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DEPARTMENT OF MARKETING MANAGEMENT



Determinants of Customer Retention in Five Star Hotels in Addis Ababa

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**Determinants of Customer Retention in Five Star
Hotels in Addis Ababa**

**Addis Ababa University College of Business and
Economics School of Commerce Marketing
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**May, 2018
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Letter of certificate

This is to certify that Mr. Surafel Shifferaw Lemma is the student of Addis Ababa University College of Business and Economics School of Commerce was working under my supervision and guidance for his theses project. His theses entitled **Determinants of Customer Retention in Five Star Hotels in Addis Ababa**, which he is submitting, is his genuine and original work.

Advisor's name : Getie **Andualem (Ph.D.)**

Signature _____

Determinants of Customer Retention in Five Star Hotels in Addis Ababa

By: Surafel Shifferaw

Approved by Board of Examiners

_____ Advisor	_____ Signature	_____ Date
_____ Internal Examiner	_____ Signature	_____ Date
_____ External Examiner	_____ Signature	_____ Date

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DECLARATION

I, Surafel Shifferaw Lemma hereby declare that this thesis entitled “Determinants of Customer Retention in Five Star Hotels in Addis Ababa” is my own original work which was conducted for the award of Master’s Degree in Marketing Management. I have carried out this research with the help and guidance of my advisor, Dr. Getie Andualem. Any other research or academic sources used in this study have been duly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this university or any other institution.

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LIST OF ACRONYMS AND ABBREVIATIONS

AU	African Union
COMESA	Common Market for Eastern and Southern Africa
CRM	Customer relationship management
ENA	Ethiopian News Agency
GDP	Gross Domestic Product
RM	Relationship Management
SPSS	Statistical Package for Social Sciences
TCMI	Total Commitment
TCMU	Total Communication
TCONF	Total conflict Handling
TQA	Total Quality of Atmosphere
TQIF	Total Quality of Infrastructure
TQIT	Total Quality of Interaction
TQO	Total Quality of Object
TQP	Total Quality of Processes
TRET	Total Customer Retention
TTR	Total Trust
UNECA	United Nations Economic Commission for Africa
VIF	Variance Inflation Factor
WOM	Word of Mouth

ABSTRACT

In contemporary business world one of the fundamental concepts that makes or breaks a firm's success is customer retention. Hence this study focused on examining the determinants of customer retention in five star hotels in Addis Ababa. Accordingly, three specific objectives were crafted and examined through nine independent variables: Quality of Object, Quality of Processes, Quality of Infrastructure, Quality of Atmosphere, Quality of Interaction, Trust, Commitment, Communication, and Conflict handling. The research used a Deductive Approach and quantitative method. In order to select the participants, both probability and non-probability sampling method were employed. The data was collected through self-administered questionnaire from each hotel and went through analysis using correlation as well as regression after it was cleaned and tested for reliability and validity. The result of the correlation analysis indicated that Quality of Interaction had high correlation with Quality of Infrastructure and therefore, was excluded from further analysis. The regression analysis showed that seven of the independent variables: Quality of Processes, Quality of Infrastructure, Quality of Atmosphere, Trust, Commitment, Communication, and Conflict handling have significant effect on customer retention while Quality of Object didn't.

Key words: Customer relationship Management, Customer retention, 5Q Model

CHAPTER ONE

1. Introduction

1.1. Background of the Study

According to (Mathapath,2009) customer retention is the stage in which a customer is made to be loyal to a company or a brand by expressing commitment to use only that product / service or service provider for a long period of time, ignoring competitors' product or services. Hughes, (2006) further explains, these customers has high purchase rate with higher volume, and they are less price sensitive and less costly to serve; more importantly, they have higher life time value that produces chain of referred customers. As a result its impact on financial profitability is highly significant. Studies have shown that a 5% increase in customer retention can generate a profit growth of 25–95% across a range of industries (Reichheld, 1996; Reichheld & Sasser, 1990).

In a battle to acquire and retain a customer, customer satisfaction is the key factor. Research asserts that customers' previous favorable experience at a destination is a decisive factor for repeated patronage (Alegre & Cladera, 2006; Yoon & Uysal, 2005). Customer satisfaction is the outcome of customer's perception of the value received in a transaction, where value equals perceived service quality, compared to the value expected from transactions with competing vendors (Zeithaml et al., 1990). For this to happen, it is paramount to anticipate and recognize customers' needs and execute accordingly.

Companies who better and faster understand the value of retention and work toward that goal make greater profit than those who do not (Barsky & Nash, 2006) because attracting new customers are more expensive than retaining the existing one (Dominici, 2010).

Customers are willing to make repeated purchase as long as they receive services that their money's worth. These circumstances are the source of competition among hotels. As a result they become motivated to make extra effort to attract and retain customers (Tsedenya, 2014).

The aim of this Research is to provide insight on the determinants of customer retention in hospitality industry particularly in five star hotels.

In a competitive hospitality industry which offers homogeneous services, individual hoteliers must be able to satisfy customers better than their counterparts (Choi & Chou, 2001). This sector is a wide-ranging category in the service industry that includes accommodation, event planning, transportation, and the like within the tourism industry which contribute significantly to world's economy.

Ethiopia is one of the most desired tourist destinations due to its distinct historical, cultural as well as religious nature (Alelign, 2013). Moreover, the country is the seat of many international organizations such as AU, UNECA and others making the capital, Addis Ababa, the third largest host of diplomatic community in the world (COMESA, 2017). These two facts contribute to the growing demand of accommodation particularly the hotel sector at different levels (Gobena & Gudeta, 2013).

The sector contributes a considerable share in the growing economy since it is a multi-billion-dollar industry that depends on both business and leisure travels. As a result, the contribution of tourism and hospitality service to Ethiopia's economy has increased over the past years - from 17 billion birr in 2012 to 22.2 billion birr in 2014 to 51.3 billion birr (2.26 billion) which is 4.1 percent of the total GDP (The Ethiopian Herald, 2016). This growth would help realizing the vision of Ethiopia to be the top tourist destination by 2020. As accommodation is one of the pillars of this industry, it is playing its vital role by making the guest's stay as pleasant as possible.

According to (ENA, 2016) the hotel grading project, that kicked off in 2015 on 400 high standard hotels operating in the country, has been carried out based on international standards aiming to promote hotel investment as well as to improve the quality of hotels and hospitality services.

In Ethiopia there are hotels with different ratings. This study, however, aims to study the determinants of customer retention in five star hotels in Addis Ababa where seven out of eight five star hotels are found.

1.2. Statement of the Problem

According to the Department of Research and Information (2012) Addis Ababa, the capital city as well as a major political center for Africa as a whole, has high room occupancy rates, particularly at the top-end of the market. This should not put the hoteliers at ease because it is basic economics to witness higher demand where quality hotel accommodation is in short supply in the city. Now, after five years, even though the number of hotels is still relatively small the number of five star hotels is doubled and the competition is growing. After few years, it is expected that the competition will be even more intensified because of the number of new entrants.

Whether it is domestic or foreign, tourism can increase destination's tourist receipts, income, employment and government revenues. Therefore it is paramount to be familiar with the science and art of luring and satisfying customers so as to retain their business as well as make them recommend the destination to others (Chen & Tsai, 2006).

Abundance of studies on service quality and customer satisfaction have been conducted in the past. Liang, (2008) studied the determinants (i.e. perceived quality, trust, satisfaction, perceived value, and membership programs) which have significant effect(s) on customer loyalty for luxury hotel. Akbaba, (2006) have conducted a research on Measuring service quality in the hotel industry with the objectives of investigating the service quality expectations of business hotels' customers, examine whether the quality dimensions included in the SERVQUAL model apply in an international environment, search for any additional dimensions that should be included in the service quality construct, and measure the level of importance of each specific dimension for the customers of the business hotels.

Ghavami and Olyaei (2006) studied the impact of CRM on customer retention with the goal of assessing the impact of CRM systems and practices on customer retention endeavor. They learned that it is a lot cheaper to keep existing customers happy than to attract new ones.

Tsedenya (2015) conducted a research on factors that influence customers to stay loyal in four star hotels in Addis Ababa and investigate the relationship between customer satisfaction, service quality, price perception, customer trust, brand image and customer retention. And found out

service quality explains the change in customer retention more strongly followed by customer satisfaction and price perception respectively.

Even though the relationship between customer satisfaction and customer retention has been researched for many years, Jones D., Mak B. & Sim J. (2006) conducted a research with the aim of assessing the antecedents and consequences of customer satisfaction and retention in the hotel industry. This study extended that research to look at the antecedent effects of customer satisfaction as well as the effect of added value and gender on customer satisfaction and customer retention. The results indicated that customer retention was dependent on customer satisfaction and Added value was found to have positive effects on customer satisfaction and customer retention.

However, other researches have shown that even though customer satisfaction was assumed to ensure customer retention, many companies have started to notice a high customer defection despite high satisfaction ratings (Oliver, 1999). The reason behind this is that there is lack of conformity between customers' and managers evaluation of satisfaction (Carol et.al, 2015) as well as the difference in the ranking and prioritizing of quality attributes by hoteliers and customers (Campos & Marodin, 2012).

This shows that, no matter how much research is conducted, an abundance of studies are on service quality and customer satisfaction; customer retention has not been exhaustively studied (Oppermann, 2000) particularly on accommodation sector. Hence studies discussing the causal relationships among quality attribute of the hotel services/ service quality, customer relationship management, and destination retention are lacking.

Therefore, it is time for practitioners and academics to conduct more studies of retention and loyalty in order to have greater knowledge of this concept and identify determinants of customer satisfaction in developing customer retention and loyalty.

Thus this research will identify the determinants of customer retention and their relative contributions in retaining customers. In addition to this it examines the perception of the determinants among different customer groups. Generally the findings of the study will contribute to the theoretical body of knowledge as well as to overcome the prevailing challenges practitioners face in their businesses.

1.3. Research Questions

- Does service quality affect customer retention
- Does customer relationship management affect customer retention
- For what determinants variables should priority be given

1.4. Objectives of the Study

1.4.1. General Objective

Identifying the determinants of customer retention in five star hotels in Addis Ababa

1.4.2. Specific Objective

- To examine the effect of service quality on customer retention
- To examine the effect of customer relationship management practices on customer retention
- To prioritize the significant effect of determinants variables to customer retention

1.5. Research Hypotheses

Hypotheses one,

H0: Quality of object does not have a significant positive effect on customer retention.

H1: Quality of object has a significant positive effect on customer retention.

Hypotheses two

H0: Quality of processes does not have significant positive effect on customer retention.

H1: Quality of processes has significant positive effect on customer retention.

Hypotheses three

H0: Quality of infrastructure does not have significant positive effect on customer retention.

H1: Quality of infrastructure has significant positive effect on customer retention.

Hypotheses four

H0: Quality of atmosphere does not have significant positive effect on customer retention.

H1: Quality of atmosphere has significant positive effect on customer retention.

Hypotheses five

H0: Quality of interaction does not have significant positive effect on customer retention.

H1: Quality of interaction has significant positive effect on customer retention.

Hypotheses six

H0: There is no significant positive relationship between trust and customer retention.

H1: There is a significant positive relationship between trust and customer retention.

Hypotheses seven

H0: There is no significant positive relationship between commitment and customer retention.

H1: There is a significant positive relationship between commitment and customer retention.

Hypotheses eight

H0: There is no significant positive relationship between communication and customer retention.

H1: There is a significant positive relationship between communication and customer retention.

Hypotheses nine

H0: There is no significant positive relationship between conflict handling and customer retention.

H1: There is a significant positive relationship between conflict handling and customer retention.

1.6. Significance of the Study

Conducting a research on customer retention strategies in the hotel industry and identifying the determinants and consequences will benefit the country, the companies, the managers, the customers and other researchers.

This research is conducted because five star hotels are the limit of what Ethiopian hotels are capable of in the hospitality industry. And this can contribute to the image building the country is under taking through the hospitality industry.

This can help the companies to identify the crucial elements affecting customers' purchase experience and post-purchase behavior such as subsequent purchase and favorable word of mouth (WOM) publicity (Berkman & Gilson, 1986; Choi & Chu, 2001; Fornell, 1992; Halstead & Page, 1992; Knutson, 1988; Pizam, 1994) whose effect is positive and far more credible than any conventional advertising (Lee et al., 2006, Tarn, 2005, Villanueva et al., 2008). Now a day its effect is reaching its pick with the help of the World Wide Web (Dominici, 2009; Trusov et al. 2009).

In addition to this, Since attracting a new customer can cost five times as much as pleasing an existing one, and it might also cost 16 times as much to bring the new customer to the same level of profitability as that of the lost customer, identifying the determinants of customer retention is thus important to be able to retain the existing customers than to attract new ones (Kotler, 2000) to the hotel for it is cost efficient.

Furthermore, from profitability point of view, increase in customer retention rate by 5% increases profit by 25% to 95 % (Reichheld, 2001). Thus, customer retention is, both cost efficient and more profitable.

Managers also benefit from this research, by incorporating the findings of the researches in their strategy formulations so as to keep their guests delighted, minimize complaints, and to conduct smooth operation in the hotels. This will improve corporate image that leads to repeated patronage

The managers' knowledge and willingness to act according to the specific needs of the customer by providing customized service will ultimately benefit the customers because their every need will be anticipated and delivered promptly.

Last but not least, other researchers can also use it as a springboard either by triangulating the findings or filling the gaps of its limitations while conducting their own research

1.7. Definition of Terms

Customer relationship management: A strategic approach that enables organizations to use internal resources (i.e. Technology, people, and process) to manage the relationship with customers for the whole of their lives cycles, in order to create a competitive advantage and improve an organization's performance (Mohammed & Rashid, 2012).

Customer retention: is the way in which organizations focus their efforts on existing customers in an effort to continue doing business with them (Mostert et al., 2009)

Hospitality: is the act of kindness in welcoming and looking after the basic needs of guests or strangers, mainly in relation to food, drink and accommodation (Chan and Mackenzie, 2013).

Service Quality: is about delivering service excellence that adds customer value which at least meets or exceeds customers' expectation (Brotherton and Wood 2008).

LODGESERV: is an instrument designed to measure service quality in the hotel industry (Knutson et al., 1990)

1.8. Delimitation/ Scope of the Study

The scope of the study will assess the determinants of customer retention in selected five star hotels in Addis Ababa in the months of January and February, 2018. The research takes only service quality Using 5Q model (Quality of object, Quality of processes, Quality of infrastructure, Quality of interaction, and Quality of atmosphere) and customer relationship management (Focusing on trust, commitment, communication, conflict handling as independent variables. It will use survey questionnaire as a research tool.

1.9. Organization of the Study

This proposal is organized in three chapters. The first chapter is the introduction part which incorporates background of the study, the statement of the problem, objective, research questions, hypothesis, scope of the study, significance, and organization of the study. The second chapter is all about reviewing related literatures written on customer retention. Chapter three is the research methodology that contains research design and approach, population, sampling design & techniques, sample size, as well as the instruments and the procedures that are used to gather, analyze, interpret and present the data. Chapter four incorporates the result and discussion part where the output for the analysis is presented. Summary of findings, conclusion and recommendations are presented based on the findings of the research in chapter five. After that references used for the study will be listed at the end of the research report. And finally, all the relevant documents such as research tools, tables and figures are presented in the appendix.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1. Introduction

This chapter covers characteristics of the service industry as well as the theoretical models as well as frameworks and empirical evidences that are related to the determinants of customer retention in the hotel sector particularly in five star hotels. The facts and evidences that are incorporated in this section are gathered from books and previous research findings whose themes are related to hotel service and their practices on retaining their existing customers.

2.2 Characteristics of Service Industry

Before diving into customer retention in service industry, it is better to first acquaint with the characteristics of professional service. According to Lowendahl (1997) these characteristics are the five I's namely, Intangible input and outputs, Interaction, Individual judgment and local solution, Innovation, and Information asymmetry.

Intangible input of the professional services as Lowendahl (1997) noted are the methods, the procedures and expertise of the individual professionals while the outputs are for example advertising concepts and new production process. The transformation from expertise of the individual professional (intangible input) to advertising concept (intangible output) in professional service is a process of creativity and new solution development which is why it is difficult to objectively evaluate quality of the service. Levitt (1981) as cited in Bebeko (2000) supported this idea stating that the intangible nature of service is the source of difficulties for quality control on the service provider. He further argues that this very nature of service is the ground for service variability, inseparability, and perishability.

