UNIVERSITY OF GHANA

RELATIONSHIP MARKETING AND CUSTOMER LOYALTY IN THE GHANAIAN HOSPITALITY INDUSTRY

BY

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THIS THESIS/DISSERTATION IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER OF PHILOSOPHY (MPHIL) DEGREE IN BUSINESS ADMINISTRATION (MARKETING OPTION)

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DECLARATION

I, GEORGE CUDJOE AGBEMABIESE, do hereby declare that this thesis consists of my own work supervised by Dr. Bedman Narthe and Mr. Prince Kodua, and that this work has neither in whole nor in part been presented to this university or any other institution for the award of any degree. In places where references to other people’s work have been made, cited or their views adopted, full acknowledgements have been given. I also hereby accept full responsibility for any lapses that may result from this study.

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DEDICATION

“TO WHOM MUCH IS GIVEN, MUCH IS EXPECTED”
I dedicate this work to my wonderful and beloved parents, Mr. and Mrs. Agbemabiese, through whose efforts and toil I have reached this far in life.
ACKNOWLEDGEMENTS

The preparation and submission of this thesis could not have been possible without the support of certain personalities and for which they deserve my gratitude.

My greatest thanks go to the Almighty God for the strength, protection, and wisdom He has imbued in me that have made it possible for me to complete this work successfully. I wish to also register my profound appreciation and gratitude to my able supervisors and mentors, Dr. Bedman Narteh and Mr. Prince Koduah for painstakingly supervising the work. Their comments and guidance at every stage of the work were very insightful and useful. I also thank all the senior members of the Department of Marketing especially the head of the Department, Mr. Robert Hinson, for their immense support.

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ABSTRACT

Relationship marketing has become a buzz word in academia and industry due to its acclaimed benefits of attracting and retaining customers. The hospitality industry in Ghana is one sector where relationship marketing practices have not been well researched. This study was thus motivated to address this research gap.

The main purpose of this study was to examine the relationship between relationship marketing and customer loyalty in the Ghanaian Hospitality (hotel) industry. Specifically, the study was meant to examine the extent of relationship marketing practice in Ghanaian hotels, the relationship between relationship marketing, customer satisfaction and customer loyalty as well as examining the practical challenges hotels in Ghana face in implementing relationship marketing as a strategy to win customer loyalty.

Data was collected using a questionnaire derived from previous studies as well as the current literature reviewed. These questionnaires were administered and completed by three hundred (300) customers of ten rated hotels (ranging from 2-star to 5-star hotels) in Ghana. In-depth interviews were conducted with sales managers, marketing managers and sales executives of the sampled hotels. Data was analyzed using the Statistical Package for Social Science (SPSS) to assess the impact of six key constructs of relationship marketing; namely, competence, trust, commitment, communication, conflict handling and relational bonds (social and financial), on customer loyalty.

The research findings revealed that all the six relationship marketing constructs (competence, trust, commitment, communication, conflict handling and relational bonds (social and financial) jointly have a significant and positive effect on customer loyalty in the hotel industry in Ghana. However, contrary to Ndubisi (2007) findings, this study found that, out of the six relationship marketing constructs, four (trust, competence, commitment, and relational bonds (social and financial) had significant impact on customer loyalty when the variables were tested individually. The study found that Communication and conflict handling were not significantly affecting customer loyalty in the Ghanaian hotel industry. The findings of the research also revealed that not all loyal
customers are satisfied customers. The study also discovered that even though Ghanaian hotels are relying more on relationship marketing as a strategic tool, their efforts are mostly challenged by a number of factors such as high cost of building and maintaining relationships, low level of management support, lack of manpower and relevant skilled personnel, data capture and maintenance, cuts in government expenditure and lack of customer trust. This research therefore reasonably concludes that hotel managers can win the loyalty of their customers when they increase their commitment to satisfying customer needs, become more trustworthy, communicate more effectively with customers, build stronger relational bonds with their customers and improve their competence levels.
Table of contents

Declaration i
Dedication ii
Acknowledgements iii
Abstract iv
Table of Contents vi
List of Figures xi
List of Tables xi
List of Abbreviations xii

CHAPTER ONE: BACKGROUND OF THE STUDY

1.1 Background of Study 1
  1.1.1 The need for R.M in Ghana’s Hospitality industry 2
1.2 Statement of Problem 4
1.3 Justification for the study and research gap 4
1.4 Objectives of the study 5
1.5 Research Questions 6
1.6 Significance of the study 6
1.7 Organization of the study 7

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction 9
2.1 Relationship marketing evolution 9
2.2 Growth of relationship marketing 13
  2.2.1 Rapid technological advancements 14
  2.2.2 Adoption of total quality management programmes 14
  2.2.3 Growth of the service economy 15
2.2.4 Organisational development process and empowerment

2.2.5 Increased competition and concern for customer retention

2.3 Concept of relationship marketing

2.4 Characteristics of relationship marketing

2.4.1 Long-term orientation

2.4.2 Commitment and fulfillment of promises

2.4.3 Customer share, not market share

2.4.4 Customer lifetime value

2.4.5 Two-way dialogue

2.4.6 Customization

2.5 Benefits of relationship marketing

2.5.1 Organizational benefits

2.5.2 Benefits accruing to customers

2.6 Barriers to effective relationship marketing

2.7 Customer Loyalty

2.7.1 Conceptualising Customer loyalty

2.7.2 Attitudinal loyalty (Loyalty as an attitude leading to a relationship with the brand)

2.7.3 Loyalty mainly expressed in terms of revealed behaviour

2.7.4 Loyalty based on individual's characteristics and circumstances and/or the purchase situation (loyalty based on contingency factors)

2.7.5 Customer Loyalty in Related Literature of Relationship Marketing

2.7.6 Implications for practice of the various models of customer loyalty

2.8 Conceptual framework

2.8.1 Relationship Marketing Practices
2.8.2 Customer Loyalty

2.8.3 Relationship Marketing and Customer Loyalty

2.8.4 Relationship Marketing, Customer Satisfaction and Customer Loyalty

CHAPTER THREE: METHODOLOGY

3.1 Methodological overview

3.2 Research Design

3.2.1 Model Estimation

3.3 Sampling Design

3.3.1 Determination of sample size

3.4 Method of data collection (Questionnaire design)

3.4.1 Unit of Analysis

3.4.2 Data collection

3.5 Data Analysis Techniques

3.6 Research Limitations and Practical Challenges

3.6.1 Ethical considerations

CHAPTER FOUR: PRESENTATION AND DISCUSSION OF RESULTS

4.1 Introduction

4.1.1 The Hospitality & Accommodation Industry in Ghana

4.1.2 Regulatory Framework: The “New Harmonized ECOWAS Standards”

4.1.3 Market Analysis and Overview

4.1.4 Demand Analysis

4.1.5 Customer Needs Assessment

4.1.6 Supply Analysis

4.2 Presentation of Findings

4.3 Background information

4.3.1 Sex of customers:
4.3.2 Occupation of customers 80
4.3.3 Age of customers 81
4.3.4 Country of origin of respondents 82
4.3.5 Type of hotel 83
4.3.6 How long respondents have been using the services of the hotels 83

4.4 The extent of relationship marketing practices in the hotel industry 84

4.5 Relationship marketing and customer loyalty 86
4.5.1 Competence and Customer Loyalty 89
4.5.2 Communication and Customer Loyalty 90
4.5.3 Conflict handling and Customer Loyalty 92
4.5.4 Commitment and Customer Loyalty 93
4.5.5 Relational Bonds (Social and Financial bonds) and Customer Loyalty 95
4.5.6 Trust and Customer Loyalty 96
4.5.7 Customer loyalty and hotel type 97

4.6 Relationship marketing and customer satisfaction 98
4.6.1 Competence and Customer Satisfaction 100
4.6.2 Communication and Customer Satisfaction 101
4.6.3 Conflict handling and Customer Satisfaction 103
4.6.4 Commitment and Customer Satisfaction 104
4.6.5 Social and Financial Bonds and Customer Satisfaction 105
4.6.6 Trust and Customer Satisfaction 106
4.6.7 Customer satisfaction and hotel type 107

4.7 Customer satisfaction and customer loyalty 108
4.7.1 Loyal customers who are not satisfied 108
4.8 Practical challenges facing Ghanaian hotels 110
4.8.1 High cost of building relationships 111
4.8.2 Low level of business support 111
CHAPTER FIVE: CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

5.1 Introduction 116
5.2 Findings 117
5.3 Theoretical and Practical Implications for Hotel Managers 121
5.4 Conclusions and suggestions for future studies 124

REFERENCES 126

APPENDICES
List of figures

Figure 1: Conceptualizations of customer loyalty 35
Figure 2.3 Conceptual framework for the Current Thesis 45
Figure 4.1: Sex of customers 80
Figure 4.2: Type of hotel and their corresponding number of respondents 83
Figure 4.3: How long respondents have been using the services of the hotels 84
Figure 4.4: Loyal customers who are not necessarily satisfied 109

List of tables

Table 2.1 Definitions of Relationship Marketing 17
Table 2.2 Selected Definitions /Measures of Customer Loyalty 40
Table 2.3 Review of Relationship Marketing Literature on Customer Loyalty 43
Table 3.1 Sample details of Hotels 66
Table 4.1 Summary of rated accommodation Establishments as at December 2007 75
Table 4.2 Hotel occupancy rates between 2000 and 2006 for 2- 5 star hotels 76
Table 4.3 Number of Hotels, Rooms & Beds 2002 – 2007 78
Table 4.4 Occupation of customers 81
Table 4.5 Age of customers 82
Table 4.6 Country of Origin of respondents 82
Table 4.7 The extent of relationship marketing practices in the hotel industry 86
Table 4.8 Customer loyalty with regards to relationship marketing (ANOVA) 87
Table 4.9 Customer loyalty with regards to relationship marketing (Coefficients) 88
Table 4.9.1 Competence and Customer Loyalty 89
Table 4.9.2 Communication and Customer Loyalty 91
Table 4.9.3 Conflict handling and Customer Loyalty 92
Table 4.9.4 Commitment and Customer Loyalty 94
Table 4.9.5 Social and Financial Bonds and Customer Loyalty 95
Table 4.9.6 Trust and Customer Loyalty 96
Table 4.10 Customer loyalty with regards to hotel type 98
<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.11</td>
<td>Customer satisfaction with regards to relationship marketing (ANOVA)</td>
</tr>
<tr>
<td>12</td>
<td>Customer satisfaction with regards to relationship marketing (Coefficients)</td>
</tr>
<tr>
<td>4.12.1</td>
<td>Competence and Customer Satisfaction</td>
</tr>
<tr>
<td>4.12.2</td>
<td>Communication and Customer Satisfaction</td>
</tr>
<tr>
<td>4.12.3</td>
<td>Conflict handling and Customer Satisfaction</td>
</tr>
<tr>
<td>4.12.4</td>
<td>Commitment and Customer Satisfaction</td>
</tr>
<tr>
<td>4.12.5</td>
<td>Social and Financial Bonds and Customer Satisfaction</td>
</tr>
<tr>
<td>4.12.6</td>
<td>Trust and Customer Satisfaction</td>
</tr>
<tr>
<td>4.13</td>
<td>Customer satisfaction with regards to hotel type</td>
</tr>
<tr>
<td>4.14</td>
<td>Customer loyalty with regards to Customer satisfaction (ANOVA)</td>
</tr>
</tbody>
</table>

List of Abbreviations

- RM: Relationship Marketing
- GTB: Ghana Tourist Board
- GDP: Gross Domestic Product
- IMP: Industrial Marketing and Purchasing
- TQM: Total Quality Management
- JIT: Just-in-Time
- MRP: Material-Resource Planning
- SPSS: Statistical Package for Social Science
- www: World Wide Web
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

"Since the 1960s the marketing mix management approach, with its 4P model, has dominated marketing literature, research and practice. Academics and practitioners alike have been so preoccupied with this approach that it long ago achieved a paradigmatic position. Sometimes the marketing mix is called a model of marketing only" (Gronroos 1996; Gummesson 1994). Today however, this paradigm is beginning to lose its position (Gronroos 1994) because the focus is shifting from the activity of just attracting customers to activities which concern having customers and maintaining them for life (Gronroos & Ravald 1996). Although the Ps are not at all useless as marketing variables, the philosophical foundation of the marketing mix and its Ps are not very well fitted to the competitive situation that has been emerging in the hospitality industry in Ghana today. The mass marketing and transaction orientation, as well as the adversarial approach to customers and the functionalistic organizational solution inherent in the marketing mix approach, do not allow the firm to adjust its market performance to the demands of more and more customers today, (i.e. enhanced value around the core product, reliable service to accompany the product, a trustworthy relationship with customers, suppliers, distributors, among others (Gronroos, 1996).

With marketing increasingly moving away from a focus on individual transactions towards a focus on building value-laden relationships with customers (Kotler 2000; Grönroos and Ravald, 1996), firms are now finding new ways of nurturing and sustaining their ‘marriage’ with the various stakeholders not only to enhance the firm’s competitive advantage in terms of being able to offer customer value, but to simultaneously, augment the firm’s market opportunity (Ward and Dagger, 2007) and achieve high customer retention which described by Hinson (2006), as “a commitment decision on the part of a customer or client to continue to do business
with a particular supplier or firm, irrespective of attractive appeals from similar competitive suppliers or firms” thus customer satisfaction and retention is one of the most important criteria for customer loyalty (Heskett et al, 1994; Gronroos and Ravald, 1996); and unless a customer is delighted, he or she is likely to defect or unfavourably alter his or her pattern of purchase and ultimate loyalty defined as “a deeply held commitment to re-buy or patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour” (Skogland and Siguaw, 2004).

1.1.1 The need for Relationship Marketing in Ghana’s Hospitality industry

Relationship marketing is defined by (Gronroos 1990) as “Marketing to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met”. Hotels all over the world provide different services to meet the needs of their numerous customers. However building customer loyalty has been and still is one of the biggest challenges for the hotel industry (Yesawich, 1997).

The hotel industry is today recognized as a global industry with producers and customers spread across the world. Hotel services have become an integral constituent of lifestyle today. The last two decades have witnessed the demand for and supply of hospitality services go beyond that of traditional services intended for travellers thereby leading to an escalation in the growth of the hospitality industry globally. Thus leading to intense competition in the market place and leaving hotel managers with a great challenge of how to deal with the ever-growing volume and pace of competition (Kandampully & Suhartanto, 2000). Ghana is no different. Most hospitality firms, (special reference to hotels) in Ghana, in their haste to gain media visibility, overlook one most important marketing resource which is the relationship developed between the hotels and their customers. It must be emphasized that, even though extensive public awareness is an equally important tool for survival in the hotel industry, it is not an end to itself but rather only a first step in the marketing
process. De Young, (1988) stressed that building constructive relationships with selected target audiences is more important to the long-term marketing success rather than just acquiring widespread public awareness.

