	54
Determine reasons	4.35	.955	54
Identify prospective employees	4.22	1.003	54
Develop training programmes	3.94	1.071	54
Adapt organisational structure	3.94	1.036	54
Divide service task	3.91	1.014	54
Control situations	3.98	1.019	54
Ensure managers are knowledgeable	4.13	.972	54
Conduct exit interviews	3.00	1.467	54

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Identify service failure points	31.48	33.160	.418	.822
Determine reasons	31.48	32.669	.466	.818
Identify prospective employees	31.61	30.770	.619	.801
Develop training programmes	31.89	31.497	.501	.814
Adapt organisational	31.89	30.365	.634	.799

structure				
Divide service task	31.93	32.070	.485	.816
Control situations	31.85	29.827	.702	.791
Ensure managers are knowledgeable	31.70	30.929	.628	.800
Conduct exit interviews	32.83	29.613	.433	.832

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
35.83	38.670	6.219	9

Service Recovery

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.773
Bartlett's Test of Sphericity	Approx. Chi-Square	274.061
	Df	45
	Sig.	.000

Anti-image Matrices

	Service recovery process	Use standardised strategy	Vary according to seriousness	Vary according to importance	Communicate with distressed	Empathetic with guests	Provide feedback	Offer explanation	Empower, support and involve	Professional manner
Anti-image Correlation	Service recovery process	-.351	-.197	-.407	-.126	-.046	-.179	.174	-.105	.210
	Use standardised strategy	-.351	.838(a)	-.140	-.037	.162	-.142	-.018	-.126	.068
	Vary according to seriousness	-.197	-.140	.869(a)	-.266	-.185	-.003	.031	-.134	.149
	Vary according to importance	-.407	-.037	-.266	.745(a)	.146	-.060	.207	.281	-.377
	Communicate with distressed	-.126	.162	-.185	.146	.827(a)	-.349	.024	.215	-.301
	Empathetic with guests	-.046	.026	-.003	-.060	.922(a)	-.189	-.105	-.128	-.070
	Provide	-.179	-.142	.031	.207	.757(a)	-.356	.323	-.551	

Communalities

Initial Extraction

Service recovery process	.561	.649
Use standardised strategy	.392	.376
Vary according seriousness	.640	.676
Vary according importance	.540	.495
Communicate with distressed	.587	.532
Empathetic with guests	.587	.634
Provide feedback	.631	.561
Offer explanation	.677	.589
Empower, support and involve	.665	.490
Professional manner	.764	.714
Extraction Method: Principal Axis Factoring.		

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.001	50.008	50.008	4.586	45.855	45.855	3.181	31.811	31.811
2	1.548	15.482	65.490	1.131	11.310	57.165	2.535	25.354	57.165
3	.799	7.988	73.478						
4	.632	6.319	79.797						
5	.587	5.872	85.668						
6	.419	4.186	89.855						
7	.336	3.360	93.215						
8	.321	3.206	96.421						

9	.244	2.442	98.862		
10	.114	1.138	100.000		

Extraction Method: Principal Axis Factoring.

Factor Matrix(a)

	Factor	
	1	2
Offer explanation	.767	
Empathetic with guests	.760	-.237
Vary according seriousness	.742	.354
Provide feedback	.710	-.240
Communicate with distressed	.700	-.207
Professional manner	.682	-.498
Empower, support and involve	.649	-.263
Service recovery process	.619	.515
Vary according importance	.617	.338
Use standardised strategy	.475	.387

Extraction Method: Principal Axis Factoring.

a 2 factors extracted. 8 iterations required.

Rotated Factor Matrix(a)

	Factor	
	1	2
Professional manner	.843	
Empathetic with guests	.737	.302
Provide feedback	.700	.267
Communicate with distressed	.671	.287
Empower, support and involve	.667	.211
Offer explanation	.564	.521

Service recovery process	.148	.792
Vary according seriousness	.346	.746
Vary according importance	.260	.654
Use standardised strategy	.119	.602

Extraction Method: Principal Axis Factoring.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 3 iterations.

Factor Transformation Matrix

Factor	1	2
1	.770	.638
2	-.638	.770

Extraction Method: Principal Axis Factoring.

Rotation Method: Varimax with Kaiser Normalization.