Interaction is the other characteristics of service where in professional services require the close involvement of both the service provider and the customer which results a customized service to each individual client. This close involvement and cooperation can be utilized to define the actual expectation of a customer to come up with the specific solution that meets the unique quality requirement of the client (Lowendahl 1997). Sharma and Patterson (1999) as cited in

Mascareigne (2009), argues the cooperation and communications have a higher importance in reducing dissonance and induce their confidence level higher than ever on the selected service provider

The success of Professional service firms highly depends on the judgments made by their individual employees who have the knowledge and skill sets that enable them to retain the relationship of trust with their clients. Lowendahl (1997) asserts this point arguing that the resource of a service firm is the ability and willingness of its employees to solve the problems of their client. These employees bring their skills, experience, and professional reputation to the firm and use it to build and maintain relationships with past, present, and potential clients.

Idiosyncrasy or innovativeness is evident in professional service firms particularly in hospitality industry to address each individual client's need. The higher the innovativeness the harder it becomes to replicate and routinize it because each solution is tailored to specific individual's need. Hence, as Lowendahl (1997) argues it is difficult for firms to apply strategic planning and proposed solutions in the traditional framework.

As stated earlier, professional service firms are unique because of their superior knowledge and experience on the service they provide. Clients come to these firms with this expectation. However this does not mean the clients does not know anything about the service: it just means that there is Information asymmetry (Lowendahl 1997). Professional service providers needs to maintain this information asymmetry by constantly upgrading their knowledge and skill be one step ahead from their clients in order to possess valuable expertise to sell to their clients that is different from their competitors (ibid).

Generally it is difficult to apply the traditional models and frame works of strategic management without adequate adjustment. This is due to the service industry not only defers from traditional manufacturing firms but also with the service industry (Lowendahl, 1997).

2.3 Customer Retention

Kotler et al., (2005) noted that, in the past when customers did not have any alternative or better supplier companies were operating on a “leaky bucket” theory of business which is, for a customer a company lost, there will be ten folds of new customers to replace them. Hence the companies did not worry about fully satisfying their customers. However, although finding new customers remains very important customer retention is a key factor in determining the success of businesses today because there are many competitors and they are always on the lookout to steal customers through better deals (Fluss 2010) .

.Ramakrishnan, (2006) defines customer retention as the marketing goal of preventing customers from going to the competitor. Customer retention is the way in which organizations focus their efforts on existing customers in an effort to continue doing business with them (Mostert et al., 2009:120). Hoyer & MacInnis, (2008) strengthen this point stating, customer retention is the most important goal of any marketer in a contemporary business world which requires a continually paying attention to customer intention for the purpose of building customer commitment and loyalty.

Companies have now discovered that losing a customer means losing not just a single sale, but also a lifetime’s worth of purchases and referrals (Kotler et al.2005) that it increases a company’s profit ability through repeat purchase, reduced cost of attracting new customers as well as credible word of mouth (ibid). Even if the company were to be sold, the acquiring company would have to pay not only for the plant and equipment and the brand name, but also for the delivered customer base, the number and value of the customers who would do business with the new firm (Kotler & Keller, 2006). Thus, working to retain customers makes good economic sense.

It is generally thought that Customer retention invariably starts with the attraction of the customers to do business with which requires a lot of time, effort, and money. Once it is accomplished it is easier to retain them by making sure that they are satisfied through superior products and services (Payne, 2006).This is essential because the benefits of keeping customers happy and satisfied outweigh that of having a new customer patronize a brand, product or

services (Erinle & Bharathi. V.S. 2012). Accordig to (Iruka & Ateke, 2014) as cited by Tsedenya (2014) Strengthen this, noting though winning new customers is a healthy and profitable business phenomenon., maintaining and retaining existing customers is much more healthier and more profitable for the business enterprise. Studies such as Reichheld, (1996) and Reichheld & Sasser, (1990) have shown that a 5% increase in customer retention can generate a profit growth of 25–95% .

Organizations must fulfill their promises to customers as this will leads to customer satisfaction, customer retention and long-term profitability for the organization. Just as a customer acquisition strategy aims to increase the customer base, the focus of customer retention is to keep a high proportion of current customers by reducing customer defections (Lombard, 2011). Ahmed & Buttle (2001) cited in Ali et.al, (2013) state that customer retention is inversely related to customer defection, where a higher retention rate has the same significance as the low defection rate. Therefore, customer retention is a significant concept in hospitality industry particularly in hotel sector that can define its existence(Schulz & Omweri, 2012).

Generally, discussion has shifted its focus from pre-sale activity to post-sale activity. Today, more and more companies recognize the importance of retaining current customers by forming relationships with them. This is because In today's marketing environment, due to changing demographics, economic and competitive factors, there are fewer new customers to go around (Kotler et al., 2005). Even if there are few, finding new customers and doing business needs time, effort and money (Tsedenya, 2014) which costs far greater than the cost of maintaining the relationship with the existing one.

2.3.1 Theories on Determinants of Customers' Retention

Ranaweera & Prabhu, (2003) as cited in Mascareigne (2009)& Boohene, Agyapong & Gonu (2013), most of the research conducted on the factors or determinants of customer retention are from the customers' point of view. This is primarily because several researchers perceive customer retention as the tendency of customers to stay with their services providers, and is therefore viewed as a behavioral factor. Therefore, the frameworks and models illustrating the determinants influencing customer retention from the customers' point of view will be discussed

as follows. According to Boohene et al. (2013), the two main theories Richards (1996) conversion model and Sharma and Patterson's (2000) relationship commitment model will be discussed.

2.3.1.1 Conversion Model

Richards (1996), provided a conversion model based on the fact that it is not enough to satisfy a customer, as satisfaction alone is not enough to predict customers' behavior. Payne (2006) as cited in Boohene et al. (2013), asserts that although customer satisfaction contributes to make customers committed, the building of committed customers involves more than merely satisfying them. Richards (1996) identified three factors as drivers of commitment. These are level of involvement, attraction of alternatives and the extent of ambivalence.

1. Level of Involvement: According to Richards (1996), customs should be involved making in making choice a given situation: the more people are involved in a given choice, the more carefully they will choose and once they have made their choices they often stick to it. Hence, if a customer is satisfied and involved, which is the best case scenario, he/ she will be delighted and most likely be a loyal customer; if the customer is dissatisfied but involved, his/her primary strategy will be to try and repair the relationship rather than seeking other alternatives. On the other hand, if the customer is both dissatisfied and uninvolved, they would not even care about fixing the relationship but simply switch providers.

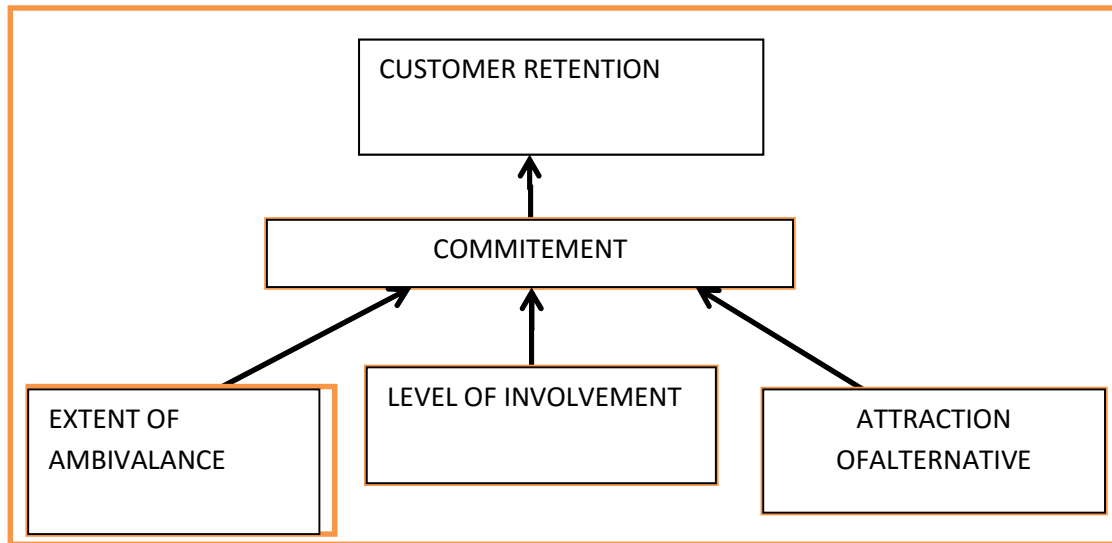
2. Attraction of Alternatives: One of the arguments of Richards (1996) is that the more the alternatives attract, the more dissatisfied customers will converse, meaning switch service provider. If the alternatives available are not considered as being good conversion may then be delayed in spite of dissatisfaction. Ibid as cited in Mascareigne (2009), on the other hand if alternatives attract, customers may converse even though they are highly satisfied.

3. The Extent of Ambivalence: This means uncertainty caused by the range of choices. According to Richards (1996), the advantages as well as the disadvantage of each alternative should be compared and reviewed. Being the state of ambivalence according to the author is when the customer is in a state in which they will wave whether to stay or leave. Ambivalence

makes the customer less committed, although conversion is delayed as neither choice offer obvious advantage.

Figure 1 Richard's conversion model

Source: Richards, (1996)



Relationship Commitment Model

Sharma and Patterson (2000) as cited in Mascareigne 2009 & Boohene et al. (2013), provide a model showing the determinants of relationship commitment. The model consists of three factors, namely communication effectiveness, technical quality and functional quality all affected by trust in the relationship which in turns affect relationship commitment.

1. Trust: Sharma and Patterson (2000), defined trust as the belief that the services provider can be relied on to conduct its business in such a way that guarantees the long- term interests of the buyer will be served.in the course of any business transaction customers may exhibit high or low level of thrust: the greater the level of trust the stronger the relationship commitment will be, and vice versa (Ibid).

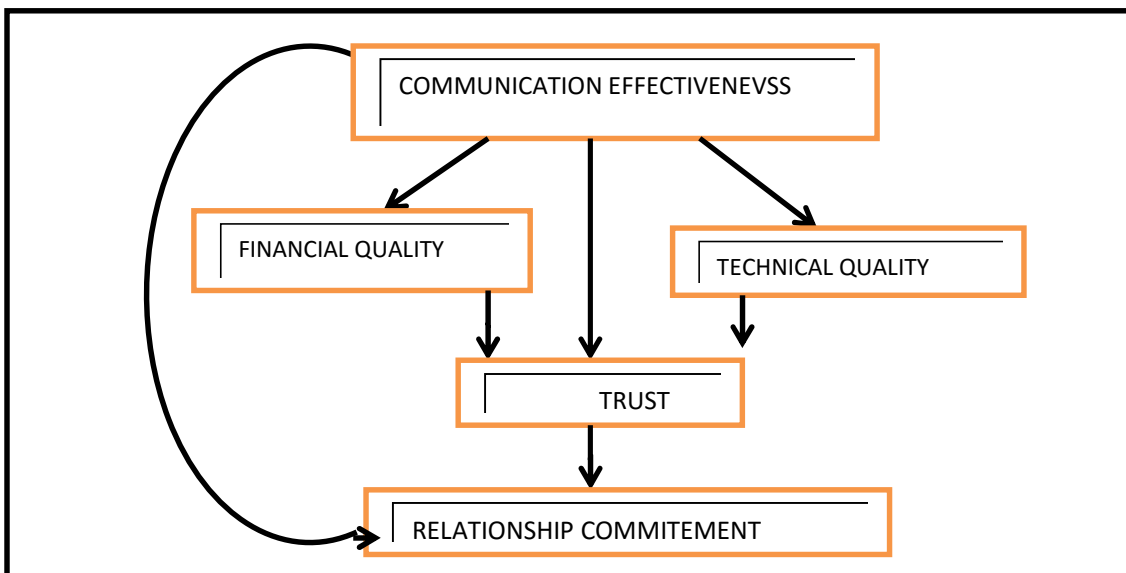
2. Service Quality: Service quality is classified into two main components, namely technical quality and functional quality (Sharma and Patterson 2000). Technical quality is related to the actual outcomes or the core service as perceived by the client. Jansson &Letmark (2005) as cited in Boohene et al, (2013), assert that technical quality is related to the service promised by the firm to the client. Sharma and Patterson (2000), further argued that, functional quality is

concerned with 'what' is delivered and 'how' the service is delivered. It is concerned with the interaction between the service provider and service receiver, and is assessed in a highly subjective manner. According to them, trust had a great impact on how quality is delivered, both in terms of functional and technical quality. The greater the quality perceived the stronger is the relationship commitment.

3. Communication Effectiveness: is referred to the formal as well as informal sharing of meaningful and timely information between a client and an advisor in an empathetic manner. The purpose is to educate and keep clients informed about their investment in a way they can be understood by the customer. Strong communication skills are required to ensure that clients understand investments and thus become more confident in their ability to assess financial risks and outcomes. Effective communications also help customers through the unavoidable ups and downs of variable investment performances. Generally, the greater the communication effectiveness, the stronger the relationship commitment gets (Sharma & Patterson, 2000).

Figure 2 model of the determinants of relationship commitment

Source: Sharma and Patterson, (2000)



2.3.2. Strategies for Improving Customer Retention

According to Zineldin (2006) customer satisfaction and loyalty are some key elements of business success and profitability. The more satisfied the customer, the more loyal the customer

and the more durable the relationship. And the longer this lasts, the more profit the company stands to make and the higher the market share. A comprehensive retention strategy composed of quality, strategy and tactical programs must be designed and implemented.

Some of the major retentions strategies can be measuring customer retention rates over time and by line of business. This helps to identify which part of the business component is performing well. The other strategy can be analyzing the root causes of defections that help to obtain the problem areas that makes the customer unsatisfied and design mitigation strategies. Yet another strategy can be focusing attention on the most profitable customers in order to mobilize the resource of the company accordingly. Finally, focusing attention on internal marketing and particularly front-line employees to ensure that they are offering product and service quality that consistently meets the requirements of the target market (segment or segments).The following strategies can be applied by companies to improve the customer retention:

As a marketing strategy, companies seek ways to develop ongoing relations with loyal customers in order to ensure repeat transaction and/or ongoing Prodserv supplying (retention). The main advantage to the company of a close and long term relationship is that it knows who its current customers/clients are, what are their needs and wants and, usually, what use they make of the Prodserv offered. This strategy attempts to transform the customers into loyal long-term multiple-product clients.

2.3.2.1 Service Quality

According to Brotherton and Wood (2008) Service Quality is about delivering service excellence that adds customer value which at least meets or exceeds customers expectation. In this definition the first part of the statement about the quality is “service excellence” accentuates the idea that in reality service quality is “highly subjective and difficult to measure”. The second part that talks about “customer value” reflects an approach that customers compare the quality of services with the amount of money they have spent on it in order to evaluate perceptible value of the quality. The final part of the definition that states quality is “meeting or exceeding expectations of customers” regards quality in relation to customer’s expectations. Therefore it is the most relevant and consumer-friendly one as quality is defined from the consumer’s point of view.

According to Kotler & Armstrong (2006), hospitality industry recognizes that superior quality of service is one of the crucial factors which pave the way to customer retention and loyalty. Therefore hoteliers must understand its value and use it as point of difference in their quest of attaining and retaining their customers.

Models of Service Quality

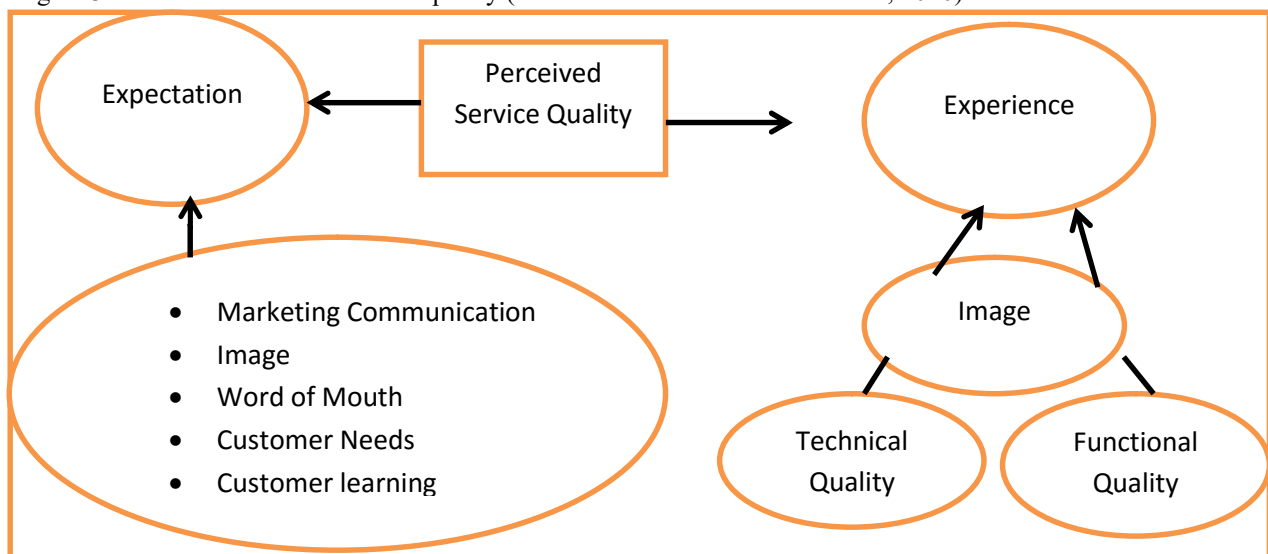
Nowadays there is no specific consensus in service organizations, such as hotels and restaurants about the integrated dimensions of service quality. However, there are two main models that are widely used for identification of the level of customers' satisfaction and revelation of the main consumers' requirements concerning the expected services. They are commonly known as and Grönroos's model of service quality (Grönroos 2000) and SERVQUAL model (Parasuraman et al., 1988).