The hospitality industry in Ghana is gradually becoming a major contributor to the total wealth of the Ghanaian economy by contributing a total of $1.5 billion to the nation’s Gross Domestic Product (GDP) annually, representing 5% of total GDP and provides jobs for about 250,000 individuals in Ghana. (Joy FM Business News of September 7th 2008, from myjoyonline.com). However, the success of this income generation drive through tourism largely depends on the availability of quality infrastructure, especially lodging facilities in the form of good quality hotels to provide high quality accommodation. Hoteliers must have the ability to target, acquire, and retain the ‘right’ customers whilst taking steps and the pains to strengthen customers’ loyalty through well-conceived relationship marketing strategies (Lovelock and Wirtz, 2007). According to Torres and Kline (2006), managers are today facing a greater challenge of establishing and maintaining positive customer relationships. The task is even more difficult now where consumers have greater access to information and choices. Price cuts and intense promotional campaigns can no longer do the trick for businesses, making it important for managers to show greater interest in customer satisfaction, delight and ultimate loyalty. The successful hosting of the 2008 African Cup of Nations here in Ghana saw the reviving of many hitherto ‘dying’ hotel businesses. This has led to increased competition in the hotel industry thereby forcing many hospitality firms to differentiate their products and services from that of other competitors. Even though customer loyalty can be achieved through various carefully designed programs, this study will emphasize on the use of relationship marketing as one of the major and modern tools used by the hospitality industry to achieve high customer loyalty. Are the hotels practicing relationship marketing at all? If yes, is it achieving its intended purpose of winning customer loyalty?
1.2 Problem Statement
In today’s world, hospitality has expanded to such an extent that, it is now claimed to be the world’s largest industry, characterized by a high rate of employment, and generating a lot of revenue to countries. Improvements in technology has also enhanced the purchasing power of tourists’ who have now become more price sensitive, less brand loyalists, more sophisticated and experience seekers. With growing customer acquisition costs, increased customer expectations and high rate of customer turn over, hotels have realized the need to foster closer relationships with their customers in order to win their loyalty. However among the many journal articles, long essays, and thesis available to the researcher in Ghana, it is so uncommon to find studies done to show how Relationship Marketing (RM) practices could lead to Customer Loyalty in hotels within Ghana. In addition to this, there appears to be some structural problems associated with the effective implementation of RM practices. Could it also be that there is a general misconception and poor attitude towards the concept of RM and Customer Loyalty? This study thus sought to explore the extent of practice of RM in the Ghanaian hospitality (hotel) industry and whether its implementation leads to increased customer loyalty.

1.3 Justification for the study and research gap
As products, services and prices become less important differentiators; the importance of relationship marketing can no longer be overlooked and taken for granted (Ward et al., 1997; Ward and Dagger 2007). It has thus become very necessary to find out how firms in the hospitality industry in Ghana particularly, achieve customer loyalty in the face of increased competition through relationship marketing.

The research can be justified based on its ability to satisfy the existing gap in the literature. To start with, no previous research has been done to investigate the relationship marketing practices and its ability to improve customer loyalty in the hotel industry in Ghana. A number of studies have been done in Ghana but have only
focused on other sectors of the economy other than the hotel industry. Those that have been done on hotels have been in Western and Asian contexts such as (Kandampully & Suhartanto, 2000; Ndubisi, 2007; Torres and Kline, 2006) just to mention a few. Therefore, Relationship Marketing and its impact on customer loyalty in the Ghanaian hotel industry have not yet been studied and this research hopes to bridge that gap.

This research also makes valuable contributions to theory, policy and practice, as it appears to be the first study to examine the impact of Relationship Marketing on Customer Loyalty in the Ghanaian hotel industry. Thus, as a result of this research, a model has been constructed as a guide to the effective implementation of Relationship Marketing in Ghanaian hotels and the world over. In more specific terms, the study provides an insight into the effectiveness of Relationship Marketing in generating customer loyalty in the Ghanaian hospitality industry and whether the theory stands the test of time in a developing country like Ghana because, with such limited empirical evidence especially within the African context, the concept of Relationship Marketing may still not hold. However if much empirical evidence is made available firms will be more confident to incorporate and operationalize it. This thesis thus bridges this gap by providing some empirical evidence on the concept within the Ghanaian context.

1.4 Objectives of the study

The main purpose of this study was to explore the effective use of relationship marketing strategies by hotel firms in Ghana so as to discover whether its implementation helps to achieve customer satisfaction and loyalty within the Ghanaian hospitality industry.

The study thus made an effort to explore the following specific objectives.
1. To examine the extent of relationship marketing practices within the Ghanaian hotel industry.
2. To examine the relationship between Relationship Marketing practices and Customer Loyalty.
3. To examine the relationship between Relationship Marketing practices, customer satisfaction, and customer loyalty.
4. To explore the main challenges hotels face as they implement relationship marketing strategies.

1.5 Research questions
Following from the literature available on RM, the research will seek to find answers to the following questions:

1. What is the extent of Relationship marketing practice among Ghanaian hotel firms?
2. What is the relationship between Relationship Marketing and Customer loyalty?
3. What is the relationship between Relationship Marketing practices, customer satisfaction, and Customer loyalty in the Ghanaian hospitality industry?
4. What are the challenges faced by hotels as they implement the concept of relationship marketing in Ghana?

1.6 Significance of the study
Most importantly this study adds and enhances existing knowledge in the area of relationship marketing. As already stated, RM practices have not been consistent in the literature. This study provides more support for RM practices.

This research is very significant to the survival of firms in the hospitality industry. This is because this study has been conducted at an opportune time when the government of Ghana is taking major steps to make the tourism industry one of the major contributors to the Gross Domestic Product (GDP) of the Ghanaian economy. By developing many of its abandoned tourist attraction sites, Ghana has a huge
potential of attracting large numbers of tourists into the country. This research thus provides insights as to how hotels can not only attract potential visitors into lodging in their hotels, but also how to employ the use of relationship marketing to retain these customers.

This research also comes at a time when the hotel industry is experiencing a very high level of competition coming after the successful hosting of the African cup of Nations. There is thus a growing concern among hotel managers as to how firms in the hotel industry can retain customers. This study therefore provides some insights to hotel firms as to the importance or benefits of using relationship marketing to win the loyalty of potential customers. It is against these justifications that the importance of this study cannot be underestimated.

1.7 Organization of the Study

The study is organized into five chapters.

Chapter one (1): Introduction

This chapter introduces the study and includes the following: Background to the study, problem statement, main and specific objectives of the study, significance and justification for the study, and the scope and limitations of the study.

Chapter two (2): Review of Contemporary Literature

This chapter extensively reviews various literatures existing on relationship marketing practices and strategies. It also looks at other research works that have been done in this area not necessarily on hotels but in other topical areas to give the analytical framework.

Chapter three (3): Research Methodology

This chapter discusses the methodology used for this research. It comprises the Research design, Sampling plan, Sample population, Sampling method, Instrumentation, Mode of data collection, the Unit of Analysis and limitations.
Chapter four (4): Analysis and Discussion of Empirical Findings

This section presents the findings of the study. The empirical evidence on the practice of Relationship marketing by Ghanaian hotel firms is analyzed and presented in both quantitative and qualitative manner. This chapter also gives a brief description of the hospitality industry in Ghana.

Chapter Five (5): Summary, Conclusions and Recommendations

This is the final chapter and it presents the major findings, implications for management, future research directions and contributions to already existing literature on Relationship Marketing. Useful recommendations are also made for marketing managers and decision makers in the hotel industry based on the findings in chapter four (4)
CHAPTER TWO
LITERATURE REVIEW

2.0 INTRODUCTION
This chapter focuses on the theoretical underpinnings of the study. In view of the objectives and theoretical parameters of this study, the chapter reviews relevant and contemporary literature on the evolution of relationship marketing; growth of relationship marketing; definitions of relationship marketing; and characteristics of relationship marketing. The chapter further discusses related literature on the benefits and challenges of implementing relationship marketing.

Next, a discussion is made on customer loyalty and customer satisfaction (proposed in this thesis as the consequence of effective implementation of relationship marketing) in the context of the hospitality industry. Finally, the conceptual framework for the current study and the variables of the components are discussed.

2.1 RELATIONSHIP MARKETING EVOLUTION
According to Eiriz and Wilson (2006), the study of relationships and networks is not, of course, a new area of research. Although it is only since the 1970s that the literature on management started to emphasize its importance, there are many previous works in disciplines adjacent to management, such as economics, political sciences, sociology, social psychology and law, as well as in some disciplines more central to management, notably organization sciences, that have influenced the study of relationships and networks.

Relationship marketing, (as sited in Shammout, 2007, pp 14-15) has generated high interest both to academics and practitioners (Berry, 1995; Barnes, 1997; Payne, 2000; Egan, 2004). Diverse views about the origins of Relationship Marketing exist in literature, but most authors usually attribute the origin of the term to Berry (1983), who first proposed it in the context of services marketing. However, it has also been
argued that the emergence of relationship marketing in the 1980s was not so much a new innovation but a rediscovery of an approach that had long been accepted as the focus of any successful business (Sheth and Parvatiyar, 2000). In this circumstance, Wilson (1995) acknowledged that relationships between buyers and sellers have existed since humans began trading goods and services. Parvatiyar and Sheth (2000) also observed that relationship marketing’s roots were in the pre-industrial age. Within the particular discipline of marketing, Bejou (1997) cites Baggozzi (1978) as the first to argue that exchange relationships are the heart of marketing, and that Arndt (1979) introduced the notion of long-term buyer-seller relationships in the context of domesticated markets. According to Bejou (1997), many writers have made an important contribution to the understanding of earlier relationship marketing thought, although these theorists treated the relationship exchange as isolated rather than as a long-term process.

Consequently, relationship marketing theory became globally accepted in the 1990s (i.e., Crosby et al, 1990; Webster, 1992; Grönroos, 1994; Gummesson, 1994; Morgan and Hunt, 1994; Palmer and Bejou, 1996; Berry, 1995; Sheth and Parvatiyar, 1995; Wilson, 1995; Hennig-Thurau and Klee, 1997; Gummesson, 1999), covering a range of marketing activities (Palmer, 2000), and thus it is described as a “new-old” concept (Berry, 1995). Since then, relationship marketing has become a topic of interest in special issues of international journals such as the Journal of the Academy of Marketing Science (Bejou, 1997).

It was therefore not surprising that Payne (2000) identified at least seven edited and authored books on relationship marketing. relationship marketing has been found to cover several contexts including channel relationships (Anderson and Narus, 1990; Ganesan, 1994; El-Ansary, 1997), business-to-business marketing (Dwyer et al., 1987; Morgan and Hunt, 1994; Kumar et al, 1995; Wilson, 1995), business alliances (Sheth and Parvatiyar, 1992), service marketing (Berry, 1983; Crosby et al., 1990); network marketing (Håkansson and Snehota, 1995), sales management (Smith and Barclay, 1997); database marketing (Treacy and Wiersema, 1993), internal marketing
(Berry and Parasuraman, 1991), and business-to-customer marketing (Gruen, 1995; Sheth and Parvatiyar, 1995; Christy et al., 1996; Wang et al., 2006).

Relationship marketing has been described as a new marketing paradigm based not on transactional exchanges but on relational exchanges (Gronroos, 1994). A consensus also exist amongst various authors that this new paradigm emphasizes a shift in marketing from short-term transactions (traditional marketing or marketing mix) to long-term relations (Dwyer et al., 1987; Kotler, 1992; Morgan and Hunt, 1994; Palmer, 1994; Lin et al., 2003), as far as this thesis is concerned. Morgan and Hunt (1994) have argued that, in order to clearly understand this new paradigm, there is the need for a clear distinction between a discrete transaction (a distinct beginning, a short duration, and a sharp ending by performance) and a relational exchange (tracing back to previous agreements, lasting longer, and reflecting on ongoing processes). A review of many current literatures distinguishes between these two types to deliver a better understanding of relationship marketing. Gummesson (1994) stressed that, the marketing mix and its four Ps are not at all useless and would always be needed, but that it had become nonessential in comparison to long term relationship building. Within the hospitality context (the interest of this thesis), Bowen and Shoemaker (1998) also maintain that relationship marketing means developing the customer as a partner, and is a process that is markedly different from traditional transaction-based marketing. That is, it focuses on moving away from activities for attracting customers to activities for having customers and taking care of them (Grönroos, 1996). Indeed, relationship marketing aims to retain profitable customers by building and maintaining strong relationships, whereas traditional marketing aims to acquire new customers.

Bejou (1997) in attempting to show how much relationship marketing is important in services context, maintained that it will be very difficult to apply traditional marketing to services. In addition to the above, Bennett (1996) also argued that relationship marketing aims to establish long-term, committed, trusting and co-operative relationships, characterized by openness, genuine customer suggestions, fair
dealing, and a willingness to sacrifice short-term advantage for long-term advantage. In other words, relationship marketing is oriented towards long-term on-going relationships (Kim et al., 2001). A further review of literature revealed that relationship marketing is handled in different ways by different authors (see Gummesson, 1996). Four different schools of thought have emerged which have mainly been influenced by a diversity of disciplinary and research traditions. They include: Nordic, Industrial Marketing and Purchasing (IMP), North American, and Anglo-Australian.

First, the Nordic school authors (i.e., Grönroos and Gummesson, 1985) give emphasis to the long-term relational aspects of service marketing. To point out the relational nature of this kind of marketing, they used terms such as buyer-seller interactions and interactive marketing, customer relationship life cycle, the new marketing concept; phase of the service consumption process; and interactive relationships. According to Parvatiyar and Sheth (2000), the Nordic school tried to integrate the network approach (popular among Scandinavian and European schools) with issues related to service relationships and relationship economics.

Secondly, the European Industrial Marketing and Purchasing (IMP) group which is made up of about 300 member firms - studied relationship marketing as it occurred in distribution channels (i.e., Håkansson 1982; Håkansson and Snehota, 1995). Their research found that buyer-seller relationships are built on a series of interactions in which the concept of adoption is closely linked with the process of evolving relationships. Given the importance of process as well as outcome in these interactions service marketers have highlighted the potential value associated with the development of ‘relationships’ between supplier and customer. In this case, relationships are seen as being the outcome of a series of interactions with particular emphasis placed on the active role-played by buyers.
Thirdly, the North American school (i.e., Berry, 1983; Perrien et al., 1993) dwelt on the relationship between the buyer and seller in organizational environments within business-to-business markets.