Reliability

Case Processing Summary

		N	%
Cases	Valid	52	92.9
	Excluded(a)	4	7.1
	Total	56	100.0

a Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.871	10

Item Statistics

	Mean	Std. Deviation	N
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Service recovery process	3.98	1.111	52
Use standardised strategy	3.29	1.226	52
Vary according seriousness	3.87	1.172	52
Vary according importance	3.60	1.317	52
Communicate with distressed	4.71	.572	52
Empathetic with guests	4.54	.670	52
Provide feedback	4.42	.776	52
Offer explanation	4.31	1.020	52
Empower, support and involve	4.29	.776	52
Professional manner	4.48	.779	52

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Service recovery process	37.50	34.529	.620	.857
Use standardised strategy	38.19	35.296	.485	.871
Vary according seriousness	37.62	32.830	.719	.847
Vary according importance	37.88	32.888	.611	.860
Communicate with distressed	36.77	39.201	.605	.862
Empathetic with guests	36.94	37.977	.658	.858
Provide feedback	37.06	37.389	.619	.858
Offer explanation	37.17	34.342	.709	.849
Empower, support and involve	37.19	37.845	.568	.861

Professional manner	37.00	38.078	.538	.863
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Scale Statistics			
Mean	Variance	Std. Deviation	N of Items
41.48	43.862	6.623	10

APPENDIX G – SIGNIFICANT ASSOCIATIONS

Associations between hotel ownership type and perceived importance of competitive marketing strategies

Ownership * Change position

Crosstab

			Change position		Total
			1 (Not important at all) - 4	5 (Very important)	
Ownership	Group	Count	32	8	40
		% within Ownership	80.0%	20.0%	100.0%
	Private	Count	57.1%	14.3%	16
		% within Ownership	50.0%	50.0%	100.0%
Total	Count		40	16	56
	% within Ownership		71.4%	28.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	5.040(b)	1	.025		
Continuity Correction(a)	3.677	1	.055		
Likelihood Ratio	4.793	1	.029		
Fisher's Exact Test				.047	.030
Linear-by-Linear Association	4.950	1	.026		
N of Valid Cases	56				

a Computed only for a 2x2 table

b 1 cells (25.0%) have expected count less than 5. The minimum expected count is 4.57.

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.300	.025
	Cramer's V	.300	.025
N of Valid Cases		56	
a Not assuming the null hypothesis.			
b Using the asymptotic standard error assuming the null hypothesis.			

Associations between size of hotel and the perceived importance of competitive marketing strategies

Crosstabs

Size of hotel * Change demand

Crosstab

		Change demand		Total	
		1 (Not important at all) - 4	5 (Very important)		
Size of hotel	Small	Count	10	7	17
		% within Size of hotel	58.8%	41.2%	100.0%
	Medium	Count	17	12	29
		% within Size of hotel	58.6%	41.4%	100.0%
	Large	Count	2	8	10
		% within Size of hotel	20.0%	80.0%	100.0%
Total	Count	29	27	56	
	% within Size of hotel	51.8%	48.2%	100.0%	

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)

Pearson Chi-Square	4.926(a)	2	.085
Likelihood Ratio	5.182	2	.075
Linear-by-Linear Association	2.882	1	.090
N of Valid Cases	56		

a 1 cells (16.7%) have expected count less than 5. The minimum expected count is 4.82.

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.297	.085
	Cramer's V	.297	.085
N of Valid Cases		56	

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

Associations between hotel type and the perceived importance of activities associated with the management of supply and demand

Ownership * Manage supply

Crosstab

		Manage supply		Total	
		1 (Not important at all) – 4	5 (Very important)		
Ownership	Group	Count	27	13	40
		% within Ownership	67.5%	32.5%	100.0%
	Private	Count	5	11	16
		% within Ownership	31.3%	68.8%	100.0%
Total		Count	32	24	56

% within Ownership	57.1%	42.9%	100.0%
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Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	6.132(b)	1	.013		
Continuity Correction(a)	4.741	1	.029		
Likelihood Ratio	6.164	1	.013		
Fisher's Exact Test				.018	.015
Linear-by-Linear Association	6.023	1	.014		
N of Valid Cases	56				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.86.

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.331	.013
	Cramer's V	.331	.013
N of Valid Cases		56	
a Not assuming the null hypothesis.			
b Using the asymptotic standard error assuming the null hypothesis.			