Grönroos's model of service quality uses two dimensions as a base:

- What customers receive from a service company
- How customers receive services (Grönroos 2007)

Grönroos's model reflects the idea of customers' expectations that is built through customers' interaction with the marketing communications, image, word of mouth, consumer needs and learning while the customers' experience is a result of technical and functional quality which are percolated through the image (Grönroos, 2000).

Figure 3: Grönroos's model of service quality (Effective customer service website, 2010)



Brotherton and Wood (2008) state that Grönroos's model of service quality is clearer and more universal one in comparison with SERVQUAL model as it explains more intelligibly the source of "perceived service quality" gap. Furthermore, Grönroos's model exposes the fact that service company controls and influences on both customers' expectations and experiences.

But, nevertheless, his model was highly criticized for a few reasons. Brotherton and Wood (2008) claimed that, firstly, this model is mostly appropriate for North European nationals rather than for the whole world. Secondly, Grönroos's model of service quality used "perceived service quality" gap for measuring the service quality without considering different types of the customers' expectations that should be scaled and measured properly for the future service improvements. For instance, the managers of a service company would like to determine whether a service performance surpassed customers' expectations or, on the contrary, disappointed the customer at all.

The SERVQUAL Scale

The SERVQUAL scale is a survey instrument which is used to measure the service quality delivered by service organization on five dimensions which are tangibles, reliability, assurance, responsiveness and empathy (Parasuraman et al., 1988). The SERVQUAL scale was developed by Parasuraman et al. in 1985, realizing the importance of service quality and refined it in 1988, 1991 and 1994. Parasuraman et al. (1985) At the initial stage of their research program, they began with a series of in-depth interviews conducted with service firms in four selected service categories which included appliance repair and maintenance, long distance telephone, retail banking, and credit cards. In conjunction with the executive interviews, the researchers conducted interviews with three customer focus groups for each of the selected service categories.

Zeithaml et al., (1990) cited in Akbaba (2006) noted The exploratory study led Parasuraman et al. to make a definition of service quality as the difference between customers' expectations and perceptions and to identify 10 general dimensions that customers use to assess service quality. These general dimensions were "tangibles", "reliability", "responsiveness", "competence", "courtesy", "credibility", "security", "convenience", "communication" and "understanding the customer".

In 1988, they conducted a quantitative research to develop an instrument for measuring customers' perceptions of service quality the researchers describe the development of SERVQUAL instrument and the subsequent structure of the instrument. After two stages of enhancement, the initial instrument which consisted 97 items capturing the 10 dimensions, refined and condensed to 22 sets of expectation and perception measuring items with five dimensions namely- tangibles, reliability, responsiveness, assurance and empathy.

(Berry, Parasuraman, and Zeithaml, 1988) summarized the resultant five dimensions and their definitions as:

- Tangibles: Physical facilities, equipment, and appearance of personnel.
- Reliability: Ability to perform the promised service dependably and accurately.
- Responsiveness: Willingness to help customers and provide prompt service.
- Assurance: Knowledge and courtesy of employees and their ability to inspire trust and confidence.
- Empathy: Caring, individualized attention the firm provides its customers.

The SERVQUAL model is widely used by different organizations in order to reveal the differences between the granted and expected services (Grönroos 2000). This model consists of several quality gaps (Q) which are as follows:

Gap 1: The manager perceives the customers' expectations differently from the customers,

Gap 2: The service quality specifications do not agree with management perceptions of quality expectations,

Gap 3: Difference between quality specifications of the promised service and the final service delivered,

Gap 4: Promises made by market communication activities are not met by the delivered service,

Gap 5: Difference between the expectations of what firms should provide in the industry and their perceptions of how a given service provider performs,

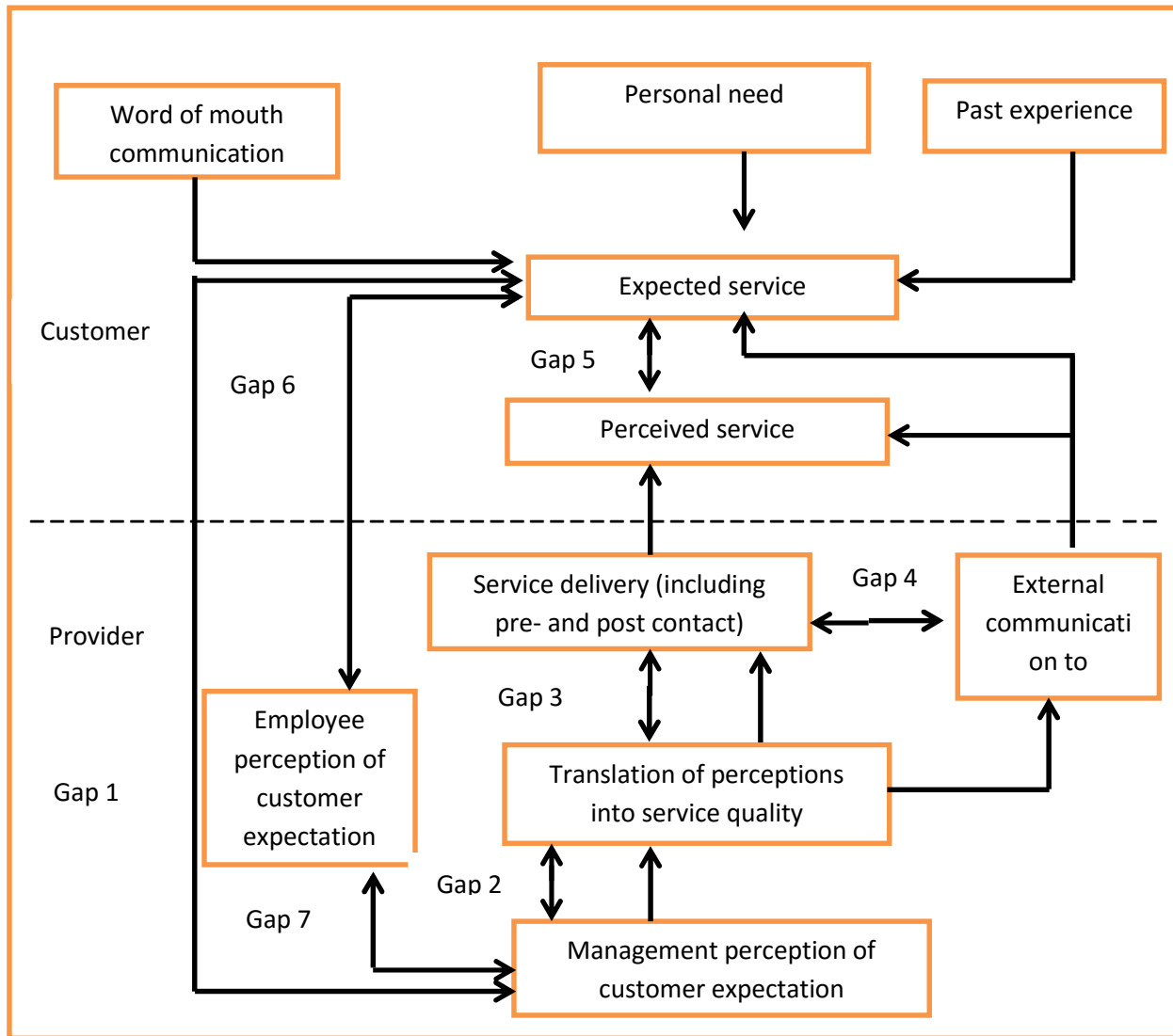
Gap 6: Difference between the expectations of what firms should provide in the industry and their employee's perceptions of consumer expectation, and

Gap 7: Difference between the employee's perceptions of consumer expectation and management's perceptions of consumer expectation.

The following figure represents the conceptual model of service quality whose goal is to estimate the customers' realization and perception towards the service quality

Figure 4: Gap Model

Source: Parasuraman, Zeithaml and Berry (1985).



However, since its creation, the scale has been the object of various criticisms raised by a number of studies (e.g., Babakus and Boller, 1992; Carman, 1990; Cronin and Taylor, 1992,

1994; Teas, 1993, 1994). These theoretical and operational criticisms are listed below (Buttle, 1996):

(1) Theoretical criticisms:

- Paradigmatic objections: SERVQUAL is based on a disconfirmation paradigm rather than an attitudinal paradigm; and SERVQUAL fails to draw on established economic, statistical and psychological theory.
- Gaps model: there is little evidence that customers assess service quality in terms of P–E gaps.
- Process orientation: SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.
- Dimensionality: SERVQUAL's five dimensions are not universal; the number of dimensions comprising service quality is contextualized; items do not always load on to the factors which one would expect a priori; and there is a high degree of intercorrelation between the five RATER (reliability, assurance, tangibles, empathy, and responsiveness) dimensions.

(2) Operational:

- Expectations: the term expectations is polysemic; consumers use standards other than expectations to evaluate service quality; and SERVQUAL fails to measure absolute service quality expectations.
- Item composition: four or five items cannot capture the variability within each service quality dimension.
- Moments of truth (MOT): customer's assessments of service quality may vary from MOT to MOT.
- Polarity: the reversed polarity of items in the scale causes respondent error.
- Scale points: the seven-point Likert scale is flawed.
- Two administrations: two administrations of the instrument cause boredom and confusion.
- Variance extracted: the level of variance extracted is a measure of construct validity. The higher the variance extracted, the more valid is the measure. Generally, the modified

scales tended to produce higher levels of variance extracted than original SERVQUAL did.

Despite the criticisms, the SERVQUAL instrument still continues to appeal to both academics and practitioners (Caruana et al., 2000). This is because it is still regarded as a leading measure of service quality (Lam and Woo, 1997; Mittal and Lassar, 1996). Having said that, researchers found that when applying SERVQUAL to different industries, items must be removed or added in order to customize the scale to accommodate the differences in service settings or use other service quality measurements (Van Dyke et al., 1997) that reveal any potential dimensions, especially the unique to the industry at hand.

2.3.2.2 Customer Relationship Management

In any business customers are the most important aspect of a company and these customers must be cared for and managed properly. Marketing efforts are directed to involve and engage customers in long-term relationships so that the firm can learn about customers' individual needs (Payne et al., 2009; Peppers and Rogers, 2010) in order to provide customized service. One way to do this is through customer relationship management (CRM) which a company keeps in touch with its customers to benefit both the company and the customers by handling uncertainties and complaints of customers with the intention of seeking long-term relationship. CRM is defined as a combination of business process and technology that seeks to understand a firm's customers in terms of who they are, what they do, and what they are like (Couldwell, 1998). This theme is also reflected by Kotler (1997) stating that CRM mainly revolves around profound analysis of consumer behavior. Furthermore, Bose, 2002 define CRM within the same perspective as an integration of technologies and business processes used to satisfy the needs of a customers. Liu and Yang, (2009) and Kaufmann et al., (2012) asserts this point stating, CRM enables a company to optimize revenue and increase customer value through understanding and satisfying the individual customers' needs.

This requires a long-term plan which necessitates organizational commitment and sufficient investment. Kotler et.al (2005) defines the principles of customer relationship management (CRM) as the act of companies attracting the right customers who will keep buying from them and become their strongest advocates through word-of-mouth marketing as a result of deep rational and emotional satisfaction.

Kotler & Keller (2006), believes that technological application have increasingly lead to customer retention, since customers have become increasingly driven by technology and are therefore demanding higher levels of services associated with technology. Therefore, Gupta, et.al (2004) as cited in Nataraj (2010), it is mutually beneficial for the business and customers to have a good customer relationship management for it facilitates the efficient use of labor and technical resources to meet even more consumer needs that foster satisfaction and retention . Wilmshurst & Mackay(2002) noted that Companies that are thinking about implementing CRM need to be aware that it is not a technology itself. However it is a business process assisted by technology.

Customer relationship management (CRM) has become the “new big thing” in business theory. And its focus is shifting from cost reduction to profit maximization through augmented service and increased availability and use of information. Companies are now enlightened with this fact and importance. Consequently, they are organizing all available information on customers in such a way that it can be presented in coherent manner, and in a timely fashion so as to leverage the numerous opportunities provided by customers, in terms of increasing customer retention, increasing customer value and attracting new customers through referrals (Ibid).

It is therefore imperative that hotels identify ways in which they can utilize new technologies to adopt and operationalize CRM services that contribute to increased value for their customers and reduce complaints.

The components of CRM may include Data warehouse that store all the company’s information, customers’ service system, call center, e-commerce, web marketing, operation system (that handle order entry, invoice, payments, point of sell, inventory system) and sales system.

Kotler, (2005) pointed out five levels of relationships that can be formed between a firm and a customer who have purchased a company’s product or services. The first level is called Basic. In this relationship the company sells the product, but does not follow up in any way. The second level is Reactive at this level the firm sells the product and encourages the customer to call if and when he or she has any enquiry or problems. The third level is Accountable in which case a representative of the firm contacts the customer a short time after the sale to check if the customer is satisfied with the product or service he or she purchased as well as solicits any product improvement suggestions from the customer for the purpose of continuously improving

the company's offering. The next level is Proactive relationship. This level of relationship refers to the company's communication with the customer from time to time with suggestions about improved product use or helpful new products. And the final level is Partnership at which the company works constantly with the customer to discover ways to deliver better value.

2.4. Service Quality and Customer Retention

Gummesson, (1991).cited in Akbaba (2006) noted that research in services started to grow in the late 1970s in several parts of the world. Over the past decades, the service sector has become the dominant element of the economy, and the studies revealed that service quality is a prerequisite for success and survival in today's competitive environment; thereby the interest in service quality has increased noticeably (Ghobadian et al., 1994). This is because its positive impact on customer loyalty and attraction of new customers, positive word-of-mouth, employee satisfaction and commitment, enhanced corporate image, reduced costs, and increased business performance (Berry et al., 1989).

Marketing scholars such as Taylor and Baker, (1994); Zeithaml et al., (1996); Bansal and Taylor, (1999) have also asserted that if practitioners can take actions that result in improved service quality evaluations, they will be rewarded with enhanced customer retention. The rationale for this is that customers are unlikely to return to a service provider that delivers a level of perceived service quality that falls short of the customers' expectations (Zeithaml et al., 1996).

Service quality cannot be objectively measured as can manufactured goods and therefore it remains a relatively elusive and abstract construct (Zeithaml et al., 1990). This according to Frochot and Hughes, (2000) is because of their intrinsic nature of heterogeneity, inseparability of production and consumption, perishability and intangibility which happens to also be true in the hospitality service.

Fick and Ritchie, (1991) noted that it is important to be able to define the service quality, identify the dimensions of the service quality as well as their relative importance for customers because competition is increasing and improving the quality of services offered is becoming more vital for the hotel industry, Having knowledge about these areas could help hoteliers in the challenge

of what types of hotel services need improvement in the hotel industry as a whole (Asubonteng et al., 1996) and in their respective hotels

2.4.1. Measuring Service Quality in the Hotel Industry

Available literature provides plenty of service quality measurement methods proposed by various researchers (Erto and Vanacore, 2002; Parasuraman et al., 1985; Philip and Hazlett, 1997; Cronin and Taylor, 1992; Franceschini and Rossetto, 1997; Teas, 1994; Schvaneveldt et al., 1991). Stauss and Weinlich (1997) cited in Akbaba (2006) these methods can be broadly classified into incident-based and attribute-based service quality measurement methods.