Then finally, based on the work of Christopher et al. (1991), the Anglo-Australian school emphasizes the integration of quality management, the use of a service marketing concept, and customer relationship economics. The six-market model introduced by Christopher et al. (1991) considers relationship marketing as having six markets: internal, referral, influence, supplier and alliance, recruitment, and customer markets, as the centre of all marketing activities. According to Egan (2001), the Anglo-Australian school generally investigates the nature of relationships in marketing.

2.2 GROWTH OF RELATIONSHIP MARKETING

The growth of RM is described by Sheth and Parvatiyar (2000) as the rebirth of direct marketing between producers and consumers and he further identifies several environmental and organizational development factors responsible for the rebirth. Sheth and Parvatiyar (2000) stressed that the evolution of and growth of RM has been made possible by the following:

- Rapid technological advancements, especially in information technology;
- The adoption of total quality programs by companies;
- The growth of the service economy;
- Organizational development processes leading to empowerment of individuals and teams; and
- Increase in competitive intensity leading to concern for customer retention.

Briefly discussed below are how these forces are encouraging more direct interaction between producers and consumers of goods and services and thus encouraging the growth of relationship marketing.
2.2.1 **Rapid technological advancements**

According to Sheth and Parvatiyar (2000), the impact of technological revolution is changing the nature and activities of marketing institutions. The current development and introduction of sophisticated electronic and computerized communication systems into our society is making it easier for consumers to interact directly with the producers. Producers are also becoming more knowledgeable about their consumers by maintaining and accessing sophisticated databases that capture information related to each interaction with individual consumers, at a very low cost. It gives them the means by which they can practice individual marketing. As a result, the functions formerly performed by the middlemen are now being undertaken by either the consumer or the producers. Producers are building such systems that allow them to undertake quick responses with regard to manufacturing, delivery and customer service, eliminating the need for inventory management, financing and order processing through middlemen. Also, consumers have less time and thus a reduced inclination to go to the store for every purchase. They are willing to undertake some of the responsibilities of direct ordering, personal merchandising, and product use related services with little help from the producers.

Hence, given the recent technological strides and consumer attitudes, some functions performed by middlemen may be entirely eliminated. For instance, the just in time inventory system, made possible by the real time transportation and communication systems now available, allows a producer to eliminate the need for an intermediate inventory holding institutions between itself and the consumers or suppliers (Sheth et al., 1988). Other technological systems, such as flexible manufacturing are being used by some to mass-customize their offerings to individual consumers.

2.2.2 **Adoption of Total Quality Management Programmes**

Another major force driving the adoption of relationship marketing is the total quality movement that recently revolutionized industry's perspectives regarding quality and cost. Most companies saw the value of offering quality products and services to customers at the lowest possible prices (Sheth et al. 1988). When companies embraced Total Quality Management (TQM) to improve quality and reduce costs, it
became necessary to involve suppliers and customers in implementing the program at all levels of the value chain. This needed close working relationships with customers, suppliers and other members of the marketing infrastructure. Thus, several companies, such as Motorola, IBM, Xerox, Ford, AT&T, Toyota, etc., formed partnering relationships with suppliers and customers in order to practice TQM. Other programs such as Just-in Time (JIT) supply and Material-Resource Planning (MRP) also made use of the interdependent relationships between suppliers and customers (Frazier et al., 1988).

2.2.3 Growth of the Service Economy
The third force ushering in relationship marketing as discussed by Sheth et al. (1988) is the growth of the service economy, especially in the advanced countries. As more and more organizations depended on revenues from the services sector, relationship marketing became prevalent. This is because services are typically produced and delivered by the same institution (Sheth et al., 1988). Service providers are usually involved in the production and delivery of their services. For instance, in the case of personal and professional services, such as haircut, maid services, consulting services, accounting services, and legal services, the individual producer of the service is also the service provider. As such the users of these services are directly engaged in obtaining and using the service thereby minimizing the role of middlemen, if any. In such a situation, a greater emotional bond between the service provider and service user develops and the need for maintaining and enhancing the relationship. It is therefore evident that relationship marketing is important for scholars and practitioners of services marketing (Berry 1983; Crosby and Stephens 1987; Crosby et al., 1990).

2.2.4 Organisational Development Process and empowerment of individuals and teams
Another major factor leading to the rapid growth and acceptance of the Relationship marketing concept as described by Sheth et al. (1988) is the empowerment of individuals and teams as a result of certain organisational developments. According to
them, these organizational changes have facilitated the growth of relationship marketing. Amongst these the most significant is the role definition of the members of the organization. Through a variety of changes in organizational processes, companies are now directly involving users of products and services in the purchase and acquisition decisions of the company. For a considerable time, these functions were managed by the procurement department as a specialized function, with little or no input from the actual users of these products and services. Thus the separation that existed between the producer and the user due to the existence of user middlemen, acting as gatekeepers, is potentially bridged in many cases. Wherever such changes are being made, direct interaction and cooperative relationship between producers and users develop (Sheth et al., 1988).

2.2.5 Increased Competition and concern for customer retention
Finally, in the post-industrialization period the increase in competitive intensity is forcing marketers to be concerned with customer retention. As several studies have indicated, retaining customers is less expensive and perhaps a more sustainable competitive advantage than acquiring new customers. Marketers are realizing that it costs less to retain customers than to compete for new ones (Rosenberg & Czepiel 1984). On the supply side it pays more to develop closer relationships with a few suppliers than to develop more vendors (Hayes, Wheelwright and Clark 1988; Spekman 1988). In addition, several marketers are also concerned with keeping customers for life, rather than merely making a one-time sale (Cannie and Caplin 1991).

2.3 CONCEPT OF RELATIONSHIP MARKETING
Although relationship marketing is a relatively young field of inquiry, relationship marketing theory is an extremely rich area of research (Egan, 2004). While many espouse relationship marketing, there seems to be little consensus concerning the exact nature of the discipline (Pressey and Mathews, 2000) after it was first coined by Berry (Lindgreen 2001).
Undeniably, relationship marketing consists of a variety of activities, and therefore could mean different things to different companies (Palmer, 1994; Morris et al., 1998) in varying contexts (Too et al., 2001). This problem has also been acknowledged by several authors. For instance Nevin (1995), found multiple uses of the term relationship marketing within the literature to such an extent that it has become a catchphrase. Parvatiyar and Sheth (2000) also pointed out that the term ‘relationship marketing’ has become ambiguous within the marketing literature, and for this reason some authors have listed a range of selected definitions. Harker (1999) for instance listed 26 significant definitions, whereas Dann and Dann (2001) found about 50 definitions in the literature.

In spite of the many definitions for the term relationship marketing, this thesis will discuss some of the most commonly used definitions in order to identify which definition is most suited to this thesis. Definitions of various scholars have been summarized in the table below.

Table 2.1: Definitions of Relationship Marketing adapted from Shammout (2007, p 18)

<table>
<thead>
<tr>
<th>Authors</th>
<th>Definition</th>
<th>Context</th>
<th>Key elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berry (1983)</td>
<td>Attracting, maintaining and enhancing customer relationships</td>
<td>Services</td>
<td>Attracting, maintaining, and enhancing</td>
</tr>
<tr>
<td>Grönroos (1990)</td>
<td>To establish, maintain, and enhance relationships with customers and other partners, at profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of Promises</td>
<td>Valid to be used in all contexts</td>
<td>Non-customer partnership, mutual benefit, promise keeping, and profitability</td>
</tr>
<tr>
<td>Authors</td>
<td>Description</td>
<td>Category</td>
<td>Description</td>
</tr>
<tr>
<td>------------------</td>
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<td>----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Christopher et al. (1991)</td>
<td>Concerns the dual focus of getting and keeping customers</td>
<td>Services</td>
<td>Keeping customers</td>
</tr>
<tr>
<td>Grönroos (1994)</td>
<td>Identify and establish, maintain and enhance, and when necessary, also terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met. This is done by a mutual exchange and fulfillment of promises</td>
<td>Valid to be used in all contexts</td>
<td>This is slightly different to Grönroos’s (1990) definition, which includes identifying and terminating relationships with customers and stakeholders</td>
</tr>
<tr>
<td>Morgan and Hunt (1994)</td>
<td>All marketing activities directed toward establishing, developing and maintaining successful relational exchange</td>
<td>Business-business</td>
<td>All types of ongoing relationship as a process in relational exchange</td>
</tr>
<tr>
<td>Palmer (1994)</td>
<td>Strategies that enhance profitability through a focus on the value of buyer-seller relationships over time</td>
<td>Marketing Education</td>
<td>Mutual value between buyer and seller</td>
</tr>
<tr>
<td>(Gummesson, 1996)</td>
<td>Relationships, networks, and interaction</td>
<td>Network marketing</td>
<td>Relationships, networks, and interaction</td>
</tr>
</tbody>
</table>
Parvatiyar and Sheth (2000) | Ongoing process of engaging in cooperative and collectivized activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost | Business-to-customer | Cooperative and collaborative
---|---|---|---
Kim and Cha (2002) | A set of marketing activities that attract, maintain, and enhance customer relationships for the benefit of both sides, emphasizing retaining existing customers | Hotels | Mutual benefits emphasized for existing customers

In what is probably one of the earlier attempts to clarify the concept, Berry (1983) defined relationship marketing as "attracting, maintaining, and – in multi-service organisations – enhancing customer relationships", acknowledging the idea that attracting new customers is seen only as an intermediate step in marketing processes. Several authors have built on this definition. Gronroos (1990) proposed a definition similar to the above definition by Berry. However, Grönroos, (1990) added the perspective of non-customer partnership, mutual benefit, promise keeping, and profitability, while viewing relationship marketing "to establish, maintain, enhance with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises."

Christopher et al. (1991) viewed relationship marketing as a synthesis of marketing, customer service and quality management. Christopher et al. (1991) stated that relationship marketing has the twin focus of acquiring and keeping customers. This definition and a similar one used by Kotler (1992) specify that relationships are a
series of stakeholders or markets going beyond the basic customer-supplier dyad (Gummesson, 1994). Others (i.e., Palmer, 1994) view relationship marketing in terms of strategies that enhance profitability through a focus on the value of the buyer-seller relationship over time.

Gummesson (1996) also sees relationship marketing as comprising three key elements including relationships, networks, and interaction. In his definition, relationships refer to a contact between two or more people, which could also exist between people and objects, whereas a network refers to a set of relationships. Interaction refers to activities performed within relationships and networks. In support of Grönroos (1990), Morgan and Hunt (1994) provide a broadened scope through inclusion of the term ‘relational exchange’ to cover the processes of all types of ongoing relationships. They defined relationship marketing as “all marketing activities directed toward establishing, developing, and maintaining successful relational exchange”.

This definition has however come under heavy attack by some authors (Parvatiyar and Sheth 2000). Peterson (1995) for example, acknowledges that the definition is guilty of an error of commission, and states that if their “definition is true, then relationship marketing and marketing are redundant terms and one is unnecessary and should be stricken from the literature because having both only leads to confusion”. It has been argued that the definition only focuses on the ultimate goal of relationship marketing, but not on what it actually entails (Too et al., 2001). In contrast, Kim and Cha (2002) conducted research in the context of hospitality industry, and considered Morgan and Hunt’s definition as a major shift in marketing theory and practice. Kim and Cha seem to have adopted Morgan and Hunt’s definition, making minor changes when they focused on mutual benefits with targeted customers to make the definition more suited to the hospitality context. They defined relationship marketing as “a set of marketing activities that attract, maintain, and enhance customer relationships for the benefit of both sides, emphasizing on retaining existing customers”.

20
Parvatiyar and Sheth (2000) found that the definitions of Berry (1983), Grönroos (1990), and Morgan and Hunt (1994) take the process aspects of relationship development and maintenance into account. Parvatiyar and Sheth (2000) further suggest that relationship marketing is concerned with supportive and joint relationships between the firm and customers. These customers could be one or many, including end customers, distributors or channel members, and business-to-business customers. They define relationship marketing as "the ongoing process of engaging in cooperative and collectivize activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost".

Most recently however, Herington (2002) found that the definitions of Grönroos (1990), Morgan and Hunt (1994), and Gummesson (1996), are seen as most favoured by relationship marketing authors due to their frequency of adoption and concludes that "the definition presented by Grönroos (1995) is the "best" in terms of its coverage of the underlying conceptualizations of relationship marketing and its acceptability through the RM community". Grönroos (1994) sees relationship marketing as "... to identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, and this is done by a mutual exchange and fulfillment of promises". Grönroos's (1995) definition was found to be appropriate for the needs of this thesis. This is because not only is it commonly used in the literature; it also includes all aspect of long-term relationships between service providers and customers (see Shammout, 2007 pp. 18-20).

In sum, although coined many years ago, relationship marketing still remains an ambiguous concept (Lindgreen 2001) and it is characterized by rhetoric and still without clear empirical support (Collins 1999). There is no consensus among authors on one accepted definition for relationship marketing, however Harwood and Garry (2006), are of the view that this may be due to the debate between academics and practitioners about what relationship marketing actually is, when it is appropriate, who should be included in the relationship, and when a relationship may exist.
The main characteristics of relationship marketing are briefly discussed below.

2.4 CHARACTERISTICS OF RELATIONSHIP MARKETING

Based on Grönroos’s (1994) definition, the following are the main characteristics of relationship marketing. For the purpose of this study, the various characteristics of relationship marketing have been categorized under the following headings:

- **Long-term orientation,**
- **Commitment and fulfillment of promises,**
- **Customer share, not market share,**
- **Customer lifetime value,**
- **Two-way dialogue,** and
- **Customization.**

Subsequently, these characteristics are briefly discussed below. However, it must be noted that the categorization is made this way to suit the context of this thesis.