The incident-based methods utilize the incidents that customers experience during the service delivery. Attribute-based methods exist in a wide range of variants. Among these variants, the SERVQUAL instrument has attracted the greatest attention as a result of its claim of being able to measure the relevant dimensions of any service industry that is being considered (Brown and Swartz, 1989; Carman, 1990; Parasuraman et al., 1988, 1991, 1994a).

In recent years, numerous studies have focused on service quality in the hotel industry (e.g., Juwaheer, 2004; Ekinici et al., 2003; Mei et al., 1999). The outcomes of these studies have produced several contributions in relation to understanding the dimensional structure of service quality of hotels. At the same time, these studies have proved that there might have been different quality dimensions to deal with for the hotels. These studies have also shown that, in hotel setting, some of quality dimensions were different from the five dimensions described by the original SERVQUAL researchers (Akbaba, 2006). Ibid, Akan (1995) identified seven dimensions, named as “courtesy and competence of the personnel”, “communication and transactions”, “tangibles”, “knowing and understanding the customer”, “accuracy and speed of service”, “solutions to problems”, and “accuracy of hotel reservations”. Among these, “courtesy and competence of hotel personnel” was the most important attribute influencing the perception of quality.

Mei et al. (1999) examined the dimensions of service quality in the hotel industry in Australia. They used the SERVQUAL instrument as a foundation and developed a new scale called HOLSERV scale, a new instrument to measure service quality in the hotel industry. As the key findings of their study, the authors concluded that service quality was represented by three

dimensions in the hotel industry, relating to “employees”, “tangibles” and “reliability”, and the best predictor of overall service quality was the dimension referred to as “employees”.

Knutson et al. (1990), using SERVQUAL as a foundation, developed LODGSERV, an instrument designed to measure service quality in the hotel industry. In their study, five service quality dimensions emerged, among them “reliability” ranked first in hierarchy of importance for evaluating the service quality, followed by “assurance”, “responsiveness”, “tangibles”, and “empathy”.

Getty and Thompson (1994a) developed the LODGING QUALITY INDEX based on the new SERVQUAL scale. This model has gone through some modifications and finally ended up with five dimensions and twenty–six items that have been used until now. These Five dimensions are tangible, reliability (includes original reliability and credibility dimensions), responsiveness, confidence (includes original competence, courtesy, security and access dimensions) and communication (includes original communication and understanding dimensions). They are different with the five dimension of SERVQUAL (include tangibles, reliability, responsiveness, assurance and empathy) and they are considered more suitable to evaluate some unique features of the hotel industry.

Webster and Hung (1994) developed an easy-to-use questionnaire for measuring service quality in hotel industry. The questionnaire was based on the SERVQUAL instrument. The authors field-tested the adapted instrument and concluded that their instrument was valid, reliable and practicable, and offer several advantages when compared with SERVQUAL. The adapted instrument consisted of seven dimensions: “tangibles”, “reliability”, “communication”, “responsiveness”, “security”, “understanding”, and “convenience”.

Philip and Hazlett (1997) provided a review of the SERVQUAL instrument and explained the problematic areas associated with the instrument. The authors believed that its five dimensions did not adequately address some of the more critical issues associated with the assessment of individual services. Against this backdrop, they put forward their Pivotal–Core–Peripheral model (P–C–P model). The authors claimed that the P–C–P model provided a simple, yet highly effective, general framework for assessing the service quality of any service sector. Armstrong et al. (1997), using the SERVQUAL instrument, examined the impact of “expectations” on service

quality perceptions in the Hong Kong hotel industry which involved cross-cultural samples. They concluded that significant “expectations” differences exist between cultural groups and that “expectations” did not improve the validity of SERVQUAL. Their findings implied that for hotel services expectations of service differed from culture to culture.

The results of the previous studies found in relevant literature cited above indicated that caution must be taken in efforts for improving service quality in the hotel industry, since in hotel setting some of quality dimensions were different from the five dimensions described by the original SERVQUAL researchers, service quality dimensions differ from one segment of hotel industry to another, and for hotel services customer expectations of service differ from culture to culture.

2.5. Dimensions of Service Quality: A (5Qs Model)

Today a competitive market position and a good reputation of a company can quickly translate into market share and profit, but that distinction is often earned only through a philosophical commitment to service backed by diligent attention to what customers want and need (Zineldin and Bredenlo “w, 2001). In an era when intense competition is being greatly facilitated by technology, the need of providing adequate product/service quality will necessitate that companies have to focus their attention on issues of improving, measuring and controlling their product/service quality (Sylvestro et al., 1990).

One way to measure quality is through customer complaints (Chapman et al., 1997) and customer survey. Quality measurement is of particular importance to be considered by all managers and marketers of high contact services industry. The inputs or delivery system in a supplier is a combination of human resources, locations and equipment

Customer loyalty and the maintenance of the customer relationship are in fact dependent on how well a product and service measures up to the customer’s original expectations of quality. While Gronroos (2000) divided the total quality of a product/service into technical quality and functional quality, Zineldin (2006) expended technical-functional quality models into framework of five quality dimensions (5Qs) which impacting the satisfaction and loyalty of a customer (5Qs): Quality of object, Quality of processes, Quality of infrastructure, Quality of interaction, and Quality of atmosphere.

5Qs model and its constructs that was used in the project, where the total quality (TQ) of the accommodation service is function of Q1-Q5. The TQ is a f (Q1 + Q2 + Q3 + Q4 + Q5). Each single quality dimension of service quality is impacting the level of satisfaction which in turn impacting the retention.

This 5Qs are best measured using LODGING QUALITY INDEX (LQI) that was derived from Parasuraman (1988) by Getty and Thomson (1994a) covering the dimensions: tangibility, reliability, compassion, trust and communication. This index is suitable for measuring the 5Qs in hotel industry. Hence, in this study the LODGING QUALITY INDEX instrument will be used as a tool of analysis.

2.6 Dimensions of CRM

From the firm's point of view the CRM dimensions can be of four type each of which are very crucial for the realization of effective customer-firm relationship these dimensions are focusing on key customer, organizing around CRM, managing knowledge, and incorporating CRM-based technology.

Focusing on Key Customers

A customer-focused structure, culture, policy, and reward system should permeate any organization that strives to implement CRM successfully (Ryals and Knox 2001; Sheth, Sisodia, and Sharma 2000). This involves an overall customer-centric focus (Sheth et al., 2000; Vandermerwe, 2004), and continuously delivering superior value to selected key customers (Parvatiyar and Sheth, 2001) through personalized/ customized offerings (Dyche, 2002). The ultimate goal is to achieve strong and long-lasting relationships through which the service provider becomes irreplaceable to its key customers (Vandermerwe 2004). Once the sales force is equipped with company-wide understanding and internal support for key customer relationships, they will be better enabled and more motivated to cultivate long-term customer relationships by offering more customized services (Armstrong and Kotler, 2003; Srinivasan, Anderson, and Ponnayolu 2002).

Organizing Around CRM

If CRM is to be successful, a firm must be committed to organize its overall resources around it. For this to happen, organizational structure needs to be flexible and, if necessary, reconstructed to generate customer-centric values (Homburg, Workman, and Jensen 2000) and improve coordination of customer-focused, cross-functional teams (Brown 2000; Homburg, Workman, and Jensen 2000). With combined efforts by all organizational functions to continuously provide a stream of value-rich actions and customer outcomes (Ahmed and Rafiq 2003; Gro Énroos 1990), the company and its sales force are assured that they can satisfy customers' needs and enhance customer relationships. Hence, Hotels should be structured around nurturing valuable relationships with their key customers throughout its CRM system so that the sales force would be aware of or even anticipate individual customer needs and act accordingly.

Managing Knowledge

Successful CRM is based on effectively converting customer information to customer knowledge (Freeland 2003; Plessis and Boon 2004; Stringfellow, Nie, and Bowen 2004). In order to increase customer profitability, information regarding customers should be gathered through interactions across all functional areas of the firm (Brohman et al. 2003), so that firms established, maintained, and continually updated customer knowledge (Fox and Stead 2001) so as to shared and disseminate it throughout the organization (Peppard 2000; Ryals and Knox 2001) to address customers' current and anticipated needs. Accordingly, having essential customer knowledge, enable the salespeople of a firm to adjust marketing offers specifically to fit the distinctive needs of each customer (Armstrong and Kotler 2003).

Incorporating CRM-Based Technology

CRM activities, such as knowledge management, can be optimized by leveraging the latest technology. Technological innovations help improve CRM activities with their ability to collect and analyze data on customer patterns, develop prediction models, respond with timely, effective, and personalized communications, as well as efficiently deliver customized value offerings to individual customers (Peppard 2000; Vrechopoulos 2004). With the development of sophisticated information management tools, such as database marketing, data warehousing, data mining, and push technology, companies are determined to incorporate such technologies, which

are useful to better respond to their customers and build long-term customer relationships, into their CRM systems (Kotler, 2004). Among the major outcomes sought by incorporating CRM-based technology are enhanced customer satisfaction, higher customer retention, and more profitable long-term customer relationships (Butler 2000).

On the other hand, from the customers' perspective or behavioral CRM dimensions are trust, commitment, communication, and conflict handling (Ndubisi, 2007). The presence or absence of these dimensions can greatly affect the relationship quality between the service provider and the customer that ultimately affects customer retention.

Trust

Trust has been mentioned in a number of studies as one of the important foundations of relationship marketing. For instance, Moorman et al. (1993) described it as a disposition to rely on an exchange partner (in this case a service provider) in whom one has confidence. A betrayal of this trust can lead to customer dissatisfaction and defection. Gronroos (1990) asserted that the resources of the seller – personnel, technology and systems – have to be used in such a manner that the customer's trust in the resources involved and, thus, in the firm itself is maintained and strengthened.

Commitment

Similar to trust, commitment is one of the important variables for understanding the strength of a marketing relationship, and it is a useful construct for measuring the likelihood of customer loyalty as well as for predicting future purchase frequency (Gundlach et al., 1995; Morgan and Hunt, 1994).

In the eyes of Sociologists commitment is viewed as a descriptive concept to mark out forms of action characteristic of particular kinds of people or groups (Wong and Sohal, 2002), while psychologists view commitment as decisions or cognitions that fix or bind an individual to a behavioral disposition (Kiesler, 1971). In relationship marketing, Moorman et al. (1992) defined commitment as a long-term desire to maintain a valued relationship among the parties involved. This implies a higher level of obligation is required to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al., 1995; Morgan and Hunt, 1994). Once a

firm is positioned as committed in the eyes of the customers, individuals who believe that they receive more value from a relationship, should be willing to reciprocate effort of the firm by being committed to the relationship with the firm due to past benefits received (Mowday et al., 1982) and highly committed firms will continue to enjoy the benefits of such reciprocity.

Communication

Communication is the ability to provide timely and trustworthy information (Ndubisi & Wah, 2005). Therefore, firms need to be vigilant on providing information that can be trusted; providing information when service delivery problem occurs; providing information on quality problems arises and fulfilling promises. It is the communicator's task to build awareness, build consumer preference by promoting quality, value, performance and other features, and encourage interested buyers to make a purchase decision. Communication also tells a dissatisfied customer what the organisation is doing to rectify the source of dissatisfaction (ibid). This implies that without efficient and frequent communication a relationship will crumble.

Furthermore, communication quality of the relationship reflects the nature and extent of formal and informal communications (Menon et al., 1999). While formal communication between parties is likely to be routinized, referring to communication through written form such as press release, brochure, and website ads; through oral forms such as press conference, informal forms of communication are more personalized such as one to one communication (Ruekert and Walker, 1987). Mohr et al., (1996) assert that formal communication tends to be planned and structured while informal communication tends to be unplanned and unstructured.

A good relationship is a result of effective communication. Lages et.al, (2005) noted that relationships develop through information and communication. While information comprises any type of data or ideas that are open to systematic arrangement and organized, communication only occurs when people are led to experience the sharing of assumptions and perceptions about its meaning. Shared understanding is exactly what distinguishes communication from information.

Conflict Handling

Conflict handling refers to the firm's ability to minimize or even eliminate the negative consequences of potential and actual conflicts (Dwyer et al., 1987). Conflict may arise from the

absence of mutuality because of changes in the objectives of either party or because of the changes in processes which are not being managed to the satisfaction of one or both parties (Woo & Ennew, 2004). Dwyer et al. (1987) defined conflict handling as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. This implies conflict handling can be applied at three specific points: first before the conflicts occur, second while the conflict is in progress, and third after the conflict occurred

Generally, successful CRM can be achieved by incorporating and applying all the dimensions of CRM implementation from the firm's perspectives so as to benefit from the position the firm will have in the mind of customers as trust worthy, committed, effective communicator, and conflict averter or solver. Therefore hoteliers need to be aware of the importance of these CRM dimensions and incorporate them in their strategy. Moreover they must be committed to implement them by communicating trustworthy information in order to avert or solve conflict to retain their customers.

2.6 History of Hotel Industry

Krishna (1995) cited in Henok (2015) claimed that hotels serve as a —home away from home for the travelling public. It came to exist when the first roads were built in Britain, and merchants and other wealthy travelers journeyed to different parts of the country. However, the first inn located in America was recorded in the year 1607 and led the way with many other firsts in the hospitality industry. The first publicly held hotel (the city hotel) opened in New York in 1792.

The first modern hotel named Tremont opened in Boston 1809 and the first business hotel (the Buffalo Statler) opened in 1908. From there a surge of hotels flooded American and the rest of the World with prominent names such as Radisson, Marriot and Hilton.

An Overview on the Hotel Industry of Ethiopia

The history of hotel industry in Ethiopia begins when the First modern Hotel was inaugurated in 1907. The hotel was named after the owner Empress Taitu. The next generations of Hotels were opened during the five years Italian occupation and were called “ALBERGO”. The third generation Hotels were built during the establishments of AU and UNECA. Then the Dergue regime took over and nationalized all private Hotels except the Hilton Hotel which was managed

independently. In recent years, with the principles of free market economy, it has been witnessed establishment of independent and chain Hotels throughout the country (Gobena & Gudeta, 2013).

Being the seat of many international organizations such as AU, UNECA, (COMESA, 2017) and one of the most desired tourist destinations due to the distinct historical, cultural as well as religious nature of Ethiopia (Alelign, 2013) increased the demand of accommodation service particularly in the hotel sector. Addis Ababa, the third largest host of diplomatic community in the world (COMESA, 2017), holds many international meetings and conferences contributes to the huge demand for accommodation at an international standard (Gobena & Gudeta, 2013). This demand is yet to increase because of the strong political role Ethiopia is playing in the region (ibid).

In the face of increasing demand this study mainly focuses on the analysis of determinants that affect customer retention in five star Hotel Industry. In the next section core concepts and related works in the topic area are discussed.

2.7 Conceptual Model

A conceptual frame work is defined by Miles & Huberman (1994) as a narrative or graphic representation that shows the presumed relationship between the dependent and the independent variables which are yet to be empirically proven.

Service Quality

Zeithaml et al., (2006) as cited in Khajehzadeh S. & Nyadzayo M. (2016) described Service quality as an overall judgment about the level of a service provider's performance. The quality of service is said to be met if and when a firm determines customer expectations correctly and deliver the service at a level that will at least meet those expectations (Brink and Brendt, 2004).

The specific dimensions that influence perceived service quality include:

Q1. Quality of Object: the technical quality (what customer receives). It measures the core product itself.

Q2. **Quality of Process:** the functional quality (how the prodserv provider provides the core prodserv (the technical). It can be used to pinpoint problems in service delivery and to suggest specific solutions.

Q3. **Quality of Infrastructure:** Measures the basic resources which are needed to perform the prodserv services: the quality of the internal competence and skills, experience, know-how, technology, internal relationships, motivation, attitudes, internal resources and activities, and how these activities are managed, co-operated and co-ordinated.

Q4. **Quality of Atmosphere:** Measures the relationship and interaction process between the customer-company is influenced by the quality of the atmosphere in a specific environment where they operate. The atmosphere indicators should be considered very critical and important because of the belief that lack of frankly and friendly atmosphere explains poor quality and less loyalty.

Q5. **Quality of Interaction:** Measures the quality of information exchange, financial exchange and social exchange, etc.

Generally, if service firms take actions that improve these quality dimensions, they will reap the benefits of customer retention and loyalty (Bansal and Taylor, 1999; Zeithaml et al., 1996). On the other hand, Customers are unlikely to return to service firms that do not meet their expectations of service quality (Zeithaml et al., 1996). Based on this, the researcher expects that service quality impacts customer retention.

The hospitality industry recognizes that superior service quality is one of the fundamental factors that can add value and lead to customer retention and loyalty. In doing so, the hotel will be able to differentiate itself from its competitors and retain its loyal customers (Schulz & Omweri 2012).

Customer Relationship Management

Based on the Relationship Marketing (RM) theory, the concept of CRM is based on the proposition that developing relationships with customers is the best way to retain them and generate loyalty, and those loyal customers are more profitable than non-loyal customers (Zeithaml et al., 1996). CRM is defined as a process of managing the whole relationship between

a firm and its customers (Grönroos, 2007) with the main objectives of attracting, developing and maintaining successful customer relationships for a long period of time (Berry, 1995). Investments in CRM signal that the firm values its customers enough to make extra efforts to maintain the relationship with its customers which influence customers' behavior directly and positively (Balaji, 2015).

It is important, to empirically examine the behavioral dimensions of CRM that determine customer retention because such understanding will assist in better management of firm-customer relationship and in achieving higher level of loyalty among customers. The research study reported here investigates how customers evaluate the relationship quality they have with their service provider and how these dimensions affect their behavior. Hence, from the buyers' perspective it can be conceptualized as the function of trust, commitment, communication, and conflict handling (Ndubisi, 2007).

Trust: Trust is one of the most widely examined and accepted concepts in relationship marketing. According to Wilson (1995, p. 337) "trust is a fundamental relationship model building block and as such is included in most relationship models". The literature on marketing channels has provided numerous definitions of trust. These definitions can be aggregated as the belief and confidence of one party has on partner's reliability and integrity.

Calonius (1988) cited in (Ndubisi, 2007) argued that in order to maintain and enhances evolving relationship, the fundamental element of the relationship marketing approach is the promise concept. This is to mean that the responsibilities of marketing do not only, or predominantly, revolve around giving promises and persuading customers as passive counterparts in the marketplace to act in a given way, but also in delivering to what was promised. This act of Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retention, and securing long-term profitability (Reichheld and Sasser, 1990). Therefore the resources of the service provider's –personnel, technology and systems – have to be used in a manner that is trustworthy that reflects on the overall image of the firm itself.

Commitment: Commitment is another important determinant impacts the strength of a relationship between the customer and the firm. In order to make a relationship succeed and make it mutually satisfying and beneficial, a higher level of obligation is required from both

sides (Gundlach et al., 1995; Morgan and Hunt, 1994). Moreover, it a useful construct for measuring the likelihood of customer retention and predicting future purchase frequency (ibid).

Communication: The other important construct in CRM is communication which is an exchange of information through interactive dialogue between the company and its customers. This takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1990) with the purpose of keeping in touch with valued customers so as to provide timely and trustworthy information on service and service changes, and notify customers proactively if a service delivery problem occurs(Ndubisi ,2007) to reduce inconvenience on the part of customer.

Conflict Handling: conflict handling can be explained as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise (Dwyer et al. 1987). This means there are three specific points in time at which a firm practices its conflict handling measures. In dealing with conflict, especially at the third stage, extra care must be taken. This is because how well this is done will determine whether the outcome is loyalty or defection. Ndubisi and Chan (2005) found a significant relationship between conflict handling and customer loyalty.

Customer Retention

Customer retention explains the degree to which a customer displays repetitive purchasing behavior from a service provider and showing a positive attitudinal disposition toward the provider, and thereby considering using the services of the provider when a need arises (Gremler and Brown, 1998)

.Thus, its development, maintenance and enhancement remains to be the central focus of the majority of firms' marketing activities (Dick and Basu, 1994) making it probably one of the best measures of success of any organization.

By definition, customer retention is customers' tendency to repurchase or patronage a specific product or service in the future, resulting in repetitive consumption of the same service or service provider (Oliver, 1999). Loyal customers help firms to lower marketing costs, solicit more customers, effectively increase market share and are willing to pay premium prices (Aaker,

1996; Reichheld, 1996). Thus, it is a critical concept to both marketing scholars and practitioners (Zeithaml and Bitner, 2000).

Existing literatures shows that service quality and customer relationship management influence customer retention. For instance, when customers consistently receive quality service, their purchase rate increases and become loyal customers. In addition to this, when the firm’s CRM activity is efficient, customers attitude is positively influenced resulting in long-term relationships with the firm (Balaji, 2015). Drawing on these insights, the researcher anticipates that service quality and CRM quality affects customer retention.

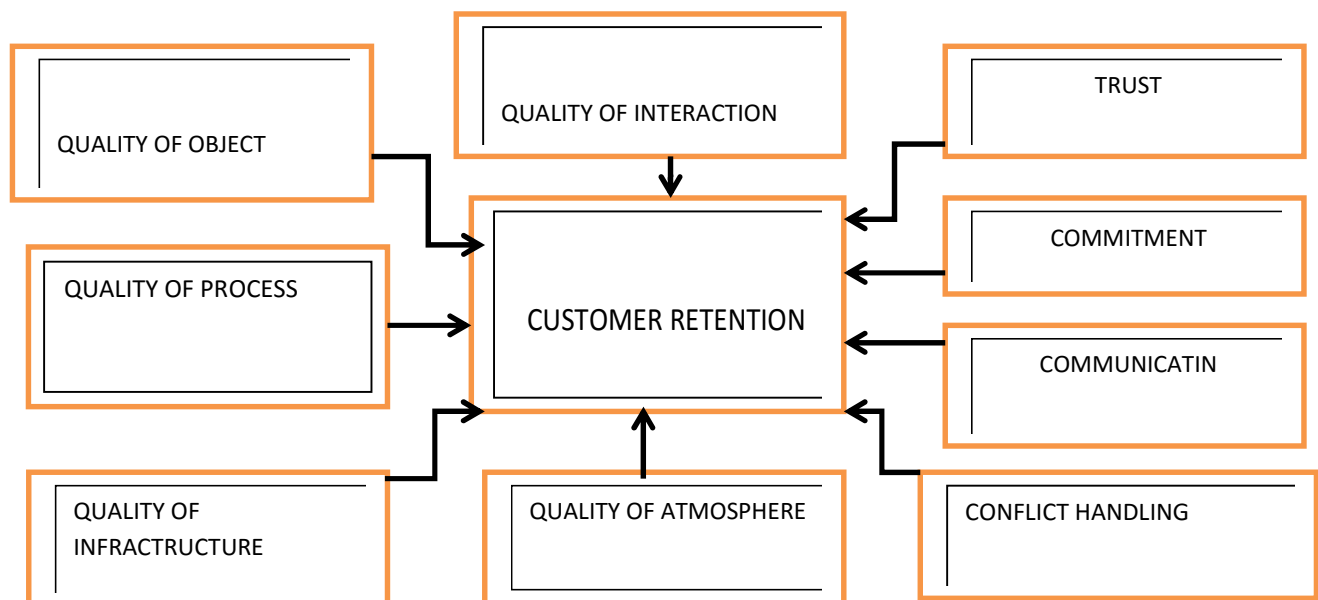
The independent variables for the purpose of this study were taken from different articles and the authors are listed below.

Table 1: Contributing Authors of the independent Variables.

Factors affecting customer retention	Authors
Service quality	Schulz & Omweri, (2012)Zineldin (2006)
Customer relationship management	Ndubisi, (2007)

Figure 5: Conceptual Model of the Study

Source:Schulz& Omweri (2012), and Zineldin (2006), Ndubisi, (2007)



CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Introduction

This chapter deals with the research methodology that will be implemented to achieve the objectives of the study. Research approach and design, population of the study, sampling design and sampling techniques, source and instruments of data collection, procedure of data collection and method of data analysis will be discussed. In addition to the above points, the validity and reliability test of the research and ethical considerations are also addressed.

3.2. Research Approach

In order to examine the determinant affecting customer retention practice in the Hotel Industry and to what extent these factors affect customer retention, the researcher utilized deductive approach due to the fact that deductive research approach begins with the development of a theory or hypothesis and later a development of a strategy to test it in a context to verify or reject its claims. So it is thinking from general to specific. Moreover the researcher follows a quantitative research for it is suitable for descriptive and explanatory research (Bhattacharjee, 2012) whose phenomena can be expressed in terms of quantity or amount. This approach is also suitable for subjective assessment of attitudes, opinions and behaviour (Kothari, 2004). Moreover, it is often regarded as being purely scientific, justifiable, precise, and based on facts (Jonker & Pennink, 2010).

It also placed heavy emphasis on using formalized standard questions and predetermined response options in questionnaires or surveys administered to large numbers of respondents. The main goal of quantitative research is to provide specific facts decision makers can use to (1) make accurate predictions about relationships between market factors and behaviors, (2) gain meaningful insights into those relationships, and (3) verify or validate the existing relationships (Hair, Bush & Ortinau's, 2003).

3.3. Research Design

In this study the researcher followed both the descriptive and explanatory designs. Descriptive research design was employed for describing the characteristics of the study population. On the

other hand explanatory research design was used to investigate the relationship between the dependent and independent variables.

3.4. Sampling Design

3.4.1. Population of the Study

The total population for the purpose of this study was all individuals (over the age of 18) who are customers of five-star hotel services in Addis Ababa. In addition to this, the study focused on those domestic and international customers who have used accommodation and other services for over a night within the specified time frame.

3.4.2. Sampling Techniques

The researcher used both probability and non-probability sampling techniques to select the target population. Among Probability sampling simple random sampling method was used to select the three hotels among the eight five- star Hotels in Addis Ababa and then stratified sampling was used to proportionally allocate the sample size based on the number of rooms each hotel has. Furthermore, non- probability sampling which is purposive sampling was used to select individual customers from the three hotels which were already selected.

3.4.3. Sample Size

According to Amadi (2005) a sample is quite adequate since a sample of 0.05 proportion of the population is believed to be satisfactory in making inferences as a result the researcher will take a sample of three hotels out of the eight five -star hotels that are found in Addis Ababa which is 29% of the total population.

Furthermore, since, the population of individual respondents is unknown; the researcher utilized the appropriate standardized formula for calculating the necessary sample size by adopting Hair, Bush & Ortinau's (2003) sample size determination formula to determine the number of respondents for the study. Hence the appropriate standardized formula for calculating the necessary sample size would be:

$$n_o = \frac{Z^2pq}{e^2}$$

Where;

n_o is the sample size, Z^2 is the abscissa of the normal curve that cuts off an area α at the tails ($1-\alpha$ equals the desired confidence level, e.g., 95%) 1, e^2 is the desired level of precision, p is the estimated proportion of an attribute that is present in the population, and q is $1-p$. The value for Z is found in statistical tables which contain the area under the normal curve.

Therefore, to illustrate consider $p=0.5$ (maximum variability), a 95% confidence level and $\pm 5\%$ precision. The resulting sample size is

$$n_o = \frac{(1.96)^2(0.5)(0.5)}{(0.05)^2} = \mathbf{384}$$

Adopting this formula, the minimum required sample size was estimated to be 384 which were distributed proportionally among hotels based on the number of rooms they have.

Table 2: Sample size

Name of the Hotels	No. of rooms	Allocation of sample in %	Sample size
Golden tulip Hotel	90	25	96
Getfam Hotel	115	32	123
Ellele International Hotel	155	43	165
Total	360	100	384

3.5. Sources of Data

In this study the researcher used primary data source which is obtained through structured survey questionnaires as it has been duly suggested by Cooper and Emory (1995), a self-administrated closed-ended questionnaire was used for its elevated importance of practicability and easiness in filling out to capture first-hand responses from respondents..

3.6. Data Collection Methodology

The data collection process was administered using a self-administered questionnaire to be filled by 384 hotel customers in order to uncover their perception towards the Five-star Hotels' marketing activities in Addis Ababa, particularly, concerning to the determinants that influence customer retention to a particular service provider.

Distribution and collection of questioner was carried within the venue of the selected hotels from January, 20 up to February, 20, 2018 by the researcher and two other data collectors. The standard questionnaire was distributed to those customers who stayed in the hotels for at least overnight and who were also willing to participate. These participants were made aware of the research objective and they were informed about the confidentiality of their responses.

3.7. Data Collection Instruments

The primary data was gathered through Questionnaire survey which is a research instrument consisting of a set of questions intended to capture responses from respondents in a standardized manner. Questions in the questionnaire were structured. Structured questions are also known as closed-ended questions that ask respondents to select an answer from a given set of choices (Jonker & Pennink, 2010) that require the respondent to choose from limited number of prelisted responses or scale points. These types of questions require less thought and effort on the part of the respondent (Hair, Bush and Ortinau's, 2003).

Prior to the actual field survey pilot survey was conducted on 10 respondents to check for clarity, consistency and suitability of the questionnaire. Then the actual data were collected using a self-administered survey questionnaire.

The survey questionnaire contained two parts. The first was about demographic profile of respondents that include their gender, age, marital status, purpose of visit, and frequency of patronage. The second part contains two determinants that affect customer retention in the hotel industry and the dependent variable customer retention as a point of analysis. It is developed in a five point likert-scale with a probable response alternatives ranging from strongly disagree to strongly agree; with values assigned 1- Strongly disagree, 2- Disagree , 3- Neutral, 4- Agree and 5- Strongly agree, was distributed and collected so as to get first hand data from respondents which were used to measure how strong the determinants influence the retention of customers.

3.8. Methods of Data Analysis

After collecting and sorting the questionnaire from the respondents, data were coded, computed, and analyzed using Statistical Package for Social Sciences (SPSS) software version 20 and were presented using both descriptive as well as inferential statistics. Descriptive statistics was used to analyze the demographic nature and characteristics of the respondents while inferential statistic

such as correlation and multiple regression analysis, was used to examine determinants affecting customer retention in the Hotel Industry.

3.9. Validity

Validity refers to the degree to which a measure adequately represents the underlying construct that it is supposed to measure (Bhattacharjee, 2012). It is also the degree to which a research instrument serves the purpose for which it was constructed; it also relates to the extent to which the conclusions drawn from an experiment are true (Hair, Bush & Ortinau's, 2003). Hence, it can be considered as the most important criterion (Kothari 2004) because it depicts that correct procedures have been applied to find answers to a question.

In order to achieve validity the questions in the data collection instrument were commented upon by the researcher's advisor, the marketing managers of hotels and other experts experienced in the hotel industry whether they can adequately measure what they are expected to measure. Consequently, the questionnaire was modified as per the comments received to enhance its validity.

3.10. Reliability

Reliability is the degree to which the measure of a construct is consistent or dependable. Reliable measuring instrument does contribute to validity, but a reliable instrument need not be a valid instrument (Kothari 2004). In other words, a measurement is said to be reliable, if it yields the same result every time we measure the same construct, assuming the underlying phenomenon is not changing. Note that reliability implies consistency but not accuracy (Bhattacharjee, 2012).

Reliability could be achieved through pre-testing of the instruments or estimated mathematically. In this study, the data collection instruments i.e. survey questions for hotel customers were adopted from previous studies in the customer retention literature but modified to the hotel industry context by posing only the relevant questions in simplified and clear manner.

And statistically, Cronbach's alpha is commonly used to test internal consistency reliability which measures the consistency between different items of the same construct. This can be tested by administering a multiple-item construct measure to the respondents to test whether

respondents rate those items in a similar manner or not to ascertain the internal consistency. Therefore, the researcher used this test to confirm the reliability of the instrument.

3.11. Ethical Consideration

Ethics is the moral distinction between right and wrong. Even though what is unethical may not necessarily be illegal in the eyes of the law, researchers will still be ostracized by their professional community, face severe damage to professional reputation, and may even lose their job for scientific misconduct (Bhattacharjee, 2012) in this case, fail a course. Hence, the researcher adhered to the ethical principles of scientific research throughout the collection, analysis and interpretation of the data.

Before the process of collecting data a letter from Addis Ababa university school of commerce was acquired and presented to the selected hotel managers so as to obtain permission to conduct the research.

Once the permission was granted by the hotels, individual customers consent to voluntarily participate in study was inquired. Furthermore, the subjects were informed why the research was conducted and how their identity and responses will be kept confidential. To increase the confidence level of participants on the confidentiality respondents were instructed not to write their names. Finally, they were told that they were free to withdraw from answering the questionnaire at any time.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

In this chapter, the data that were collected from customers of the three selected five star hotels in Addis Ababa namely, Golden tulip hotel, Getfam hotel, and Elilly international hotels presented and analyzed. In order to do this 384 questionnaires were distributed out of which 362 were returned. This implies that the non-response rate is 5.7%. The collected data were summarized and analyzed in order to realize the ultimate objective of the study. Accordingly, the analysis begins with the descriptive analysis of the demographic characteristics of the respondents. The result of this was presented through cross- tabulation and tested by using binomial test for dichotomous variables with two possible outcomes, and chi square and goodness of fit test mechanisms for categorical variables with multiple outcomes. In addition to this, the determinants of customer retention in those selected hotels were tested by using Cronbach's alpha test in order to test the reliability and the degree of variability of variables. The association between variables was also analyzed through correlation analysis. Furthermore, in this study, the causality relationship analysis of service quality's (5Qs) Model and CRM with Customer Retention were conducted via Multiple Linear Regressions.