2.4.1 Long-term orientation

Long-term orientation is a key feature of relationship marketing. It assesses success in terms of how long a customer is kept in the relationship and the share of the customer in the relationship. Relationship marketing involves estimating customer lifetime value and engaging in relationships based on the value of those relationships over a number of years. Gummesson (1999) highlights long-term collaboration and *win-win* as a key feature of relationship marketing. This means viewing suppliers, customer and others as partners rather than opposite parties. This view promotes collaboration and the creation of mutual value, and relationship marketing should bring about a *win-win* rather than a *win-lose* situation created by the adversarial nature of transactional marketing (Gummesson, 1999)
Commitment and fulfillment of promises

Relationship marketing implies a long-term relationship and forsaking of other suppliers by the customer, as well as mutual exchange of information. This suggests that there ought to be trust between the parties; that each party believes in the integrity of the other to keep their promise and to deliver on promises; and also that each party believes the relationship to be valuable enough to invest in and to commit to. Nurturing of trust and commitment is particularly important as it is clear now that satisfaction alone does not necessarily lead to customer loyalty. Satisfied customers may still wish to look elsewhere for bargains, change/novelty, and etcetera. Relationship marketing relies on fostering a bond between the customer and the supplier which is glued with empathy. Bonding is the result of the customer and the supplier acting in a unified way towards the achievement of desired goals (Callaghan et al., 1995) and empathy is the dimension of a business relationship that enables the two parties to see the situation from the other’s perspective and to understand their desires and goals (Yau et al., 2000).

Customer share, not market share

Relationship marketing shifts the emphasis from concentrating on gaining share of the market and rewarding its employees for the new business which they bring in. instead, it concentrates on keeping customers and attempting to gain a bigger share of their ‘wallet’ by selling more of the same product or by cross-selling to them. This is a very important shift because traditional marketing puts the emphasis on market share and success is usually measured in a short timescale, i.e. growth in market share per annum (Gummerson, 1999). For instance, Day (1969), from a traditional platform, said that share of market is a crucial tool for the evaluation of performance and for using as a guide for advertising, sales force and other budget allocations.

Concentrating on customer share implies a long-term orientation and requires that success is measured and rewarded differently. According to Peppers and Rogers (1995), this approach implies that a customer with high potential is treated as an
individual whose needs are addressed and an attempt is made to persuade him to buy more of the company’s products during the lifetime of the relationship.

2.4.4 Customer lifetime value

The lifetime value of a customer is a key element in the practice of relationship marketing. It is not economical for a supplier to invest in long-term relationships with all customers – not that all customers would necessarily want such a relationship. The supplier has to identify those customers who are willing to enter a long-term relationship with his company, forecast their lifetime with the company, and then calculate those customers’ lifetime values in order to identify the ones with whom it will be profitable for the company to have a relationship. Relationship marketing costs money and maintaining a customer can be expensive, hence long-term customers should be selected carefully. Calculating a customer’s lifetime value is not a precise science, and each company will need to experiment and improve those techniques that are used to predict how much business a customer is likely to do with them (Gummerson, 1999; Morgan and Hunt, 1994; Gronroos, 1994)

Generally, a customer’s purchase profile, as well as the purchase profile of the segment to which the customer belongs, is studied and an estimate is made of the amount of purchases which the customer is likely to make over a given period and therefore the profit the company can expect from the customer. An estimate of the possible referral business by the customer is added to that figure. Then on the minus side, the cost of products to be sold to the customer as well as the cost of keeping him in the relationship is calculated. This is subtracted from the first figure to show if the lifetime value will be attractive to the company (Little and Marandi, 2003)

2.4.5 Two-way dialogue

A further requirement of relationship marketing is the facilitation of a two-way dialogue between the supplier and the customer in order to identify needs and to find solutions. Indeed, relationship marketing is ultimately about partnering and partnerships are built on, and maintained by, dialogue and communication. A
properly designed relationship marketing system should provide ample opportunity for the customer to initiate communication with the supplier. The flow of information must be a two-way process. While this happens frequently in industrial and business-to-business sectors, it ought to be a part of relationship marketing in mass consumer goods and services markets too (Little and Marandi, 2003). This is now possible with the continuous improvements in technology. Gummesson (1999), viewing relationship marketing as relationships, networks, and interactions, proposes that ‘this initiative to action cannot be left to a supplier or a single party of the network; everyone in a network can, and should be active’.

Wolfe (1998) has argued that if dialogue is not to ring hollow, but to be fully satisfying to all parties involved, there are three conditions which must be fulfilled:

- **Conversational reciprocity**: each party allowing the other to condition his/her responses, i.e. ‘I influence you; you influence me.’
- **Reciprocal empathy**: each party reaches out to identify with and understand the other party’s circumstances, feelings, and motives.
- **Reciprocal vulnerability**: both sides in a relationship let down their guard to some level that remains safe and comfortable, and yet allows information to flow and trust to build.

The conditions set out above are in line with Berry’s (1983) writings, and show that database and direct marketing, with their characteristic one-way flow of communication from supplier to customer, are not relationship marketing, even though ‘relationship building’ has now become a business phrase for the practitioners in those fields.

### 2.4.6 Customization

Berry (1995) asserts that through relationship marketing, service providers can gain a better knowledge of the customer’s requirements and needs. This knowledge can then be combined with social rapport built over a number of service encounters to tailor and customize the service to the customer’s specifications. An important requirement
or feature of relationship marketing is that of customization of product and communication for each customer. Customization in mass markets, however, is rarely a totally unique offering for one customer and no other. Often, it takes the form of using basic designs both for products and communication and adapting them to the requirements of individual customers, or micro-segments of the markets. Hence, the term mass-customization is often used (Berry, 1995). Mass customization is a recognition of the fact that today, increasing competition and customer power is fragmenting mass markets into smaller markets, and that the 'one size fits all' strategy of traditional marketing no longer applies. It is an attempt to create added value, and many companies, utilizing improvements in technology and flexible processes are able to engage in the practice profitably. Mass customization is an important advantage of relationship marketing to customers and one of the rewards they can expect in return for their commitment to the supplier.

2.5 BENEFITS OF RELATIONSHIP MARKETING
The concept of relationship marketing has been viewed in term of its benefits to both parties involved in the relationship; thus the service provider (hotels) and customer. Despite the fact that, there still remains some ambiguity as to whether the implementation of relationship marketing leads to benefits for both customers and service providers (Parvatiyar and Sheth, 2000), research has established that several benefits accrue to both parties (Palmer, 1994).

In today's business environment, many outstanding companies are going all out to retain their existing customers. Retaining customers for the long-term offers many benefits. Both parties in the customer/firm relationship can benefit from customer retention. That is, it is not only in the best interest of the organization to build and maintain a loyal customer base, but customers themselves also benefit from long-term associations. (Sheth and Parvatiyar 2000; Reichheld, 1996b; Kim and Cha, 2002; Zeithaml et al. 1996; Kotler et al. 1999; Bejou, 1997; Gronroos, 1994, Zineldin, 2006) have discussed in various ways, some of the benefits of relationship marketing.
2.5.1 Organizational benefits

There are numerous benefits accruing to the organization for developing and maintaining effective relationships with their customers. Some of these benefits are briefly discussed below.

**Increased referrals and word-of-mouth communications**

Research has shown that, relationship marketing enables both customers and service providers to work together in determining ways to satisfy customer needs. This contributes to a "we feeling" amongst customers who in turn reward the service provider with their loyalty (Bejou, 1997). Due to complexities involved in the evaluation of services before final purchase, a lot of consumers often look to others for advice on which providers to be considered. This is where satisfied and loyal customers provide a firm with strong word-of-mouth endorsements and approvals thereby reducing the cost of attracting and recruiting new customers (Zeithaml et al. 1996). Referrals are a vital source of new customers, and customers who show up on the strength of a personal recommendation tend to stay longer (Zineldin, 2006).

**Increased purchases and continues profit**

Research has also shown that, where a service provider engages in long term relationships with a group of profitable customers, customer spending will increase over time (Gronroos, 1994). This is because when consumers get to know a firm and are satisfied with the quality of its services relative to that of its competitors, they will tend to give more of their business to the firm. Loyal customers are also willing to try some of the firm's new products first, no matter the cost, because they trust the firm (Sheth and Parvatiyar 2000). This will ultimately lead to increased sales and market share dominance. For example, a customer who repeatedly stays at the same hotel becomes more familiar with the hotel's full product line, such as gift shops and banquet rooms. That customer is likely to sample other product lines of the company.
Reduction in operational cost
It is an established fact that it is cheaper to retain and serve existing customers than attracting new ones. Most often the initial cost of attracting and maintaining new customers can outweigh the revenue expected from new customers in the interim. However as times go by, the customer tends to have a few doubts and question which will lead to the service provider incurring lesser cost in serving the customer (Kim and Cha, 2002).

High customer retention and feedback
The ultimate benefit of relationship marketing is increased customer loyalty. Empirical evidence also suggests that reducing customer defections by just 15 percent, companies can improve their profits by 25 percent to 85 percent (Kim and Cha, 2002). Loyal customers will also tell service providers about problems with their products and services enabling the firm to improve its products and services.

Lower employee turnover rate
One usually ignored benefit of relationship marketing is its ability to retain employees (Zeithaml et al. 1996). This is because most employees love to work for firms whose customers are delighted, satisfied, and loyal. As such, a firm is able to retain employees when it has a stable base of satisfied customers.

2.5.2 Benefits accruing to customers
Research has uncovered specific types of relational benefits accruing to the customers. These include confidence benefits, social benefits, and special treatment benefits.

Confidence Benefits
These benefits comprise feelings of trust or confidence in the provider, along with a sense of reduced anxiety and comfort in knowing what to expect (Reichheld, 1996b). Customers have the sense of well being and quality of life as they have long term relationship with the service provider and because customers become part of the value creation process, it gives them some amount of security and some sense of trust and
commitment from the service providers (Gronroos, 1994). Most consumers have many competing demands for their time and money and are continually searching for ways to balance and simplify decision making to improve the quality of their lives. When they can maintain a relationship with a service provider, they free up time for other concerns and priorities.

Social Benefits
In some long-term customer-firm relationship a service provider may actually become part of the consumer's social support system (Zeithaml et al. 1996). For example, some relationship managers grow to even become personal confidants of the customer. The social support benefits resulting from these relationships are important to the consumer's quality of life both above and beyond the technical benefits of the service provided.

Special Treatment Benefits
Special treatment includes such things as getting the benefit of the doubt, being given a special deal or price, getting preferential treatment, and etcetera (Kotler et al. 1999). Here customers think that the service provider knows their preferences and have tailored services to suit their needs over a period of time and because they do not want to change this arrangement, they remain loyal and the firm receives more value compared to competitors.

Savings on cost
A major benefit of relationship marketing to the customer can be expressed in terms of reduced cost of the service to the customer (Bejou, 1997; Gronroos, 1994). Thus, with programmes such as frequent stay programmes by hotels, membership and loyalty cards, discount cards, and club cards, a customer is able to make a lot of savings as a result of the relationship built between themselves and service providers (Lovelock and Wirtz, 2007)
Having discussed the benefits of relationship marketing at the instance of both service providers and customers, it is also imperative to shed some light on the barriers which can impede the effective implementation of relationship marketing. The next section therefore discusses briefly, some of the challenges to successful relationship marketing.

2.6 BARRIERS TO EFFECTIVE RELATIONSHIP MARKETING

This section focuses on the potential difficulties in implementing a relationship marketing strategy. The researcher suggests that a number of attributes characterize the nature of the service and market structure, and are influential in an organization’s ability to implement relationship marketing. Specifically, these are the absence of mutual cooperation; low level of involvement with the purchase; lack of professionalism of the service provider; and low level of personal contact.

Absence of mutual cooperation

"Successful marketing relationships involve co-operative partners, not power-conscious adversaries", (Hunt and Morgan, 1994). One antecedent of relationship marketing is the theory on buyer-seller relationships, often in industrial markets. In some instances, one organization uses a significant coercive power over the other party to force the partner into compliance (see, for example, Wilson, 1995; Hunt and Morgan, 1994). Relationships typically require mutual co-operation or partnership rather than just acquiescence. Such co-operation is not encouraged where one party (particularly the seller) dominates in the process of relationship building.

Low level of involvement with the purchase

An increase in customer involvement (psychological, rather than just activity based) can be seen as an axiom for relationship marketing. Gummesson (1994) maintained that “production and delivery of services involve the customer in an interactive relationship with the service provider’s personnel”. The level of contact between the customer and organization is a key issue. For example, Lamming (1992) identified that information will very often need to be transferred between both parties in order to
facilitate relationship marketing. An increased level of involvement can also lead to mutual relationship commitment, without a high level of involvement by both parties it is hard to give high commitment and 'forsake others'.

Christy et al. (1996) claim that "a retailer of do-it-yourself supplies operates in a product-market where marketing relationships are less likely to emerge natural", as "the products themselves often command only low involvement from buyers."

Lack of professionalism from the service provider

It is often argued that professionalism is drawn from relationships between professional buyers and sellers in organizations and is difficult to draw a parallel between. Therefore, a service provider that has professionalism, in the sense that they are able to provide expert advice, or effectively handle complaints, for example, will serve to engender trust (see, for example, Cumby and Barnes, 1998; Montenegro and Costa, 1998). Further, reciprocal information transfer and other relationship facilitators will be essential to the conduct of business (See, for example, Dwyer et al., 1987; Gronhaug et al., 1998). However a lack of these could spark mistrust especially from customers thereby ruining the possibility of a long lasting relationship with a service provider.

Low level of personal contact

The more personal the service the greater the inclination towards increased communication, thus, giving a higher potential for the use of relationship marketing. Gummesson (1994) described his sixteenth relationship type "personal and social networks" as often a determinant of business networks. In some cultures, even, business is solely conducted between friends and friends-of-friends. "Personal involvement can be seen as being of great importance in services marketing (and RM in general) allowing interaction between both parties to take place in the service delivery process (see, for example, Gronhaug et al., 1998; Wilson, 1995) A further perspective is provided by Perrien et al., (1995), they maintain that "the role of frontline people is a major issue" that should be taken into account to prevent losing an
existing (good) customer. Thus, personal service also facilitates customer retention and the lack of it could frustrate the building of an effective relationship between a service provider and a customer.

Having discussed the nature of relationship marketing, the next section discusses literature on the consequence of relationship marketing (customer loyalty). It shows that when firms invest in Relationship Marketing, they will be rewarded with loyal customers.

2.7.0 Customer Loyalty

At a general level, loyalty can be described as “something that consumers may exhibit to brands, services, stores, product categories (e.g. cigarettes), and activities (e.g. swimming)” (Uncles et al., 2003). The main objective of relationship marketing is not only to attract and maintain long-term relationships, but service providers’ practice relationship marketing hoping it will in the long-run lead to ultimate customer loyalty (Too et al., 2001). For the purpose of this thesis however, the researcher assumes that customer loyalty is a term used to describe a customer who repurchases from the same service provider whenever possible, and who continues to recommend or maintains a positive attitude towards the service provider. A number of scholars, have stressed that, loyalty is an experience that is related to long term relationships (i.e. Jacoby and Kyner, 1973; Sheth and Parvatiyar, 1995). This makes loyalty the most important aspect of relationship marketing (Palmer, 1994); and very central to the paradigm of relationship marketing (Hart et al., 1999).

The concept of customer loyalty has become very significant in marketing today, since it is almost becoming a fact that profitability is enhanced as a result of maintaining current customers’ as compared to attracting and winning new customers. This is due to the numerous benefits that come with having loyal customers. Loyal customers cost less to serve, they are usually not price sensitive and will purchase at any price, they act as advertisers for the service providers and are even willing to spend more with the company ((Berry and Parasuraman, 1991;
Dowling and Uncles, 1997; Bowen and Shoemaker, 1998; Tepeci, 1999; Noon et al, 2003). Considering the hospitality industry as an extreme service industry, customer loyalty is seen as one major driver of success. This is acknowledged by Pullman and Gross (2004) when they argued that loyal customers are the key to success for many services, particularly those in the hospitality sector. Bowen and Shoemaker (1998) also added that a small increase in loyal customers can result in a considerable increase in profitability. Further to this, scholars such as Kandampully and Suhartano (2000) have argued that the significance of customer loyalty is likely to become an essential requirement for the future survival of hotel organizations.

In a research done by Tepeci (1999), it was found that loyal customers are more profitable for hospitality firms, because they are easier to serve than non-loyal customers and that customers are willing to invest their loyalty in businesses that can deliver superior value relative to competitors (Reichheld 1996). According to Yang and Peterson (2004) there is a tendency for customers to avoid searching, locating, and evaluating purchase alternatives, which predisposes them to be loyal to one company. That is, when customers become loyal, they tend to avoid such processes that consume the time and effort required to be accustomed to new vendors (Shammout, 2007).

The espoused literature argues that unlike in the manufacturing sector where loyalty may not be such an important issue, long-term relationship and loyalty in the service industry (hospitality industry), is an important issue and hoteliers must put in every effort to win the loyalty of their customers (see also Shammout, 2007 pp 57/58)

2.7.1 Conceptualising Customer loyalty

Many academic scholars have called for greater knowledge and understanding in relation to the process of developing customer loyalty (Oliver, 1999; Tsaur et al., 2002; McMullan and Gilmore, 2008). This knowledge could help marketers in segmenting customers according to their phase within the process and management strategy adapted to the relationship-based needs of different levels of customer
loyalty because customers who are at various phases of customer loyalty development require differentiated strategies (Rowley, 2005).

Unfortunately, there is no universally agreed definition for customer loyalty (Jacoby and Chestnut, 1978; Dick and Basu, 1994; Oliver, 1999). Although there are a considerable number of definitions in the expanding body of literature related to customer loyalty, this concept remains a little understood phenomenon. This is possibly because there is no globally agreed definition or appropriate way to measure loyalty (Jacoby and Chestnut, 1978; Dick and Basu, 1994; Oliver, 1999; Uncles et al., 2003; Shammout, 2007). However, the most widely accepted definition of loyalty is by Jacoby and Kyner (1973). They described loyalty as the biased behavioural response (i.e. purchase), expressed over time by some decision making units, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (i.e. decision making, evaluation) processes (McMullan and Gilmore, 2008). This definition and many others have however been criticized by Oliver (1999) based on the collective failure to provide a unitary definition and the reliance on three phases; cognition, affect and behavioural intention. These three phases lead to a deeply held commitment, predicting that consumers develop loyalty in a linear fashion (Dick and Basu 1994).

However, Oliver (1999) places greater emphasis on situational influences adding a fourth phase, action characterized by commitment, preference and consistency while recognizing the dynamic nature of the marketing environment. Thus he defines customer loyalty as “... a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts” (Oliver, 1999). “Customer loyalty presents a paradox. Many see it as primarily an attitude-based phenomenon that can be influenced significantly by customer relationship management initiative such as the increasingly popular loyalty and affinity programs. However, empirical research shows that loyalty in competitive repeat-purchase markets is shaped more by the passive acceptance of brands than by
strongly-held attitudes about them” (Uncles et al. 2003). According to Uncles et al., (2003), even though there is no one universally acceptable definition for loyalty and as such still remains an ambiguous concept, review of literature shows that scholars have defined customer loyalty using three popular conceptualizations.

- Loyalty as an attitude leading to a relationship with the brand (model 1)
- Loyalty mainly expressed in terms of revealed behaviour and (model 2)
- Loyalty based on individual’s characteristics and circumstances. (model 3).

These models are shown in figure 1 below.

**Figure 1: Conceptualizations of customer loyalty**

**Model 1**
- Strong attitudes & positive beliefs toward the brand
- The influence of significant others, community membership & identity
- Attitudinal-loyalty to the brand (mainly seen as single-brand loyalty – monogamy)

**Model 2**
- Habitual revealed behaviour
- Satisfactory experience & weak commitment to brands
- Behavioural-loyalty to the brands (mainly seen as divided-loyalty to a few brands – polygamy)

**Model 3**
- Purchase situation, usage occasions & variety seeking
- An individual’s circumstances & characteristics
- Co-determinants of buying brand(s) (mainly seen as weak loyalty or no loyalty – promiscuity)

**Source:** Uncles et al., (2003, pp 295)
2.7.2 Attitudinal loyalty (Loyalty as an attitude leading to a relationship with the brand)

Many scholars and consultants have argued that, in order for true customer loyalty to exist, there must be strong “attitudinal commitment” (Day, 1969; Jacoby and Chestnut, 1978; Foxall and Goldsmith, 1994; Mellens et al., 1996; Reichheld, 1996; Uncles et al., 2003). This form of commitment is seen as taking the form of a consistently favourable set of stated beliefs towards the brand purchased. These attitudes may be measured by finding out from customers how much they like the brand, feel committed towards it, how much they are willing to recommend it to others, and have positive beliefs and feelings about it – relative to competing brand’s purchase and repeat patronage. This is what Oliver (1997) had in mind when he defined customer loyalty as in above (Uncles et al., 2003). Butcher et al. (2001) relying on the attitudinal components in model 1, defined customer loyalty as “psychological attachment of a customer to a particular service provider.”

Ahluwalia et al. (1999) argued that, attitudinal-loyal customers are much less susceptible to negative information about their preferred brand than non-loyal customers and whilst Gremler and Brown, (1999) have also stressed that where loyalty to a brand in increased, it becomes easier for service providers to predict future revenues from loyal customers as analyses of cases such as Pizza Hut franchises and Federal Express has shown. Czepiel and Gilmore (1987) described attitudinal loyalty as a specific desire to continue a relationship with a service provider. Fournier (1998) view customer loyalty as a committed and affect-laden collaboration between consumers and service providers and this collaboration is even stronger when supported by various members of a household, social class, and any person who plays a role in decisions of customers (Arnould et al., 2002).

Describing attitudinal loyalty, Chaudhuri and Holbrook (2001) stressed that, it is the degree of dispositional commitment in terms of some unique value associated with the brand. Despite the psychological and sociological richness of the “attitudes drive behaviour” and “relationship” approaches to understanding customer loyalty, these
conceptualizations of loyalty are not without criticisms (Dowling, 2002). For instance they are seen to be less applicable for understanding the buying of low-risk, frequently-purchased brands, or when impulse buying or variety seeking is undertaken, than for important or risky decisions (Dabholkar, 1999). However, Oliver (1999) argued that, there is little systematic empirical research to corroborate or refute this view of customer loyalty. Other researchers have also argued that there is a significant difference between commitment and loyalty and that the two do not mean the same. For example, Pritchard et al. (1999) argue that commitment serves as a precursor to loyal attitude and its appraisal is a function of continued patronage. Evanschitzky et al. (2006) argue that commitment differs from loyalty, where commitment refers to the economic, emotional, and/or psychological attachment that the customer may have toward the brand.

In measuring attitudinal loyalty, the literature mainly focuses on customer preferences for a brand through repeat purchase intention (Cronin and Taylor, 1992); advocacy to others, referring to intention of word-of-mouth (WOM) or willingness to recommend a service provider (i.e., Zeithaml et al., 1996); and a tendency to resist switching to alternate service provider (i.e., Crosby and Taylor, 1983). Table 2.2 provides an overview on how relevant literature defined attitudinal and behavioural loyalty using these components. Although Butcher et al. (2001) see that positive word-of-mouth is a common approach used to conceptualize loyalty, other authors consider customer preference to the brand as a central part of customer loyalty (i.e., Dick and Basu, 1994; Oliver, 1999). However, Yi and La (2004) suggest that the use of the three measures of repeat purchase intention, willingness to recommend a service provider, and tendency to resist switching, provides insight into the nature of customer loyalty (see Uncles et al. 2003, pp 295-298; Shammout, 2007, pp. 60-61).

2.7.3 Loyalty mainly expressed in terms of revealed behaviour (Behavioural Loyalty)

With respect to behavioural loyalty as represented in model 2 above, there seem to be so much controversy surrounding it, because loyalty in this model has been defined mainly with reference to the pattern of past purchases with very little regards to
customer motivation and commitment to the brand (Ehrenberg, 1988; Kahn et al., 1986; Fader and Hardie, 1996). However it could refer to a customer’s behaviour on repeat purchases, indicating a preference for a brand or a service over time (Bowen and Shoemaker, 1998). Relationship marketing scholars have however found that only a few customers are absolutely loyal or disloyal, (Uncles et al., 2003). Uncles et al., (2003) found that only few customers are “monogamous” (100 percent loyal) or “promiscuous” (i.e. loyal to a portfolio of brands in a product category) thereby leading some scholars to define loyalty as “an ongoing propensity to buy the brand, usually as one of several” (Ehrenberg and Scriven, 1999).

The behavioural concept was developed to understand brand loyalty related to goods in the marketing domain, which was later used within the service marketing context. From this behavioural perspective, loyalty generally has been defined in terms of purchases measured over a defined period of time. These measures include purchasing frequency (i.e., Liljander and Strandvik, 1993a), proportion of purchases (i.e., Backman and Crompton, 1991), purchase sequence (i.e., Kahn et al., 1986), and probability of purchase (Massey et al., 1970). Scholars argue that behavioural loyalty arises as a result of trial and error. Thus through trial and error, the customer chooses the brand that provides the most satisfactory experience; making loyalty (measured by repeat purchase), the result of repeated satisfaction that in turn leads to a weak commitment.

Consumers buy the same brand again, not because of any strongly-held prior attitude or deeply-held commitment, but because it is not worth the time and effort to search for an alternative. Thus if the usual brand is not available or in short supply, then a substitute brand will be purchased (e.g. East, 1997; Ehrenberg et al., 1997; Ehrenberg et al., 2003; Uncles et al., 2003). Despite the use of behavioural measures such as repeat purchase in loyalty research remains accepted (Bloemer and de Ruyter, 1998), these behavioural measures have received their fair share of criticisms. For instance, it has been argued that repeat purchase does not provide a clear distinction between true, or intentionally loyal, and superiorly loyal customers (Moulson, 1965). This is
because, a customer may purchase a product not necessarily because of loyalty but it may be due to lack of choice or even low income (Hart et al., 1999). It has also been argued that, the behavioural approach to loyalty fails to explain why and how customer loyalty develops (Dick and Basu, 1994). As a response to these criticisms of both attitudinal and behavioural perspectives of customer loyalty, studies on customer loyalty have suggested a third approach to customer loyalty known as the circumstantial loyalty discussed in the next section (see Uncles et al., 2003, pp 295-298; Shammout, 2007, pp 59-60)

2.7.4 Loyalty based on individual’s characteristics and circumstances and/or the purchase situation (loyalty based on contingency factors)

The shortcoming of adopting either behavioural or attitudinal measures of loyalty was questioned in an earlier study by Day (1969), who argued that an attitudinal dimension should be added to the behavioural dimension. In practical terms, he described loyalty as “... a buyer has a brand loyalty score for each brand purchased in a given period based on share of total purchases and attitude toward the brand”.

Further support for Day’s two-dimensional view can be found in the empirical study of Olson and Jacoby (1971), who define loyalty as “a process in which various alternative brands are psychologically compared and evaluated on certain criteria and the selected brand or brands are selected.” Assael (1992) defined brand loyalty as “a favourable attitude toward a brand resulting in consistent purchase of the brand over time”. Accordingly, the interaction of attitudinal and behavioural components has become frequently used in the theoretical literature conceptualizing loyalty. Therefore, in this thesis customer loyalty is considered as a composite concept combining both behavioural and attitudinal loyalty. The proponents of this model also known as the circumstantial or contingency approach to customer loyalty, have argued that, the best way of operationalizing loyalty is “to allow the relationship between attitude and behaviour to be moderated by contingency variables such as the individual’s current circumstances, their characteristics, and/or the purchase situation faced” (Uncles et al., 2003). These individual circumstances include limitations in finances (limits desire to purchase expensive brand), time pressure (e.g. the need to
buy any brand in the category at the next available opportunity). Individual characteristics are reflected in the desire for variety, habit, the need to conform, the tolerance for risk, amongst others whereas purchase situation effects are reflected in the availability of products, promotion and deals, the particular occasion when product is used (example, gifts, personal use or family use).