4.2 Descriptive Statistics

General information

Binomial probability

The binomial distribution is a widely used probability of discrete random variables: it means two names and is associated with situations involving two outcomes(Sharma, 2012).Leeper, (2012) recommends using binomial test when the variable is categorical with two outcomes. One of the application areas of binomial distribution is in the contextof gender distribution.

A. Gender

Please indicate your gender

Table 4.1. Gender distribution

Source: Own Survey (2018)

Sex * At which hotel are you staying Crosstabulation

Count

		At which hotel are you staying						Total	
		Golden tulip hotel		Getfam hotel		Elilly International Hotel		freq	percent
Sex		Freq	percent	Freq	percent	Freq	percent		
		MALE	47	12.98%	64	17.67%	94	25.96%	205
	FEMALE	42	11.60%	51	14.08%	64	17.67%	157	43.37%
Total		89	24.58%	115	31.76%	158	43.64%	362	100%

Table 4.1. Indicates that respondents response on the statement “Please indicate your gender”. Male and female of the respondents of Golden tulip hotel are 12.98 % and 11.60% respectively which makes the total percentage 24.58%. In addition to this, the male and female distribution at Getfam hotel is 17.64% and 14.08% respectively which makes the total percentage 31.76%. When it comes to Elilly International Hotel, the male and female distribution is 25.96% and 17.67% which makes the total percentage 43.64%. Generally, of all respondents participated in this research 56.62% are male while 43.37% are female.

Chi-Square Test

Chi-square test is a non-parametric technique (Gravetter and Wallnau, 2016) allows answering questions about nominal variables (Smith et al., 2009), However it can also be used for ordinal variables of few values and numerical variables that can be formed in to sub-ranges of values (O'Donoghue, 2012). The two most well-known chi square tests are the chi-square goodness of fit and chi-square test of independence (Smith et al., 2009; Gravetter and Wallnau, 2016).

According to Leeper, (2012) if there is only one categorical variable with more than two categorical outcomes, one of the right statistical analysis will be chi-square goodness of fit; whereas, chi-square independency test is used when there are two categorical variables with two or more levels of outcomes and want to see if there is a relationship between two categorical

variables. Hence, the data from the next part of the general information are presented by using chi-square distribution tables and tested through both one way (goodness of fit) test and two way test of independence.

B. Age

Table: 4.2 (a) Age Distribution

Please Indicate your Age. * At which hotel are you staying Crosstabulation										
Count										
		At which hotel are you staying						Total		
		golden tulip hotel		Getfam hotel		Elilly Hotel	International			
Please Indicate your age.	18-30	Freq	percent	Freq	percent	Freq	percent	freq	percent	
		16	4.41%	28	7.73%	43	11.87%	87	24.03%	
		31-40	29	8.01%	35	9.66%	59	16.29%	123	33.97%
		41-50	28	7.73%	32	8.83%	33	9.11%	93	25.69%
		51-60	9	2.48%	15	4.14%	19	5.24%	43	11.87%
>60	7	1.93%	5	1.38%	4	1.10%	16	4.41%		
Total		89	24.58%	115	31.76%	158	43.64%	362	100%	

Table 4.2. (b) Chi-Square Test Results

Source: Own Survey (2018)

Chi-square	Value	df	P-value
Chisq(2) / goodness of fit test	100.044	4	0.000
Pearson chi2(2) / independency test	9.8416	4	0.276

Table 4.2.(a) depicts that the age distribution of respondents in the selected hotels. Majority (33.97%) of the respondents are between the ages of 31-40 years. Furthermore; according to table 4.2.(b), the chi square test of independence is 9.8416 and the P- value is 0.276. Therefore, the age distribution of respondents among the hotel is similar. Moreover, the chi-square goodness of fit test result indicates that the Chi-square value is 100.044. The P-Value is < 0.001. The result is significant at $p \leq 0.05$.

C. Marital status

Table: 4.3. (a) Marital status distribution

Please Indicate your Marital status * At which hotel are you staying Crosstabulation									
Count									
		At which hotel are you staying						Total	
		Golden tulip hotel		Getfam hotel		Elilly International Hotel			
Please Indicate your Marital status		Freq	percent	Freq	percent	Freq	percent	freq	percent
	SINGLE	28	7.73%	40	11.04%	61	16.85%	129	35.63%
	MARRIED	44	12.15%	56	15.46%	70	19.33%	170	46.96%
	DIVORCED	10	2.76%	14	11.87%	23	6.35%	47	12.98%
	WIDOWED	7	1.93%	5	1.38%	4	1.10%	16	4.41%
Total		89	24.58%	115	31.76%	158	43.64%	362	100%

Table 4.3. (b) Chi-Square Test Results

Source: Own Survey (2018)

Chi-square	Value	df	P-value
Chisq(2) / goodness of fit test	168.453	3	0.000
Pearson chi2(2) / independency test	5.5127	3	0.480

Table 4.3. (a) Shows that the Marital status of the respondents in the selected hotels. Majority (46.96%) of the respondents are Married. Additionally, according to Table 4.3. (b) the chi-square test of independence is 5.5127 and the P-value is 0.480. This indicates it is not significant. Therefore, the marital status of respondents among the hotel is similar. Moreover, the chi-square goodness of fit test result indicates that the Chi² value is 168.453. The P-Value is < 0.001. The result is significant at $p \leq 0.05$.

D. purpose of visit

Table: 4.4. (a). Purpose of visit distribution

Please indicate your Purpose of visit * At which hotel are you staying Crosstabulation									
Count									
		At which hotel are you staying						Total	
		golden tulip hotel		Getfam hotel		Elilly International Hotel			
Please indicate your Purpose of visit		Freq	percent	Freq	percent	Freq	percent	freq	percent
	Business	58	16.02%	79	21.81%	105	29.00%	242	66.85%
	pleasure	17	4.69%	20	5.52%	22	6.07%	59	16.29%
	BOTH	14	3.86%	16	4.41%	31	8.56%	61	16.85%
Total		89	24.58%	115	31.76%	158	43.64%	362	100%

Table 4.4. (b)Chi-Square Test Results

Source: Own Survey (2018)

Chi-square	Value	df	P-value
Chisq(2) / goodness of fit test	183.022	2	0.000
Pearson chi2(2) / independency test	2.5341	2	0.639

Table 4.4. (a) Shows that the purpose of visit of the respondents in the selected hotels. Majority (66.85%) of the respondents come to the hotel for business purpose. Furthermore, according to table 4.4. (b) the chi square test of independence is 2.5341 and the P- value is 0.639.hence it can be concluded that, purpose of visit of respondents among the hotel is similar. Moreover, the chi-square goodness of fit test result indicates that the Chi=quare value is 183.022. The P-Value is < 0.001. The result is significant at $p \leq 0.05$.

E. Patronage frequency

Table: 4.5. (a).Patronage Frequency Distribution

How frequently do you visit the hotel? * At which hotel are you staying Crosstabulation										
Count										
		At which hotel are you staying						Total		
		golden tulip hotel		Getfam hotel		Elilly International Hotel				
How frequently do you visit the hotel?	EVERYDAY	Freq	percent	Freq	percent	Freq	percent	freq	percent	
		EVERYDAY	6	1.65%	3	0.82%	3	0.82%	12	3.31%
		EVERYWEEK	0	0%	3	0.82%	4	1.10%	7	1.93%
		EVERY MONTH	12	3.31%	44	12.15%	65	17.95%	121	33.42%
		SOMETIMES	32	8.83%	30	8.28%	32	8.83%	94	25.96%
		YEARLY	20	5.52%	17	4.69%	30	8.28%	67	18.50%
	FIRST TIME	19	5.24%	18	4.97%	24	6.62%	61	16.85%	
Total		89	24.58%	115	31.76%	158	43.64%	362	100%	

Table 4.5. (b)Chi-Square Test Results

Source: Own Survey (2018)

Chi-square	Value	df	P-value
Chisq(2) / goodness of fit test	80.652	5	0.001
Pearson chi2(2) / independency test	29.2409	5	0.001

Table 4.5. (a) Shows that the Patronage frequency of the respondents in the selected hotels. Majority (33.42%) of the respondents come to the hotel every month. Additionally, according to table 4.5. (b) the chi square test of independence is 29.2409 and the P- value is 0.001. There is significant evidence. Therefore, the patronage frequency of respondents among the hotels is divers. Moreover, the chi-square goodness of fit test result indicates that theChi² value is 80.652. The P-Value is < 0.001. The result is significant at $p \leq 0.05$

4.3 Reliability

4.3.1 Reliability of the research instrument

Cronbach's Alpha test

In this study, Cronbach's alpha is well over 0.7 and all 42 items of the ten constructs were found to be reliable and hence, internally consistent. Therefore, the study considered each of the variables for further investigation. the results of the reliability measure are presented in Table below.

Table 4.6 Summary of Cronbach's Alpha

Source: Own Survey (2018)

Items	Cronbach's Alpha	No of items
Quality of Objects	0.8394	5
Quality of Process	0.7762	4
Quality of Infrastructure	0.8542	4
Quality of Atmosphere	0.7866	4
Quality of Interaction	0.8048	4
Trust	0.8217	4
Commitment	0.8501	4
Communication	0.8766	4
Conflict Handling	0.8413	3
Customer Retention	0.9593	6
Overall Cronbach's Alpha	0.966	42

4.5 CORRELATION ANALYSIS

The Pearson correlation coefficient determines the strength of the linear relationship between two variables (Cronk, 2008). Pearson correlation coefficients (r) can take on only values from “-1 to +1”. The signs indicate whether there is a positive correlation (as one variable increases, so does the other) or a negative correlation (as one variable increases, the other decreases). The size of the absolute value (ignoring the sign) provides an indication of the strength of the relationship. A perfect correlation of 1 or -1 indicates that the value of one variable can be determined exactly by knowing the value on the other variable (Pallant, 2005). Coefficients close to 0.0 represent a weak relationship. Coefficients close to 1.0 or -1.0 represent a strong relationship. Correlation

results that is greater than 0.7 are considered strong. Additionally, Correlations less than 0.3 are considered weak. Correlations between 0.3 and 0.7 are considered moderate (Cronk, 2008).

Table 4.7 Correlation Table

Source: Own Survey (2018)

Correlations

		TQO	TQP	TQOIF	TQA	TQIT	TTR	TCMI	TCMU	TCONF	TRET
TQO	Pearson Correlation	1									
TQP	Pearson Correlation	.599**	1								
TQIF	Pearson Correlation	.592**	.711**	1							
TQA	Pearson Correlation	.604**	.736**	.755**	1						
TQIT	Pearson Correlation	.465**	.753**	.821**	.769**	1					
TTR	Pearson Correlation	.456**	.639**	.644**	.628**	.694**	1				
TCMI	Pearson Correlation	.351**	.671**	.553**	.619**	.735**	.768**	1			
TCMU	Pearson Correlation	.456**	.606**	.621**	.595**	.701**	.701**	.708**	1		
TCONF	Pearson Correlation	.318**	.551**	.525**	.568**	.609**	.679**	.782**	.739**	1	
TRET	Pearson Correlation	.478**	.769**	.709**	.710**	.798**	.709**	.736**	.713**	.723**	1

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

A Pearson correlation coefficient was calculated for the relationship between Quality of Object, Quality of Processes, Quality of Atmosphere, Quality of Infrastructure, Quality of Interaction Trust, Commitment, Communication, Conflict handling and Customer retention. A strong as well as moderate positive correlation and a significant linear relationship are obtained between all factors and overall retention level. The correlation coefficients (r) for all variables range from 0.478 to 0.796, which show a moderate and high correlation. The highest correlated dimension was observed between Quality of Interaction with overall retention which is (r (362) =0.798) followed by Quality of Processes (r (362) =0.769), Commitment (r (362) =0.736**), Conflict

handling ($r(362) = 0.723^{**}$.) Communication ($r(362) = 0.713^{**}$). The least correlation coefficient was observed between both Quality of Infrastructure and Quality of Atmosphere having equal correlation value with overall retention ($r(362) = 0.709^{**}$).

The correlation between the independent variables shows that there is a higher correlation between Quality of Interaction and Quality of Infrastructure with Pearson's correlation of ($r(362) = 0.821^{**}$) followed by conflict handling with commitment ($r(362) = 0.782^{**}$), Quality of interaction with Quality of Atmosphere ($r(362) = 0.769^{**}$), Commitment with trust ($r(362) = 0.768^{**}$), Quality of Atmosphere with Quality of Infrastructure ($r(362) = 0.755^{**}$), Quality of interaction with V Process ($r(362) = 0.753^{**}$) Conflict Handling with Communication ($r(362) = 0.739^{**}$) Quality of Atmosphere with Quality of Process ($r(362) = 0.736^{**}$), Commitment with Quality of Interaction ($r(362) = 0.735^{**}$) Quality of Infrastructure with Quality of Process ($r(362) = 0.711^{**}$), Communication and Commitment ($r(362) = 0.708^{**}$), and communication with both Quality of Atmosphere and trust ($r(362) = 0.701^{**}$). The result of this correlation indicates that there is too much correlation between Quality of Interaction with Quality of Infrastructure. Hence Quality of interaction was excluded from further analysis.

The rest factors are moderately correlated. These factors are Trust with Quality of Interaction with Pearson's correlation of ($r(362) = 0.694^{**}$), followed by Conflict handling and Trust ($r(362) = 0.679^{**}$), Commitment with Quality of Process ($r(362) = 0.671^{**}$), trust with Quality of infrastructure ($r(362) = 0.644^{**}$), Trust with Quality of Interaction ($r(362) = 0.639^{**}$), Trust with Quality of Atmosphere ($r(362) = 0.628^{**}$), Communication with Quality of Infrastructure ($r(362) = 0.621^{**}$), Commitment with Quality of Atmosphere ($r(362) = 0.619^{**}$), Conflict handling with Quality of interaction ($r(362) = 0.609^{**}$), Communication and Quality of Process ($r(362) = 0.606^{**}$), Quality of Atmosphere with Quality of Objects ($r(362) = 0.604^{**}$), Quality of Process with Quality of Objects ($r(362) = 0.599^{**}$), Communication and Quality of Atmosphere ($r(362) = 0.595^{**}$), Quality of Infrastructure with Quality of Objects ($r(362) = 0.592^{**}$), Conflict handling with Quality of Atmosphere ($r(362) = 0.568^{**}$), Commitment and Quality of infrastructure ($r(362) = 0.553^{**}$), Conflict Handling with Quality of Process ($r(362) = 0.551^{**}$), Conflict Handling with Quality of infrastructure ($r(362) = 0.525^{**}$), Quality of Interaction with Quality of Objects ($r(362) = 0.465^{**}$), Both Trust and Communication similarly

correlated with Quality of Objects ($r(362) = 0.456^{**}$), respectively. And finally, the least correlation was observed between Conflict Handling and Quality of Objects ($r(362) = 0.318^{**}$).

4.6 Multiple Linear Regression Analysis

Multiple regression shows how much of the variance in the dependent variable can be explained by the independent variables. This analysis also indicates the relative contribution of each independent variable on the dependent variable. Tests allow determining the statistical significance of the results, both in terms of the model itself, and the individual independent variables (Pallant, 2005).

A multiple linear regression analysis was conducted to see the predictive power of quality of object, quality of proses, quality of infrastructure, quality of atmosphere, trust, commitment, communication, and conflict handling for customer retention by talking customer retention as a dependent variable. Furthermore, the analysis explains the relative contribution of each independent variable on customer retention.

Assumptions of Multiple Regression

This part describes the test for the assumptions of linear regression model namely Outliers, Normality of the distribution, Linear relationship, Homoscedasticity (equal variance), Independent of residuals and Multicollinearity.

1. Normality of the distribution: This implies scores on each variable should be normally distributed. This can be checked by inspecting the Normal probability plot. The residuals should be normally distributed about the predicted dependent variables scores (Pallant, 2005).

2. Homoscedasticity (Homogeneity of variance): this assumption states that the error variance should be constant (Sreejesh et. al.2014). This is to mean that the variability in scores for variable X should be similar at all values of variable Y. The scatter plot should show a fairly even funnel shape along its length. The variance of the residuals about predicted dependent variables scores should be the same for all predicted scores (Pallant, 2005).

3. Independence of residuals: the errors associated with one observation are not correlated with errors of any other observation (Sreejesh et. al.2014). This is basically the same as saying that we

need our observations (or individual data points) to be independent from one another (or uncorrelated). We can test this assumption using the Durbin-Watson statistic.

4. Outliers: these are those scores which are very high or very low. Multiple regression is very sensitive to outliers. These outliers are. Checking for these extreme scores should be done for all the variables, both dependent and independent, that will be used in the regression analysis. This assumption can be tested by looking at the Cook's Distance values. Any Cook's Distance values over 1 are likely to be significant outliers, which may place undue influence on the model, and should therefore be removed and rerun the analysis (Pallant, 2005).

5. Linearity: The relationship the predictors and the outcome variable should be linear (Sreejesh et al. 2014). A simple way to check this is by producing scatterplots of the relationship between each of our Independent Variables and Dependent Variables. This means that when we look at a scatter plot of scores we should see a straight line (roughly), not a curve (Pallant, 2005).

6. No Multicollinearity: This assumption refers to the absence of multicollinearity or perfect correlation or relationship among the independent variables (Sreejesh et al. 2014) which results in difficulty in estimating independent regression coefficients for the correlated variables (Hair, Bush & Ortinau's, 2003). Multicollinearity exists when the independent variables are highly correlated $r = .9$ and above (Pallant, 2005). In addition to this, the Tolerance and variance inflation factor (VIF) of the linear regression can be an indication for multicollinearity: A Tolerance score < 0.2 and a VIF score > 10 indicates multicollinearity.

Interpretation of output from standard multiple regression

Evaluating the assumptions

Normality, Homoscedasticity, Independence of Residuals, and Outliers

As stated above one of the ways that these assumptions can be checked is by inspecting the residuals scatter plot and the Normal Probability Plot of the regression standardized residuals that were requested as part of the analysis. In the Normal Probability Plot we are hoping that the points will lie in a reasonably straight diagonal line from bottom left to top right. This would suggest no major deviations from normality.

In the scatter plot, the standardized residuals should be roughly rectangularly distributed, with most of the scores concentrated in the center (along the 0 point). What you don't want to see is a clear or systematic pattern to your residuals (e.g. curvilinear, or higher on one side than the other). Deviations from a centralized rectangle suggest some violation of the assumptions.

Result:

Figure 6. Normal p-plot of regression

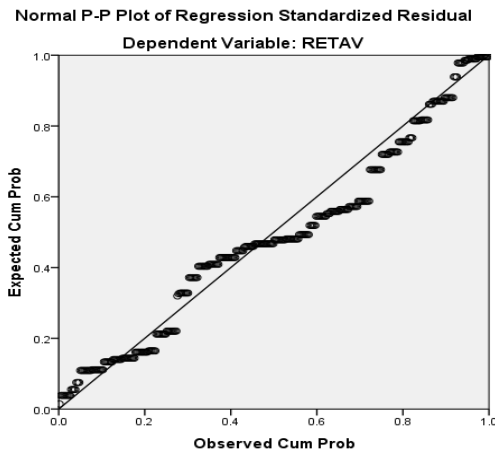
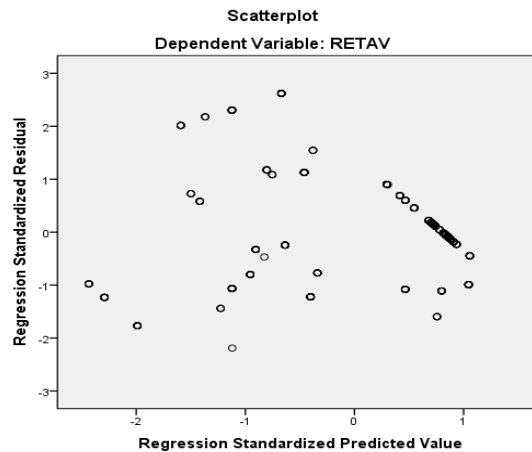


Figure 7. Scatterplot



The figure above proves the assumption of normality is satisfied. Consequently it can be concluded that the assumption of normality is not violated for most of points lie in a reasonably straight diagonal line from bottom left to top right with minimum deviation.. Furthermore, the plot of standardized residuals vs standardized predicted values showed no obvious signs of funneling. In addition to this, all the scattered plots are found within the range of 3 and -3 on both “X” axis and “Y” axis, suggesting the assumption of homoscedasticity has been met.

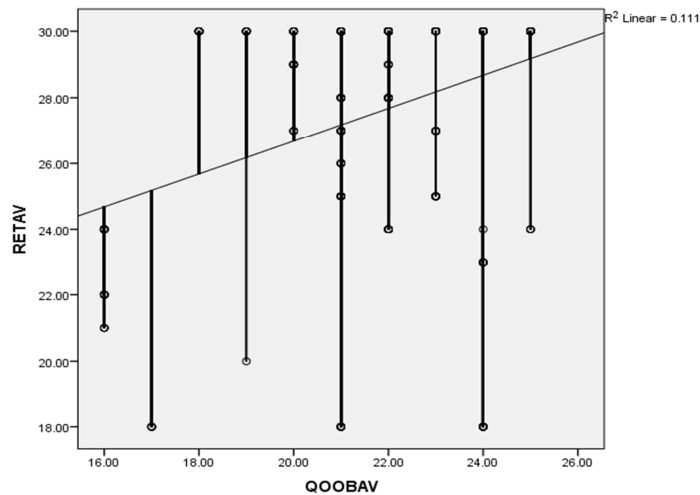
In addition to the results of the scattered plots, independence of Residuals were checked by calculating Durbin-Watson statistic. The Durbin Watson statistic is used to test for the presence of serial correlation among the residuals. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50 (Muluadam, 2015). In this case, Durbin-Watson is 2.150, close to 2 and within the acceptable range. Hence, we can assume independence of residuals is met. (See table 4.28).

Concerning the outliers the value of the Mahalanobis distance and the Cook's Distance were analyzed. The result from the Mahalanobis distance revealed that there is a potential outlier. This was found out by taking the maximum value of the Mahalanobis distance and crosschecking its critical value in a chi-square table. The critical value of the chi-square for Mahalanobis distance with 9 degree of freedom at 95% confidence level is 16.92. Hence any case which had a value of Mahalanobis distance >16.92 were considered outliers. Therefore they were excluded. On the other hand the value of the Cook's Distance was under 1, suggesting individual cases were not unduly influencing the model.

Linearity,

In order to check this scatterplots of the relationship between each of our Independent Variables and Dependent Variables was produced and the result is presented below. This means that when scatter plot of scores are observed one should see a straight line (roughly), not a curve.

Figure 8. Linearity



Result:

Based on the above Scatterplots graph it can be concluded that this assumption had been met

Multicollinearity:

Common ways of checking multicollinearity is through tolerance and variance inflation factor (VIF). Tolerance is an indicator of how much of the variability of the specified independent is

not explained by the other independent variables in the model and is calculated using the formula $1 - R^2$ for each variable. If this value is very small (less than .10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity. The other value given is the VIF (Variance inflation factor), which is just the inverse of the tolerance value (1 divided by Tolerance). VIF values above 10 would be a concern here, indicating multicollinearity. Commonly used cut-off points for determining the presence of multicollinearity is tolerance value of less than .10, or a VIF value of above 10 (Pallant, 2005).

Result

None of the tolerance values for the variables are greater than 0.1 and all VIF values are less than 10 as a result it proves that multicollinearity is not a problem and the result is displayed in the multiple regression result table below.

Evaluating the model

One of the SPSS outputs of the regression analysis is the model summary that includes the R square and the standard of the error term for the model. R Square (called the coefficient of determination) tells the proportion of the variance in the dependent variable (customer retention) that can be explained by variation in the independent variables. The Standard Error of the Estimate gives a margin of error for the prediction equation. Accordingly, the result of the multiple linear regression is summarized in the tables below.

Table 4.8 model summary

Source: Own Survey (2018)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.874 ^a	.764	.758	1.78234	2.143

a. Predictors: (Constant), TQO, TQP, TQIF, TQA, TTR, TCMI, TCMU, TCONF

b. Dependent Variable: RETAV

The results of the model summary indicate that there is a strong association between the independent variables and the dependent variable. The value of correlation coefficient between

them is 0.874 which indicates the existence of significant positive correlation between the constructs. In addition to this the R-square is .764 which indicates 76.4 % variation in customer retention level can be explained by variation in of the predictor variables. GenerallyThe regression equation appears to be very useful for making predictions since the value of R 2 is close to 1 and the analysis provides that the predictor variables (Quality of Object, Quality of Processes, Quality of Atmosphere, Quality of Infrastructure, Trust, Commitment, Communication, and Conflict handling) have a strong effect on dependent variable (Customer Retention level).

Table 4.9 ANOVA table

Source: Own Survey (2018)

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3279.840	8	409.980	129.057	.000 ^b
Residual	1013.380	319	3.177		
Total	4293.220	327			

a. Dependent Variable: T RET

b. Predictors: (Constant), TQO, TQP, TQIF, TQA, TTR, TCMI, TCMU, TCONF

The other part of the output that we are concerned with is the ANOVA summary table. The significance value which is located in the upper right column is the point of interest in this analysis. If that value is < .05, we have a significant linear regression. If it is > 0.05, we do not. The result in the ANOVA table confirmed the significance of the overall model by p- value of 0.000 which is below the alpha level, i.e. 0.05, which means, combined impact of the independent variables have statistically significant relationship with the dependent variable: customer retention.

Evaluating the independent variables

In this section four important areas of analyses are covered. The first one is checking the statistical significance of each independent variable. Second, the contribution of each independent variable included in the model to the prediction of the dependent variable. Third part is the construction of the regression equation. The final section is about Discussion.

Table 4.10 Regression table

Source: Own Survey (2018)

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	4.561	1.115		4.092	.000	2.368	6.754		
TQO	-.088	.055	-.058	-1.605	.109	-.195	.020	.558	1.791
TQP	.305	.060	.223	5.122	.000	.188	.422	.389	2.571
TQIF	-.180	.073	-.110	-2.455	.015	-.324	-.036	.367	2.723
1 TQA	.412	.110	.203	3.735	.000	.195	.629	.252	3.973
TTR	.156	.075	.116	2.078	.039	.008	.304	.239	4.183
TCMI	.257	.083	.199	3.114	.002	.095	.420	.180	5.543
TCMU	-.297	.078	-.227	-3.811	.000	-.450	-.143	.208	4.810
TCONF	.980	.107	.584	9.166	.000	.769	1.190	.183	5.479

a. Dependent Variable: TRET

Evaluation of the statistical significance of each predictor variables, will tell us whether this variable is making a statistically significant unique contribution to the equation. This can be done by checking the Sig value (P-value). If the p-value is < .05, then the variable is making a significant unique contribution to the prediction of the dependent variable. If not, it can be concluded that the variable is not making a significant unique contribution to the prediction of the dependent variable (Pallant, 2005). Furthermore, the lower the p-value, the stronger the evidence against the null hypotheses, that mean it leads to the acceptance of the alternative hypotheses (ibid).

Accordingly, the result in table 4.10 indicates that, except one independent variable (Quality of Object), there exists enough evidence to conclude that all the seven predictor variables (Quality of Processes, Quality of Atmosphere, Quality of Infrastructure, Trust, Commitment, Communication, and Conflict handling) are useful as a predictor of overall customer retention at 95% confidence level (p<0.05). Based on this the subsequent decisions (whether to accept or reject the null hypotheses) was made. The researcher fails to accept the null hypotheses two,

three, four, six, seven, eight and nine. The researcher, on the other hand, fails to reject null hypotheses one for its p-value is > 0.05 .

Based on the regression analysis, a one unit change in Quality of Processes brings about 0.223 units of change on Customer Retention holding the other variables constant while a one unit change in Quality of Atmosphere, Trust, Commitment, and Conflict handling brings about 0.203, 0.116, 0.199, and 0.584 units of change in Customer Retention respectively. On the other hand a one unit change in Quality of Infrastructure and Communication will result in decrease by 0.110, 0.227 respectively.

Concerning the relative contribution of the independent variables, the value of the unstandardized coefficients is employed. The result from the Multiple Linear Regression table illustrates that how and to what extent independent variables affect Customer Retention making Conflict Handling the most important predictor variable, (beta = .584) followed by Communication, (beta = .227); Quality of Process, (beta = .223); Quality of Atmosphere, (beta = .203); Commitment, (beta = .199); Trust, (beta = 0.116); Quality of Infrastructure, (beta = .110); respectively. Generally, only Conflict Handling has high correlation with customer retention while Quality of Atmosphere and Quality of Process having moderate correlation with Customer Retention. The rest of the predictors (Trust, Commitment, Quality of Infrastructure, and, Communication) have low correlation with the predicted variable (Customer Retention).

Constructing the regression equation

The other output of the multiple regression models represents extraction of beta coefficients of the unstandardized coefficient values of each factors of customer retention so as to construct a regression equation: This is where the actual prediction equation can be found. Hence, the regression equation for this research is presented below.

$$CR = B_0 + (B_1) QP + (B_2) QIF + (B_3) QA + (B_4) TR + (B_5) CMI + (B_6) CMU + (B_7) COMF + e$$

Where:

CR = Customer Retention

QP= Quality of Processes

QIF= Quality of Infrastructure

QA= Quality of Atmosphere

TR=Trust

CMI= Commitment

CMU= Communication,

COMF= Conflict handling

B_o = Constant

B1 up to B7= beta coefficient

e= error term

4.6 Discussion

This study is concerned with the effects of service quality (5Qs) and CRM dimensions on Customer Retention. Looking at the summary result, it is obvious these determinants require further discussed.

5Q model of the service quality is constructed from five different quality dimensions. The cumulative effect of these dimensions may not necessarily positively affect customer retention because these dimensions can independently be a determinant factor in retaining a customer because different customers rank these dimensions differently. This supports the theory of Zineldin (2006).customers satisfaction is a cumulative combination of different constructs,

Regarding the multiple regression analysis Service Quality dimensions of the 5Q model, the result indicated that three of the dimensions (Quality of Processes, Quality of Atmosphere, Quality of Infrastructure) found to be statistically significant, while one dimension(Quality of Object) found to be statistically insignificant This was in line with Nadiri and Hussain (2005) who reported that ‘intangibles’ and ‘tangibles’ are predictors of customer satisfaction and retention, where intangibles have a higher relative effect.”

Concerning the result of the CRM, all of them found to be significant indicating conflict handling the highest determinant. This means, having the commitment to communicate the right

amount of reliable information using the proper channel at the convenience of the customer increases customer retention. this goes in line with Zineldin's , (2006) idea "A simple definition of quality in service industry is the art of doing the right thing, at the right time, in the right way, for the right person and having the best possible results".Sharma & Patterson, (2000) also agrees with idea stating the greater the communication effectiveness, the stronger the relationship commitment.

CHAPTER FIVE

5 SUMMARY, CONCLUSIONS AND RECOMMENDATION

The basic aim of this chapter is to find out whether the research question was answered; the objective for this study is achieved and if the study has contributions. The chapter begins with a summary of the findings followed by conclusion, then to the recommendation, and the limitations. The chapter ends with the suggestion for future research.

5.1 Summary

The study was intended to investigate Determinants of customer retention in five star hotels in Addis Ababa. based on the data collected from 362 respondents from three randomly selected five star hotels, the general information of respondents indicated that majority (53.5%) of the participants are male, while the rest (43.37%) are female. The age distribution indicated that the majority (33.97%) of the respondents are between the age of 31- 40 while the minorities (1.10%) are above 60 years of age. Furthermore, majority (46.96%) of the respondents found to be married while minorities (4.41%) of the respondents were widowed. When it comes to the purpose of visit majority (66.85%) of the respondents come to the hotels for business purpose while 16.29% of the respondents visit the hotels for pleasure purposes and the rest come for both business and pleasure purposes. Most (33.42%) of these respondents come to the hotels every month

The correlation result showed that there is a strong and moderate positive correlation as well as significant linear relationship between all factors and overall retention level. The finding also indicates that the highest relationship (.798**) was found between Quality of Interaction and Customer Retention, while the lowest relationship (.478**) was found between Quality of Object and Customer Retention.