According to Uncles et al., (2003), the main difference between the contingency perspective and attitudinal approach to loyalty is that the former’s variables are elevated from the status of loyalty inhibitors as shown in model one to loyalty co-determinants in Model three. They stressed that Oliver’s (1997 and 1999) definition reveals that attributes of the individual and the purchase situation are conceptualised as irritant variables that inhibit the natural evolution of customer loyalty, whereas in the contingency model these variables are seen as playing very important roles in explaining the observed patterns of purchase behaviour and that it is even more obvious where attitudes are weakly held. They further stressed that, in such situations, it is repeated satisfaction and weak commitment together with other pertinent contingency variables that co-determine future brand choices. Below are some selected definitions and measures of customer loyalty as adapted from Shammout, (2007, pp 63)

**Table 2.2 Selected Definitions /Measures of Customer Loyalty**

<table>
<thead>
<tr>
<th>Authors</th>
<th>Approach</th>
<th>Definitions/Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kahn et al. (1986)</td>
<td>Behavioural</td>
<td>Introduced new measures, including sequence repurchase</td>
</tr>
<tr>
<td>Backman and Crompton (1991)</td>
<td>Behavioural</td>
<td>Measured as proportion of purchases</td>
</tr>
<tr>
<td>Liljander and Strandvik (1993)</td>
<td>Behavioural</td>
<td>Measured as repeat purchase Behaviour</td>
</tr>
<tr>
<td>Reference</td>
<td>Type</td>
<td>Definition</td>
</tr>
<tr>
<td>---------------------------------</td>
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<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Gwinner et al. (1998)</td>
<td>Behavioural</td>
<td>Defined as proportion of purchases against use of alternate service providers</td>
</tr>
<tr>
<td>Crosby and Taylor, (1983)</td>
<td>Attitudinal</td>
<td>Defined as psychological commitment in which there is a tendency to resist switching</td>
</tr>
<tr>
<td>Cronin and Taylor, (1992)</td>
<td>Attitudinal</td>
<td>Measured in terms of repurchasing intentions</td>
</tr>
<tr>
<td>Zeithaml et al. (1996)</td>
<td>Attitudinal</td>
<td>Measured as willingness to recommend the service to another</td>
</tr>
<tr>
<td>Day (1969)</td>
<td>Behavioural and</td>
<td>Defined as a buyer with brand loyalty score for each brand purchased in a given period, based on share of total purchases and attitude toward the brand</td>
</tr>
<tr>
<td></td>
<td>Attitudinal</td>
<td>Repeat purchase coupled with relative attitude</td>
</tr>
<tr>
<td>Dick and Basu (1994)</td>
<td>Behavioural and</td>
<td>Repeat purchase coupled with relative attitude</td>
</tr>
<tr>
<td></td>
<td>Attitudinal</td>
<td>Repeat purchase coupled with relative attitude</td>
</tr>
<tr>
<td>Pritchard et al. (1999)</td>
<td>Behavioural and</td>
<td>Defined as a ratio of proportion of purchase and attitude in which commitment is linked to loyalty</td>
</tr>
<tr>
<td></td>
<td>Attitudinal</td>
<td>Interaction between relative attitude and intention to repurchase</td>
</tr>
</tbody>
</table>
2.7.5 Customer Loyalty in Related Literature of Relationship Marketing

Authors have defined and/or measured the construct of customer loyalty differently, based on the three approaches demonstrated earlier. For example, some authors only viewed customer loyalty from a behavioural perspective. This can be clearly seen in the recent study of De Wulf et al. (2001), who view customer loyalty as "a composite measure based on a consumer's purchasing frequency and amount spent at a retailer compared with the amount spent at other retailers from which the consumer buys." They have built up their definition of loyalty based on the idea suggested by Sharp and Sharp (1997) that the effectiveness of relationship marketing tactics should be evaluated through the behavioural changes they created. More recently, Liang and Wang (2005) also investigated customer loyalty in a financial service context, and define it as a behavioural construct, although the items they used to measure customer loyalty reflect attitudinal as well.

They measure behavioural loyalty in terms of repurchasing intentions, recommendations to others, and intersecting purchase intentions. On the other hand, authors such as Hennig-Thurau et al. (2002) have defined customer loyalty from an attitudinal perspective by including word-of-mouth as a separate variable in their model. Because most research in relationship marketing focuses on repeat purchase to capture customer loyalty (Too et al., 2001), recent studies have included attitudinal and behavioural customer loyalty. Palmatier et al. (2006) view customer loyalty as combining intentions, attitudes, and seller performance indicators. They argue that customers with weak relational bonds and little loyalty may continue dealing with their service provider due to perceptions of high switching costs or insufficient time to evaluate alternatives. Table 2.3 summarizes the various definitions of customer loyalty as reviewed in relationship marketing literature and the context in which they were defined.
<table>
<thead>
<tr>
<th>Authors</th>
<th>Approach</th>
<th>Definitions/Measures</th>
<th>Context</th>
</tr>
</thead>
<tbody>
<tr>
<td>DeWulf et al. (2001)</td>
<td>Behavioural</td>
<td>Defined as a composite measure based on a consumer’s purchasing frequency and amount spent at a retailer compared with the amount spent at other retailers from which the consumer buys</td>
<td>Cross-industry</td>
</tr>
<tr>
<td>Liang and Wang (2005)</td>
<td>Behavioural</td>
<td>Measured in terms of repurchasing intentions, recommendations to others, and intersecting purchase intentions</td>
<td>Financial service industry</td>
</tr>
<tr>
<td>Hennig-Thurau et al. (2002)</td>
<td>Attitudinal</td>
<td>Measured in terms of attitudinal loyalty</td>
<td>Different Services</td>
</tr>
<tr>
<td>Shamdasani and Balakrishnan (2000)</td>
<td>Behavioural and attitudinal</td>
<td>Defined in terms of repeat patronage, switching behavioural, word of mouth recommendations, and complaints</td>
<td>Personalized service</td>
</tr>
<tr>
<td>Too et al. (2001)</td>
<td>Behavioural and attitudinal</td>
<td>Defined as a multi-faceted construct which takes into account both psychological and behavioural components</td>
<td>Retail</td>
</tr>
<tr>
<td>Kim and Cha (2002)</td>
<td>Behavioural and attitudinal</td>
<td>Share of purchase, relationship continuity, and word of mouth treated as a separate construct and consequence of relationship quality</td>
<td>Hotels</td>
</tr>
<tr>
<td>Lin and Ding (2005)</td>
<td>Behavioural and attitudinal</td>
<td>Defined in terms of repeat patronage, switching behavioural, and word-of-mouth recommendations</td>
<td>ISP service</td>
</tr>
<tr>
<td>Palmatier et al. (2006)</td>
<td>Behavioural and attitudinal</td>
<td>Defined as composite or multidimensional construct combining different groupings of intentions, attitudes, and seller performance indicators</td>
<td>Meta-analysis framework</td>
</tr>
</tbody>
</table>
2.7.6 Implications for practice of the various models of customer loyalty

The implications for practice of the various loyalty conceptualizations largely depend on the model one adopts. For example, proponents of the attitudinal approach as depicted by model one will usually aim to boost sales by enhancing beliefs about the brand and strengthening the emotional commitment of customers to their brand. Other tactics used also include image-based advertising, persuasive advertising and personal service programmes (Brown, 2000). As regards supporters of the behavioural model where it is suggested that most customers have double loyalty to frequently purchased brands, customers tend to view Relationship practices more as publicity that sustains awareness and offers reinforcement, rather than as highly persuasive information that fundamentally changes their attitudes and/or levels of commitment (Ehrenberg et al., 1998). Uncles et al., (2003) thus suggests that, managers who refer to the use of the behavioural approach try to maintain their sales growth by matching competitor initiatives and being consistent with product supply. Proponents of the contingency model usually adopt a slightly different approach. They lay emphasis on what might seem to be ordinary factors such as continuous availability of stock (hotel rooms in this case), extending opening hours (i.e. casinos) and offering appropriate assortment mix for various usage situations (see Uncles et al., 2003, pp 295-299).

In summing up on the definition of relationship marketing, literature has clearly demonstrated that customer loyalty is a crucial component in relationship marketing and in particular the hospitality sector. In agreement with previous literature, customer loyalty in this thesis has been reviewed through three popular approaches namely behavioural, attitudinal and a composite of behavioural and attitudinal (two-dimensional approach or contingency approach). A review of literature has revealed that it is insufficient to define customer loyalty from a single perspective of either behaviours or attitudes. Thus, scholars in relationship marketing, empirically support the use of a combined approach to defining customer loyalty as Too et al. (2001) argued that “the strongest conceptualization of customer loyalty is a multi-faceted construct which takes into account both attitudinal and behavioural aspects.” In line
with this, the thesis adopts the use of this combined approach to defining customer loyalty.

2.8 CONCEPTUAL FRAMEWORK

As discussed earlier, this study is concerned with understanding Relationship Marketing, Customer Satisfaction, and Customer Loyalty. The previous chapters have discussed these constructs. However, their linkages have not been well developed.

This section integrates the discussions in the previous sections to provide a broader perspective of Relationship Marketing, Customer Satisfaction and Customer Loyalty. In this direction, a model of Relationship Marketing, Customer Satisfaction, and Customer Loyalty is first presented. This is followed by a discussion of the variables of the model and how they are linked together. The framework assumes that Relationship Marketing has certain core practices which are clearly delineated as trust, commitment, communication, conflict handling, competence, and relational bonds. I also show how the constructs of relationship marketing and customer loyalty are measured.

Figure 2.3 Conceptual Framework for the Current Thesis
The core contribution of the framework is that, it is designed to depict a relationship situation where relationship marketing could have two outcomes; customer loyalty and customer satisfaction. In this direction, relationship marketing can lead directly to customer loyalty or it can lead to customer satisfaction and subsequently customer loyalty. Our main concern is to investigate and clarify the relationship between relationship marketing and customer loyalty, customer satisfaction and Customer loyalty and whether all loyal customers are necessarily satisfied. As such two scenarios will be examined and various circumstances under which each scenario occurs will be examined. The variables in the model are subsequently discussed below.

2.8.1 Relationship Marketing Practices

The literature review has been silent on the practices of relationship marketing. However these practices as have been discussed in various literatures are critically examined in this section. A review of current literature clearly shows that scholars agree that relationship marketing practices is multi-faceted (Claycomb and Martin, 2002; Narteh, 2009). Even though scholars have identified about eighteen practices that lead to effective relationship marketing (Narteh, 2009), this study focuses on six common practices because these practices have been frequently discussed in the literature as practices of relationship marketing.

Trust

A review of current literature shows that trust has frequently been mentioned as one of the most important underpinnings of relationship marketing. Relationship marketing is based on a notion of trusting co-operation with known customers. Hence, firms have to get to know their customers much better than is the case today (Gronroos, 1996). Trust has been described as "... a willingness to rely on an exchange partner in whom one has confidence" (Moorman et al., 1993). A betrayal of this trust by the supplier or service provider could lead to defection. Schurr and Ozanne (1985) defined the term as the belief that a partner’s word or promise is reliable and a party will fulfill his/her obligations in the relationship. Other authors have defined trust in terms of opportunistic behaviour
(Dwyer et al., 1987), shared values (Morgan and Hunt, 1994), mutual goals (Wilson, 1995), uncertainty (Crosby et al., 1990), action, with positive outcomes (Anderson and Narus, 1984) and making and keeping promises (Bitner, 1995).

Calonius (1988) emphasized that an integral element of the relationship marketing approach is the promise concept. He argued that the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts in the marketplace to act in a given way, but also in keeping promises, which maintains and enhances evolving relationship. Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability besides fanning the fire of trust (Reichheld and Sasser, 1990). Indeed, one would expect a positive outcome from a partner on whose integrity one could confidently rely (Morgan and Hunt, 1994). The study therefore posit that if the resources of the hotels are used in such a manner that the customer's trust in them, then the relationship between the hotels and the customers will be maintained if not strengthened resulting in improved customer loyalty.

Commitment

Commitment is another very important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Gundlach et al., 1995; Morgan and Hunt, 1994; Dwyer et al., 1987). Wilson (1995) observed that commitment was the most common dependent variable used in buyer-seller relationship studies. In sociology, the concept of commitment is used to analyze both individual and organizational behaviour (Becker, 1960) and mark out forms of action characteristic of particular kinds of people or groups (Wong and Sohal, 2002), while psychologists define it in terms of decisions or cognitions that fix or bind an individual to a behavioural disposition (Kiesler, 1971).

In the marketing literature, Moorman et al., (1992) have defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of
obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al., 1995; Morgan and Hunt, 1994). Since, commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received (Mowday et al., 1982) and highly committed firms will continue to enjoy the benefits of such reciprocity. This indicates that if the hotels show more commitment to their customers, they will reap the benefit of repeat business from the customers leading to customer loyalty.

Communication

In this context, communication refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1990). Communication in relationship marketing means: keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator's task in the early stages to build awareness, develop consumer preference (by promoting value, performance and other features), convince interested buyers, and encourage them to make the purchase decision (Ndubisi and Chan, 2005). Communications also tell dissatisfied customers what the industry is doing to rectify the causes of dissatisfaction (Ndubisi, 2007). According to Kotler and Keller, (2006), Companies are beginning to realise the need to customize communications to meet the need of different target groups of consumers. Companies are thus no longer concerned with how they can reach their customers but how they can make it easy for their customers to also reach them. This study assumes that if the communications between hotels and its customers is effective, a better relationship will result and customers will be more loyal to the hotels.
Conflict Handling

In the course of delivering a service, there are bound to be some occasional service failures in spite of all the efforts put in by the service provider (Lovelock and Wirtz, 2007). According to Zeithaml and Bitner, (2000), “Service failure is inevitable even for the best firms with the best of intentions and even for those with ‘world class’ systems”. Dwyer et al. (1987) viewed 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. How well this is done will determine whether the outcome is loyalty, “exit” or “voice”. Rusbult et al. (1988) concluded that the likelihood of these behaviours in individual cases depends on the degree of prior satisfaction with the relationship, the magnitude of the customer’s investment in the relationship, and an evaluation of the alternatives available. Ndubisi and Chan (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. The study therefore assumes that if the hotels handle conflict well, it will directly influence their customer’s loyalty.

Relationship Bonds

Building strong bonds is a key objective of relationship marketing (Smith, 1998). Bonds have been described as “psychological, emotional, economic, or physical attachments in a relationship that are fostered by association and interaction and serve to bind parties together under relational exchange” (Smith, 1998). In a hotel’s attempt to build and maintain relationships with customers, emphasis must be placed on the need to establish a personal rapport. This could be in the form of service providers taking steps to make friends with their customers and to establish name basis contact early in the relationship (Beatty et al. 1996). (See Shammout, 2007), it has been suggested by Lin et al. (2003) that hotels can build customer relationships by developing one or several types of bonds. Vieira and Ennew (2004) also maintain that certain types of bonds or ties are required to develop relationships between two parties, in this regard customer and service provider. Other authors have argued that in order to strengthen the relationship between customers
and service providers, a variety of bonds are needed (Liljandar and Strandvik, 1995; Wilson and Mummalaneni, 1986).

Several types of bonds have been investigated in relationship marketing literature (i.e., Håkansson, 1982; Wilson and Mummalaneni, 1986), the main focus of relationship marketing researchers is to examine three types: financial, social and structural. With the exception of Smith (1998), the earlier works by business-to-business authors have only established empirical evidence for two of them, social and structural bonds (see Han, 1991; Wilson, 1995; Holmlund and Kock, 1996; Rodríguez and Wilson, 2002). This is because they are applicable to the effective development of buyer-seller relationships. Holmund and Kock (1996) argue that social and structural bonds are more widely discussed in relationship marketing than others. Williams et al. (1998) point out that bonding is typically conceptualised as “a dichotomy between structural and social bonding.” However, within the same setting Smith (1998) argues that functional or economic bonds also serve to bind parties to a relationship. Thus, relational bonds in his study have been treated as a higher order construct comprising the three types of functional, social and structural relational bonds.

Following Smith’s (1998) study, financial bonds also have become the main focus of business-to-customer studies. This can be seen in the studies of Peltier and Westfall (2000), Lin et al. (2003), Hsieh et al., (2005), Liang and Wang (2005), and Wang et al. (2006), who have separately investigated the impact of each of the three relational bonds on other relational outcomes, rather than treating them as one higher-order construct. This way is consistent with earlier works of Berry and Parasuraman (1991) and Berry (1995), who theorised that relationship marketing, can be practiced on one of three levels, depending on the type and number of bonds implemented to secure customer loyalty. According to Berry and Parasuraman (1991) and Berry (1995), the first level of relationship marketing relies on pricing incentives to secure customer loyalty (i.e., financial bonds). This is usually referred to as level one relationship marketing, and considered the lowest level because competitors can easily duplicate price stability.
The second level focuses on the social components through personalization of the relationship, which is less easily imitated by competitors (i.e., social bonds). Level three of relationship marketing offers structural solutions to customer problems, providing the most potential for competitive differentiation. DeWulf et al. (2001) and De Wulf et al. (2003) have been the only notable studies to distinguish between four types of tactics being distributed across only two levels of relationship marketing rather than three. Level one of relationship marketing consists of tangible rewards (financial bonds), whilst level two consists of direct mail, preferential treatment, and interpersonal communication (social bonds). These authors did not examine the third level of relationship marketing (structural bonds) because they believe that solutions to customer's problems belonging to this type are built into the service-delivery system rather than depend on relationship building skills (see Shammout, 2007, pp 28-29).

In line with DeWulf et al. (2001), this thesis focused on social and financial bonds because preliminary investigations prior to the start of this study revealed that most hotels within the greater Accra region relied heavily on social and financial bonds to secure the loyalty of their customers. Consequently these two are discussed below.

Social and Financial Bonds

Social bonding is referred to as “the degree of mutual personal friendship and liking shared by the buyer and seller” (Wilson 1995). In relationship marketing, the root of this type of bond is derived from business-to-business literature, where it was used to indicate good personal relations (i.e., Smith, 1998; Williams et al., 1998; Rodriguez and Wilson, 2002). In conceptualising social bonds, Han (1991, p.61) describe these as “the degree to which certain ties link and hold a buyer and seller together closely in a personal (emotional sense).” Other studies expanded this definition and included buyer-seller interactions. For example, Smith (1998), and Ling and Wang (2005) define social bonds as personal ties or linkages that are forged during interaction at work. Their view was adapted from the earlier work of Turner (1970), who saw personal bonding as similar to the social bonds. Thus, social bonds include linking of identities through self-disclosure,
closeness, providing support or advice, being empathetic and responsive, feelings of affiliation, attachment, or connectedness, and shared experience. Lin et al. (2003) and Hsieh et al. (2005) provide a more complete view by defining social bonds as personal ties that relate to service dimensions that offer interpersonal exchanges, friendships, and identifications.

This view is included in this thesis, as it includes all aspects of personal treatment that loyal guests may experience during their interaction with hotels. Berry and Parasuraman (1991) and Berry (1995) referred to social bonds as level two (intermediate level) of relationship marketing in securing customer loyalty. At this level, the service provider goes further than price incentives to build lasting relationships by building social bridges with customers without neglecting the price competition. They maintain that customers who are treated personally should have stronger reasons not to switch companies, although social bonds do not overcome price differences or any weaknesses in service delivery (Berry and Parasuraman, 1991). Liang and Wang (2005) supported this view when he argued that "although social bonds cannot replace price attraction, social bonding provides customized services that develops an independent relationships, allows the customers to trust and be satisfied with the retailers’ service, and assists understanding and learning about the customer’s needs and expectations."

In general, social bonds consist of many aspects, including familiarity, friendship, social support, keep in touch, self-disclosure, or any interpersonal interaction (Price and Arnould, 1999). According to Han (1991), these aspects measure the strength of personal relationship between two parties, buyer and seller. This type of relationship is likely to range from a business relationship to a close social relationship. Social bonds develop through subjective social interactions (Wilson, 1995). Zeithaml and Bitner (1996) maintain that these bonds can be derived from both customer-customer and customer-provider interactions. Thus repeated interpersonal interactions foster the development of familiarity toward one’s exchange partner, and attraction not only toward the relationship but also toward the partner (Han, 1991).
On the other hand, financial bonds have been described as frequency marketing or retention marketing, where the service provider uses economic benefits, such as price, discounts or other financial incentives to secure customer loyalty (Berry and Parasuraman, 1991; Berry, 1995; Lin et al., 2003; Hsieh et al., 2005). In a hospitality context, for example, hotel chains may provide free or discounted travel services to frequent guests through loyalty programs (Berry and Parasuraman, 1991). Airlines may design financial programs enabling frequent travellers to accumulate mileage redeemable for free or upgraded travel is another example (Lin et al., 2003).

Berry and Parasuraman, (1991) and Berry (1995) suggested that financial bonds are the easiest type of bond for competitors to imitate. This type of bond does not offer long-term competitive advantages leading Berry and Parsuraman, (1991) and Berry (1995) referred to this type as level one, which is considered the weakest or the lowest level of relationship marketing building. Dwyer et al. (1987) supported this view when they reiterated that economic rewards could be used in the exploration phase of the relationship development process. More recent empirical research has found that financial bonds need to be modelled in addition to other relational bonds, such social bonds (Smith, 1998; Lin et al., 2003; Hsieh et al., 2005; Liang and Wang, 2005). That is, researchers agree that saving money is one motivation for engaging in a relationship with the service provider (Berry, 1995; Peterson, 1995; Lin et al., 2003; Hsieh et al., 2005; Liang and Wang, 2005; Wang et al., 2006) (see Shammout, 2007, pp 27-31). The researcher thus stresses the importance of bonds between service providers and customers are an important factor in the achievement of a higher level of customer satisfaction, and long-term loyalty of the customer and thus prevent customers from switching to another competitor.
Competence

Competence has been reviewed in many literatures as the buyer's view of the supplier's technological and commercial competence (Anderson and Weitz, 1989). Researchers have operationalised competence in four ways:

- The amount of knowledge a service provider possesses about the market
- The ability of the service provider to give good advice on the operating business,
- The ability to help the buyer plan purchases and
- The ability to provide effective sales promotion materials.

Empirically, Aldlaigan and Buttle (2005) established that one major way by which customers become very attached and committed to service providers is the level of organizational competence displayed by the service provider. Within the hospitality sector, competence could imply deploying knowledgeable staff capable of providing accurate and timely services handle customer complaints and above all be passionate about service quality. Thus the hotel must display that it has the capacity to provide first class hotel service to its customers if it is to win their confidence, trust and ultimate loyalty (see Narteh, 2009, p. 18). Even though Ndubisi's model which formed the basis for this study excluded competence and relational bonds, the researcher deemed the two as very important determinants of customer loyalty in the hospitality industry considering the nature of its operations.

2.8.2 Customer Loyalty

In general, there are three distinctive approaches to measuring customer loyalty. These have been extensively discussed in the literature and include:

- Behavioural measurement
- Attitudinal measurement and
- Composite measurements (a combination of the above two)

The behavioural measurements consider consistent, repetitious purchase behaviour as an indicator of loyalty however it has been argued that repeat purchases are not always the result of a physical commitment toward the brand (Tepeci, 1999). For example, a
traveller may stay at a hotel because it is the most convenient location. When a new hotel opens across the street, they switch because the new hotel offers better value. Thus, repeat purchase does not always mean commitment or loyalty to a service provider. As regards attitudinal measurements, it uses attitudinal data to reflect the emotional and psychological attachment inherent in loyalty. The attitudinal measurements are concerned with the sense of loyalty, engagement and allegiance. There are instances when a customer holds a favourable attitude toward a hotel, but he/she does not stay at the hotel (Toh et al., 1993). A guest could hold a hotel in high regard, recommend the hotel to others, but feel the hotel was too expensive for him/her to use on a regular basis. Whilst behavioural and attitudinal measures of customer loyalty measure loyalty "unidimensionally", a third approach composite measurements of loyalty, combine the first two dimensions and measure loyalty by customers' product preferences, propensity to switch, frequency of purchase, recency of purchase and total amount of purchase (Pritchard and Howard, 1997; Hunter, 1998; Wong et al., 1999). The use of a composite approach to measure customer loyalty goes a long way to increase the predictive power of loyalty (Pritchard and Howard, 1997). The two-dimensional composite measurement approach has been applied and supported as a valuable tool to understand customer loyalty in several fields, such as retailing, recreation, upscale hotels and airlines (Day, 1969; Jacoby and Kyner, 1973; Backman and Crompton, 1991; Pritchard et al., 1992; Pritchard and Howard, 1997). The study thus adopts the composite approach to customer loyalty and assumes that loyal customers are customers who hold favourable attitudes toward the company, commit to repurchase the product or service, and recommend the product to others.

2.8.3 Relationship Marketing and Customer Loyalty

Reading through the many literatures available, it is without doubt that the target of relationship marketing between customers and service providers is customer loyalty. According to Palmatier et al. (2006), improvements in customer loyalty is one of the most desired outcomes of adopting the use of relationship marketing activities. This is because the main objective of Relationship Marketing is to establish a long-term relationship which translates into customer loyalty. In order to achieve loyalty however, Palmatier et
al. (2006), argued that the quality of Relationship should be given the highest level of attention as the main predictor of relationship marketing. Thus the relationship marketing practices as showed in the conceptual framework, must be constantly improved to guarantee continuous loyalty of the customer.

There is ample evidence by many authors that the linkage between relationship marketing constructs namely: commitment, trust, competence, relational bonds, and satisfaction and loyalty is not in doubt (Kim et al. 2001). As such there is enough evidence to support the framework developed for this study. Ndubisi, (2007), demonstrated clearly that the measurements of the “underpinnings” of relationship marketing are sure predictors of customer loyalty and thus urged researchers and strategists aiming to nurture loyal customers to pay close attention to issues of trust, commitment, communication and conflict handling. Kim et al., (2002) again found out that there is a positive link between relationship marketing practices and repeat purchase. Liang and Wang (2005) also found that relationship marketing practices have led to greater behavioural and attitudinal loyalty.

Kim and Cha again (2002) reiterated that, hotel managers must foster trust and satisfaction in order to generate relationship continuity and increased word-of-mouth communications. Concerning trust, Reichheld and Schefter (2000) stressed that it is important to first gain the trust of your customers if a service provider will at all gain the customers loyalty. Thus the more a customer trusts a relationship, the more he becomes loyal. On the issue of commitment, almost all available literature on marketing have stressed the important link between commitment on the part of the service provider towards meeting the needs of the customer and achieving customer loyalty. Most authors have argued that customers, who feel committed to a service provider, are more likely to stay loyal to a service provider rather than switching to other competitors. Amongst the many proponents of a positive relationship between commitment and loyalty include Ndubisi, 2007; Pritchard et al., 1999; Gronroos, 1994; and Morgan and Hunt, 1994. Ndubisi, (2007), again found a positive relationship between conflict handling and
communication and customer loyalty. Furthermore to this, customer loyalty has been considered as an important source of long-term business success (Rust and Zahorik, 1993), and building a relationship with a customer is a good way to retain loyal customers in the long-term (Sheaves and Barnes, 1996). To further reinforce this stance, a study conducted by Barnes (1997) suggested that it is unlikely that customers may be retained, often for very long periods, without a genuine relationship being present. Thus the framework assumes that a positive relationship exists between relationship marketing practices and customer loyalty.

2.8.4 Relationship Marketing, Customer Satisfaction and Customer Loyalty

A significant way to achieve strong relationships and hence long term customer loyalty is to ensure that customers are satisfied. Customer satisfaction has been described as one of the major determinants of a customer’s decision to switch or remain loyal to a service provider (Lemon et al., 2002). Customer satisfaction is an important issue for marketing managers, particularly those in services industries (Bennett and Rundle-Thiele, 2004). Customer Satisfaction is defined as “the individual’s perception of the performance of the product or service in relation to his or her expectations” (Torres & Kline, 2006). Expectations as used in the definition, relates to the perceived level of service that consumers hope to obtain from a hotel (Torres & Kline, 2006). According to Kotler and Keller (2006), the satisfaction level of a consumer is determined at the evaluation stage of the decision making process when the consumer compares the level of service obtained with their level of expectations. The customer after the evaluation will either come out satisfied or dissatisfied.

The usual proposition is that dissatisfied customers will defect thus ending the relationship. However several researchers have proposed that, the above proposition is only a simplification of the issues (Liljander and Strandvik, 1993a, 1993b; Oliver, 1989; Woodruff et al., 1983; Zeithaml et al., 1993). This assertion that customers defect when they are dissatisfied has been refuted by Zeithaml et al., (1993). According to Zeithaml et al., (1993), customers appear to have a zone of tolerance which they defined as “the
difference between an adequate and a desired level of service”. Preceding this argument was also the assertion made by Kennedy and Thirkell (1988), that customers are “prepared to absorb some unfavourable evaluations before expressing them in terms of net dissatisfaction” in that a customer may be dissatisfied with the quality of service provided but yet be satisfied with the relationship he has with the service provider hence deciding to continue doing business with the service provider.

Therefore it is not all loyal customers who are satisfied with the services of a service provider. Some customers may continue to remain loyal despite being dissatisfied with the service provided. Reichheld (1993) have also argued that customer satisfaction may not always lead to customer loyalty. Thus even though some customers may be very satisfied with the long term relationships and service provided, it will not always translate into loyalty. Reichheld, (1993) argued that between 65 per cent and 85 per cent of customers who defect say they were satisfied or very satisfied with their former supplier. Grönhaug and Gilly (1991) argue that dissatisfied customers may remain loyal because of high switching costs. Establishing a new relationship represents some sort of investment of effort, time and money which amounts to a significant obstacle to the customer’s taking action when dissatisfied with a distinct interaction during a relationship.