Furthermore, the multiple regression results showed that except Quality of Object the remaining dimensions (Quality of Processes, Quality of Atmosphere, Quality of Infrastructure, Quality of Interaction Trust, Commitment, Communication, Conflict handling) have positive and significant effect on Customer Retention. In addition to this The model summary indicated that the R-square

is .764 which indicates 76.4 % variation in customer retention level can be explained by variation in of the predictor variables

More over the relative contribution of each determinants were analyzed and the result showed that Conflict handling (.584) is the most important determinant followed by Communication(.227), Quality of Processes (.223), Quality of Atmosphere (.203),Commitment,(.199),Trust(.116)Quality of Infrastructure (.110).

5.2 Conclusion

Our focus of the study was to investigate the effect of the five dimensions of service quality (Quality of Object, Quality of Processes, Quality of Infrastructure, Quality of Atmosphere, and Quality of Interaction) and the four dimensions of Customer Relationship Management (Trust, Commitment, Communication, and Conflict handling) on Customer Retention.

The research question was “Does service quality affect customer retention?”; “Does customer relationship management affect customer retention?” and “For what determinants variables should priority be given?” As this kind of combination never done before, it was interesting and complex which yielded interesting results.

Regarding the Service Quality, although the statistical results indicated that Quality of Object did not have a significant effect on Customer Retention, the result of the rest of the dimensions indicated that they have positive and significant effect on Customer Retention. This findings show that service quality has an impact on Customer Retention. Which implies an increase in the service quality by one unit will result in increment equivalent to the beta value in customer Retention level.

Concerning the Customer Relationship Management, the statistical result indicated that all the dimensions had positive and significant relationship with Customer Retention, making Conflict Handling the most important dimension. This indicates that CRM does affect Customer Retention. Hence, there is high probability of high Customer Retention level in hotels that have commendable Customer Relationship Management.

As to the prioritization of the determinants, the statistical findings showed that Conflict Handling is the most important predictor variable followed by Communication, and Quality of Process Quality of Atmosphere, Commitment, Trust, and Quality of Infrastructure, on Customer Retention.

5.3 Recommendations

Nowadays retaining customers has become the number priority in the service industry particularly in the hotel sector. This is because of its potential for delivering both financial and nonfinancial sustainable benefits to. These financial benefits incorporate higher profit level and many folds of less expense because retained customers are price insensitive and require much less advertising contrary to new customers. The non-financial benefits of customer retention can be enjoying enhanced customer trust in every aspect of business transaction as well as the marketing communication that the firm conducts which leads to the spontaneous commitment in becoming advocates of the firm. Therefore, in this stiff environment, where hoteliers snatch each other's customers, examining and reviling the reason behind customer retention is worthy.

As the finding of this study reveals, the importance of service quality dimensions as well as customer relationship management dimensions in determining customer retention level in hotels is paramount. Hence, the following possible recommendations are forwarded in order to give some insights that can assist hoteliers in delivering service excellence which leads to customer retention.

Quality of Processes:

As this dimension being given the second most important dimension that determines Customer retention the hotels need to be concerned with the way they conduct their business. This is to mean that the process they undertake should be easy and quick. For instance, the process of making reservation, check-in and check-out process should be as easy as possible in order to keep their current customers happy.

Quality of Infrastructure

Based on the result this dimension has minimum significant effect on Customer Retention, therefore, the hotels need to cautious about what type of items they provide to the customers.

For instance, what type of informative literature, in what format should, and when to provide it should be well thought of and executed.

Quality of Atmosphere

According to the result of the analysis, this is the fourth most important determinant to retain customers. Therefore, they need to be concerned regarding the visual appearance of the hotel such as the convenience of the location of the facilities within the hotel. Moreover it really helps the hotels if the employees have the knowledge of local places of interest.

Trust

Not only marketers but also the entire staff of the hotel should be Trustworthy and exhibit such behavior in any interaction they have with the customers. For instance, the hotels should be vigilant to deliver on the promises made. In addition to this, the guests' personal information, whether it is financial or non-financial, should be kept under discretion and under no condition should it be transferred to a third party.

Commitment

The hotels should also be committed to address their customers' needs because commitment has the quality of reciprocity: If the hotels are committed to the guests business the guest will be as well. Therefore; If necessary, hotels need to provide personalized services for this shows a genuine commitment to the relationship they have with the customer.

Communication

Effective communication skill is mandatory for nurturing loyalty. Communication is not only about "what to communicate" but it is also about "how, when, where, how often, to whom to communicate". Therefore, hoteliers need to be cautious about the reliability of the content of the message as well as the medium they intend to use; the appropriate time to communicate, the place they intend to communicate; the frequency of communication; and the customer they intend to communicate. This can make the customer stay with a service provider

Conflict handling

Based on the finding of this study, this is the most important determinant of customer retention. Therefore hoteliers need to be proactive in detecting areas of potential sources of conflict and address them before they cause problems. However, this may not always be achieved as predicting all sources of conflict is impossible. Effective reactive measure is the other alternative in conflict handling process. Therefore hotels need to be prepared for conflict that occurred by making some kind of compensation.

5.4 Limitations & Suggestion for Future Research

The major constraint in the course of the study was the lack of published study that is conducted on the impact of service quality using 5Q model and customer relationship management dimensions on customer retention particularly in hospitality industry in case of Ethiopia.

The second constraint was collecting the primary data from the selected hotels within the time frame data. The reason behind this is that it is very difficult to find either a hotel or a customer who is willing to participate in the study.

Third, methodologically, the sampling technique would be much better if it were purely probability sampling for it would uncover different result that can be generalized. In addition to this the CRM dimensions were only measured from the customers' perspective. Hence it would be a new angle if they were measured from the firms perspective and to analyze its contribution on customer retention by cross checking it with the retention rate of the firm from the secondary data.

Finally, future researchers shall extend this study by swapping the variables and models by exploring other variables which might have a higher potential in explaining the variation in customer retention.

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Appendix I

A Questionnaire On

Determinants of Customer Retentions in Five Star Hotels

(To be Filled by Customers of Selected Hotels)

Dear Respondents,

The objective of this survey is to gather, analyze, and synthesize relevant, accurate, sufficient, and timely information that will provide insights about "*Determinants of customer retention in five star hotels in Addis Ababa*" in partial fulfillment of Master of Arts Degree in Marketing Management at Addis Ababa University School of Commerce.

The findings of this survey will be used only for academic purposes in order to make recommendations to hotelier's/hotel marketers to enhance their level of insight regarding factors affecting customer retention. This questionnaire consists of **three sections**: **section i** deals with the general profile of the respondent, **section ii** contains determinants of customer retention and **Section iii** deals with customer retention. The information you provide in this survey will be used for the stated purpose and it will be held strictly confidential. I appreciate your voluntary and valuable participation in this survey. I thank you in advance for sharing your valuable experience and allocating your precious time in fully completing this questionnaire. Please do not write your name on the questionnaire.

Thank you.

(Surafel shiferaw)

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Part: I: General Information

Instruction: Please select an appropriate response category by encircling the appropriate choice.

1. Please indicate your gender.

1. Male 2. Female

2. Please Indicate your Age.

1. 18-30 3. 41-50 5. Over 60
2. 31-40 4. 51-60

3. Please Indicate your Marital Status

1. Single 2. Married 3. Divorced 4. Widowed

4. Please indicate your Purpose of visit.

1. Business 2. Pleasure 3. Both

5. How frequently do you visit the hotel?

1. Everyday 3. Every month 5. Sometimes
2. Every week 4. Every Year 6. First time

Part Two: Determinants of Customer Retention

Instruction: Please answer each statement below by circling the number that best reflects your degree of agreement or disagreement with that statement stipulated in subsection A and B. Where, SD=Strongly Disagree; D=Disagree; N=Neutral; A=Agree; SA=Strongly Agree.

A: Service Quality: Lodging Quality Dimensions

Dimension	Scale Item/Statements	SD	D	N	A	SA
1	<i>Quality of Object</i>					
1.1	The front desk was visually appealing.	1	2	3	4	5
1.2	The employees had clean, neat uniforms.	1	2	3	4	5

1.3	The restaurant's atmosphere was inviting.	1	2	3	4	5
1.6	The rooms were clean and comfortable.	1	2	3	4	5
1.8	The hotel was clean.	1	2	3	4	5
2	<i>Quality of Processes</i>					
2.1	My reservation was handled efficiently.	1	2	3	4	5
2.2	My guest room was ready as promised.	1	2	3	4	5
2.3	TV, radio, A/C, lights, and other mechanical equipment's worked properly.	1	2	3	4	5
2.4	I got what I paid for.	1	2	3	4	5
3	<i>Quality of Infrastructure</i>					
3.1	Employees responded promptly to my requests.	1	2	3	4	5
3.2	Informative literature about the hotel was provided.	1	2	3	4	5
3.5	There is proper gymnasium in the hotel.	1	2	3	4	5
3.6	There is a spa in the hotel.	1	2	3	4	5
4	<i>Quality of Atmosphere</i>					
4.1	Employees knew about local places of interest.	1	2	3	4	5
4.2	Employees treated me with respect.	1	2	3	4	5
4.3	Employees were polite when answering my questions.	1	2	3	4	5
4.5	The facilities were conveniently located.	1	2	3	4	5
5	<i>Quality of Interaction</i>					
5.1	Charges on my account were clearly explained.	1	2	3	4	5

5.2	I received undivided attention at the front desk.	1	2	3	4	5
5.3	Reservationists tried to find out my particular needs.	1	2	3	4	5
5.4	Employees anticipated my needs.	1	2	3	4	5

B.Customer Relationship Management (CRM) Dimensions

Dimension	Scale Item/Statements	SD	D	N	A	SA
6	<i>Trust:</i>					
6.1	The hotel is very concerned with security for my transactions.	1	2	3	4	5
6.2	The hotel's promises are reliable.	1	2	3	4	5
6.3	The hotel is consistent in providing quality customer relationship management service.	1	2	3	4	5
6.4	I have confidence in the hotel's discretion on my personal information.	1	2	3	4	5
7	<i>Commitment:</i>					
7.1	The hotel makes adjustments to suit my needs.	1	2	3	4	5
7.2	The hotel offers personalized services to meet customer need	1	2	3	4	5
7.3	The hotel is flexible when its services are changed.	1	2	3	4	5
7.4	The hotel is flexible in serving my needs.	1	2	3	4	5
8	<i>Communication:</i>					
8.1	The hotel provides timely and trustworthy information.	1	2	3	4	5
8.2	The hotel provides information when there is new hotel	1	2	3	4	5

	service.					
8.3	The hotel makes and fulfills promises.	1	2	3	4	5
8.4	Information provided by the hotel is always accurate.	1	2	3	4	5
9	<i>Conflict handling:</i>					
9.1	The hotel tries to avoid potential conflict.	1	2	3	4	5
9.2	The hotel tries to solve manifest conflicts before they create problems.	1	2	3	4	5
9.3	The hotel has the ability to openly discuss solutions when problems arise.	1	2	3	4	5

Part III: Customer Retention

Instruction: Please answer each statement below by circling the number that best reflects your degree of agreement or disagreement against each statement. Where, SD=Strongly Disagree; D=Disagree; N=Neutral; A=Agree; SA=Strongly Agree.

S.N	Scale Item/Statements	SD	D	N	A	SA
1	If I had needed a hotel services now, my hotel would be my first choice.	1	2	3	4	5
2	I plan to continue my relationship with this hotel in future.	1	2	3	4	5
3	I would recommend this hotel as the best service provider.	1	2	3	4	5
4	I would encourage friends and relatives to use this hotel.	1	2	3	4	5
5	I have said positive things about this hotel to others.	1	2	3	4	5
6	The relationship I have with this hotel is important to me.	1	2	3	4	5

Thank You for Your Participation!!!

Appendix II

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(Marketing management)

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(X)

1.

1.

2.

2.

1. $18 - 30$ 3. $40 - 50$ 5. 60

2. $30 - 40$ 4. $50 - 60$

3.

1. 2. 3. 4.

4.

1. 2. 3.

5.

()

1. 3. 5.

2. 4. 6.

- 5 .. =

4 . =

3 . =

2 . =

1 .. =

/

.	
1	<i>1.</i>					
1.1		1	2	3	4	5
1.2	()	1	2	3	4	5
1.3		1	2	3	4	5
1.4		1	2	3	4	5
1.5		1	2	3	4	5
2						
2.1		1	2	3	4	5
2.2		1	2	3	4	5
2.3		1	2	3	4	5
2.4		1	2	3	4	5
3						
3.1		1	2	3	4	5
3.2		1	2	3	4	5
3.3		1	2	3	4	5
3.4		1	2	3	4	5

4						
4.1		1	2	3	4	5
4.2		1	2	3	4	5
4.3		1	2	3	4	5
4.4		1	2	3	4	5
5						
5.1		1	2	3	4	5
5.2		1	2	3	4	5
5.3		1	2	3	4	5
5.4		1	2	3	4	5

/

.	
6						
6.1		1	2	3	4	5
6.2		1	2	3	4	5
6.3		1	2	3	4	5
6.4		1	2	3	4	5

7						
7.1		1	2	3	4	5
7.2		1	2	3	4	5
7.3		1	2	3	4	5
7.4		1	2	3	4	5
8						
8.1		1	2	3	4	5
8.2		1	2	3	4	5
8.3		1	2	3	4	5
8.4		1	2	3	4	5
9						
9.1		1	2	3	4	5
9.2		1	2	3	4	5
9.3		1	2	3	4	5

.	
1		1	2	3	4	5
2		1	2	3	4	5
3		1	2	3	4	5
4		1	2	3	4	5
5		1	2	3	4	5
6		1	2	3	4	5

Appendix III

TABLES

Collinearity Diagnostics^a

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions								
				(Constant)	TQP	TQA	TCT	TCMI	TCMU	TCONF	TQIF	TQO
1	1	8.935	1.000	.00	.00	.00	.00	.00	.00	.00	.00	.00
	2	.026	18.690	.06	.00	.00	.01	.02	.02	.03	.01	.06
	3	.012	27.667	.08	.42	.00	.02	.01	.07	.04	.00	.00
	4	.007	34.812	.08	.12	.00	.16	.02	.00	.04	.35	.02
1	5	.007	36.453	.41	.02	.00	.04	.08	.07	.02	.01	.33
	6	.005	43.267	.00	.07	.09	.08	.01	.38	.22	.00	.18
	7	.004	48.185	.17	.37	.07	.00	.38	.00	.13	.08	.24
	8	.003	50.661	.02	.00	.01	.67	.15	.08	.06	.46	.06
	9	.002	76.543	.18	.00	.82	.02	.33	.37	.46	.10	.11

a. Dependent Variable: TRET

Residuals Statistics^a

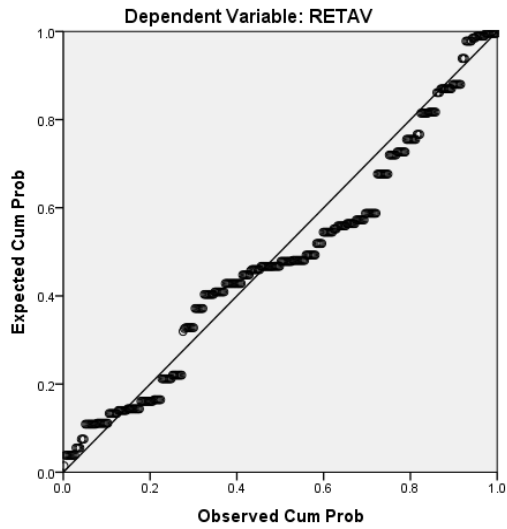
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	19.7407	30.8049	27.4512	3.16703	328
Std. Predicted Value	-2.435	1.059	.000	1.000	328
Standard Error of Predicted Value	.147	.525	.280	.093	328
Adjusted Predicted Value	19.8149	30.8247	27.4546	3.15851	328
Residual	-3.90386	4.67026	.00000	1.76040	328
Std. Residual	-2.190	2.620	.000	.988	328
Stud. Residual	-2.262	2.646	-.001	1.007	328
Deleted Residual	-4.16424	4.76361	-.00334	1.83151	328
Stud. Deleted Residual	-2.277	2.672	.000	1.011	328
Mahal. Distance	1.223	27.388	7.976	5.738	328
Cook's Distance	.000	.038	.005	.008	328
Centered Leverage Value	.004	.084	.024	.018	328

a. Dependent Variable: RETAV

Appendix IV

GRAPH

Normal P-P Plot of Regression Standardized Residual



Histogram