There are clearly aspects of relationship strength other than customer satisfaction. For instance there may be strong bonds between the customer and the provider. These bonds serve as switching barriers despite the customer not being satisfied with the relationship strength (Liljander and Strandvik, 1995). An additionally interesting perspective on how relationship strength is achieved is the commitment of customers. Liljander and Strandvik (1993b) conclude that commitment and loyalty are related concepts, although they emanate from different research traditions. Commitment has been used within the interaction approach of industrial marketing. It refers to adaptation processes which are the result of the parties’ intentions to act and positive attitudes towards each other. Liljander and Strandvik (1993b) defined loyalty as only repeat purchase behaviour within a relationship. They argued that loyalty can occur with three different types of commitment, positive, negative or no commitment. A negatively committed customer
shows a negative attitude but might still buy repeatedly because of bonds. This also means that customer loyalty is not always based on a positive attitude, and long-term relationships do not necessarily require positive commitment from the customers. This distinction is important as it challenges the idea that customer satisfaction (the attitude) leads to long-lasting relationships (the behaviour). Marketers must thus learn that the importance of relationship building for customers varies significantly. Some customers may be very committed to the relationship and for these customers the perceived satisfaction with the relationship is very important. Others may find the relationship basically unimportant and for these customers the satisfaction component is not as important (Liljander and Strandvik 1993b).

Studies conducted by Cronin and Taylor (1992) in service sectors such as banking, pest control, dry cleaning, and fast food, found that customer satisfaction has a significant effect on purchase intentions in all four sectors. Similarly, in the health-care sector, McAlexander et al (1994) found that patient satisfaction and relationship quality have a significant effect on future purchase intentions of the customer.

Getty and Thompson (1994) studied relationships between quality of lodging, satisfaction, and the resulting effect on customers’ intentions to recommend the lodging to prospective customers. Their findings suggest that customer’s intentions to recommend are a function of their perception of both their satisfaction and relationship quality with the service provider. Hence it can be concluded that, there is a positive relationship between customer satisfaction and customer loyalty (Kandampully and Suhartanto, 2000, pp 347).

Available literature shows that, whilst some authors have found a positive relationship between satisfaction and loyalty, others have refuted that assertion saying, satisfaction does not necessarily lead to customer loyalty. Among the authors who hold the view that satisfaction leads to loyalty include Bitner, 1990; Oliver et al., 1997; and Pritchard and Howard, 1997. Similarly, Anderson and Narus (1990) upheld the argument that
satisfaction leads to customer loyalty when they maintained that satisfaction is predictive of future actions by partners in the relationship building process (in this context service providers and customers) hence they viewed satisfaction as leading to the long-term sustainability of a relationship. However, Bennett and Rundle-Thiele, (2004), disagrees with the assertion that satisfaction will at all cost lead to customer loyalty and argues that the assumption that satisfied customers are loyal customers and thus high levels of satisfaction will lead to increased loyalty and sales is not always true. The authors empirically demonstrated that satisfaction is not the same as attitudinal loyalty and that there are instances where satisfaction does not result in loyalty. Following from the disagreements as to whether satisfaction is an important determinant of customer loyalty or not, this study tries to explore the role customer satisfaction plays in determining customer loyalty within the Ghanaian hospitality industry.
CHAPTER THREE
METHODOLOGY

3.1 Methodological overview

This chapter outlines in a systematized manner the details of the methodology used for the research. The chapter is organized into six (6) main sections. Section one (1) discusses the overall methodological overview; section two (2) further discusses the research design and provides justification for the choice of survey research design adopting the use of both quantitative and qualitative methods of data collection. This is followed by section three (3) which discusses the sampling design including the sample population, sampling frame and sample size. Section four (4) then describes the method of data collection. Steps taken in the development of questionnaire, the unit of analysis, field work data collection and other preliminary activities preceding data collection are all discussed in this section. Section five (5) further discusses the processes involved in the preparation of empirical data for analysis. Section six (6) then talks about the limitations, practical challenges and ethical issues considered during the study.

3.2 Research Design

A research methodology refers to the procedural framework within which a research is conducted (Malhotra and Birks, 2007). In order to draw meaningful conclusion from any piece of research, the procedural framework of data collection must be appropriate and relevant. The research is both quantitative and qualitative and adopted the survey approach in collecting the data; specifically, through the use of a questionnaire and in-depth interviews. A survey is a means of information about the characteristics, actions, or opinions of a large group of people, referred to as a population (Malhotra and Birks, 2007). This study adopted the survey strategy because this thesis is cross-sectional in nature and cross-sectional studies usually employ the survey strategy (Easterby-Smith et. al., 1991; Robson, 1993). The choice for this research design therefore became necessary not only due to the exploratory nature of the study but also because it has been found to
be suitable for analyzing a phenomenon, situation, problem, attitude or issues by considering a cross-section of the population at one point in time (Robson, 1993). Again the suitability of using the survey strategy in this study is to help the researcher identify and explain statistically, the factors that explain customer expectations, experiences and perceptions of relationship marketing in the hospitality industry in Ghana. It employed the use of both quantitative and qualitative methods of data collection. This is because quantitative research has been used to measure how people feel, think or act in a particular way and it is a research technique that seeks to quantify data and apply some statistical analysis. It is often formalized and well structured and data is usually obtained from large samples – anything from 50 upwards (Tull & Hawkings, 1990). It also involves the use of structured questionnaires usually incorporating mainly closed ended questions with set response (Burns, 2000). The choice of quantitative methodology can also be justified based on the fact that it is concise, it describes and examines relationships, and determines causality among variables, where possible, sample is usually representative of a large population, reliability and validity of the instruments are crucial, and also provides an accurate account of characteristics of particular individuals, situations, or groups. The researcher was however mindful of the disadvantages associated with the use of quantitative method of data collection which is that, knowledge produced may be too abstract and general for direct application to specific local situations, contexts, and individuals (Yin, 1994).

Qualitative methodology (in-depth interviews) on the other hand was also adopted because the study is primarily an exploratory design based on small samples, intended to provide insight and understanding. It encompasses a variety of methods that can be applied in a flexible manner, to enable participants to reflect upon and express their views or to observe their behaviour. It seeks to encapsulate the behaviour, experiences and feelings of participants in their own terms and context (Yin 1994). Qualitative method of data collection was also seen to be useful for this research for the following reasons; the data is based on the participants’ own categories of meaning, it is useful for describing complex phenomena, it provides understanding and description of people’s personal
experiences (which otherwise could not be obtained by the use of a questionnaire which is the main instrument used in quantitative method of data collection) of phenomena (insider's viewpoint), it describes, in rich detail, phenomena as they are situated and embedded in local contexts and qualitative approaches to data collection are responsive to local situations, conditions, and stakeholders' needs (Malhotra and Birks, 2007). Based on the above reasons, the adoption of both quantitative and qualitative method of data collection is justified.

3.2.1 Model Estimation

To test the relationship between Relationship Marketing and Customer Loyalty, a regression model was estimated using Customer Loyalty as the dependent variable and Relationship Marketing as the independent variable. The model is stated as follows:

Let: Customer loyalty = Y, Competence = X1, Communication = X2, Conflict handling = X3, Commitment = X4, Social and Financial bond = X5, Trust = X6, and Error term = E

Then: Y = Constant + B1X1 + B2X2 + B3X3 + B4X4 + B5X5 + B6X6 + E

B = coefficients which show the direction of relation between dependent and independent variables

X = mean scores of the various variables of relationship marketing

3.3 Sampling Design (Sample Population, Sample Frame, and Size)

For the purposes of generalization, the research population for this study comprised all licensed hotel firms in Ghana. This is in agreement with Salant & Dillman, (1994), who observed that a prerequisite to sample selection is to define the target population as narrowly as possible and that sample selection depends only on the population size, its homogeneity, the sample media, its cost of use, and the degree of precision required. Since it may not always be possible to know the true population, researchers have
suggested that a theoretical sample may be used (Attewell and Rule, 1991). Theoretical samples purposively select organizations that exhibit the desired features of prime focus to the researcher. Theoretically, therefore the research population for the study comprised 1432 licensed hotel firms (both rated and non-rated) as at the end of 2007 as provided in the 2007 directory of licensed hotels in Ghana. Following a clear definition of the research population, a complete list of licensed 2-5 star hotels situated within Accra and Tema metropolis were obtained from the Ghana Tourist Board to constitute the sampling frame. This means that 2-5 star hotel firms which were not registered with the Ghana Tourist Board as at the end of 2007 did not form part of the sampling frame. Even though previous researches are of the view that relationship marketing is practiced more in five-star hotels than the other rated hotels (Kim and Cha, 2002), as at the time of this study, there was only one five star hotel in Accra and Ghana as a whole which compelled the researcher to add 4, 3, and 2 star hotels. It was also aimed at determining the extent of relationship marketing practices and customer loyalty in the various classes of hotels.

3.3.1 Determination of sample size

Ten hotels comprising 3 two star hotels, 3 three star hotels, 3 four star hotels and only 1 five star hotel were sampled from the sampling frame to constitute the sample from which 500 current customers’ were purposively selected to constitute a final sample size for the current study. The sampling technique used to determine the final ten licensed rated hotels was the stratified random sampling technique. One very important factor in determining sample size is whether the random sample can be stratified, for example according to sector, size, or technology level (Attewell & Rule, 1991). In using stratified sampling however, it is necessary to increase the sample size (Salant & Dillman, 1994).

With the sample frame clearly defined, the researcher grouped the various rated hotels within Accra and Tema Metropolis into four different strata, namely two star, three star, four star and five star hotels. The variables used in determining the elements of each stratum included homogeneity, relatedness, and heterogeneity and thus satisfying the assertion that the elements within a stratum should be as homogeneous as possible, but the elements in different strata should be as heterogeneous as possible and must be
closely related to the characteristic of interest (Malhotra and Birks, 2007). Each licensed, 2-5 star hotel was then assigned to one stratum based on their homogeneity, relatedness and heterogeneity. Thus, two star hotels (total of 70 hotels) in stratum one, three star hotels (total of 14 hotels) in stratum two, four star hotels (total of 4 hotels) in stratum three and five star hotel (total of 1 hotel) in stratum four. Each of the elements in each stratum was then assigned a unique number for the purposes of identification. Three elements each were then conveniently selected from each stratum except stratum four (which had only one element) to make up the final sample. As at 2007, there was only one licensed five star hotel in Greater Accra and this was automatically selected to be part of the final sample.

It must be mentioned that selecting customers from two (2) to five (5) star hotels is justifiable for several reasons. Clients of these selected hotels were selected because of the fact that, these hotels are usually the first in terms of ample resources to train their employees in the field of effective implementation of relationship marketing programmes. Secondly, they represent hotels’ in good standing by the Ghana Tourist Board. Hence the hotels appear to have well-structured facilities, finance and personnel to enhance quality relationship marketing. Thirdly, the hotels usually have the largest number of clients in the country presently, and therefore give a fair representation of sample population. Moreover, there is a variation in the rating of the hotels (2 to 5 star hotels) and definitely not all have the same well developed structures, facilities and the personnel needed to deliver high quality relationship marketing. This helped the researcher in indentifying the critical determinants of relationship marketing that will influence clients’ expectations and experiences as well as how clients perceive relationship marketing among these different categories of hotels.

The details of the hotels and their corresponding number of customers surveyed are provided in table 3.1 below.
Table 3.1 Sample details of Hotels

<table>
<thead>
<tr>
<th>HOTEL</th>
<th>RATING</th>
<th>NUMBER OF CUSTOMERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LABADI BEACH HOTEL</td>
<td>5 STAR</td>
<td>50 Customers</td>
</tr>
<tr>
<td>GOLDEN TULIP HOTEL</td>
<td>4 STAR</td>
<td>50 Customers</td>
</tr>
<tr>
<td>LA PALM ROYAL BEACH HOTEL</td>
<td>4 STAR</td>
<td>50 Customers</td>
</tr>
<tr>
<td>FIESTA ROYALE HOTEL</td>
<td>4 STAR</td>
<td>50 Customers</td>
</tr>
<tr>
<td>ALISA HOTEL</td>
<td>3 STAR</td>
<td>50 Customers</td>
</tr>
<tr>
<td>ERATA HOTEL</td>
<td>3 STAR</td>
<td>50 Customers</td>
</tr>
<tr>
<td>MIKLIN HOTEL</td>
<td>3 STAR</td>
<td>50 Customers</td>
</tr>
<tr>
<td>SORIANA HOTEL</td>
<td>2 STAR</td>
<td>50 Customers</td>
</tr>
<tr>
<td>HOTEL MAJORIE</td>
<td>2 STAR</td>
<td>50 Customers</td>
</tr>
<tr>
<td>HOTEL ANGELICA</td>
<td>2 STAR</td>
<td>50 Customers</td>
</tr>
</tbody>
</table>

In all a total of 500 customers were purposively selected from the ten sampled hotels. Fifty (50) customers from each of the hotels were purposively selected as respondents for the study. A review of some previous research carried out on relationship marketing in the hospitality industry indicates that researchers used large sample sizes ranging from about 200 to 1000 respondents. (Burns, 2000), advises novice researchers to use large sample sizes as much as possible for the following reasons. First it maximizes the possibility that the mean, percentages and other statistics reflects the true estimates of the population. Again large sample sizes give the effects of randomness the chance to work (Malhotra and Birks, 2007). Finally, the chances of errors are reduced as the sample size increases. Thus to achieve accuracy, it is important to use a large sample size in a survey study and this issue is captured in this current research.
3.4 Method of data collection (Questionnaire design)

The researcher designed only one set of questionnaire for customers of the sampled hotels in the Accra-Tema metropolis. The questionnaire consisted of both open-ended and close-ended questions. The questions sought to establish the relationships between relationship marketing, customer satisfaction, and customer loyalty, and also to identify the factors that may impact on customers’ expectations, experiences and perceptions of the quality of relationship delivered by Ghanaian hotels. The close-ended questions were developed on a five point Likert scales ranging from 5 (strongly agree) to 1 (strongly disagree).

The questionnaire was divided into two main sections. Section one was subdivided into eight parts and focused on questions relating to the various practices of relationship marketing as depicted by the conceptual framework in the hospitality industry namely commitment (three positive statements), conflict handling (four positive statements), communications (five positive statements), relational bonds (social and financial) (seven positive statements), competence (four questions) and trust (five positive statements). Part seven of section one sought to find out how relationship marketing practices in section one impact on customers’ decision to be loyal to their service providers and comprised six positive statements. The eighth part of section one sought to measure how satisfied customers were with the relationship marketing practices of their service providers and whether satisfaction is a major determinant of their decision to be loyal to their service providers.

Section two solicited for information on the characteristics of target respondents and other demographic features such as age, gender, nationality, number of years spent with the hotel, and occupations. Background information was relegated to the bottom of the questionnaire due to its sensitiveness and also to avoid potential respondents losing interest in answering the questionnaire which will lead to low response rate. As argued by Malhotra and Birks, (2007), that sensitive questions may be embarrassing to respondents especially when it begins a survey instrument and may also create dissatisfaction and
disinterest. The entire questionnaire covered a total of four pages. In line with Malhotra and Birks, (2007), the wording and language used in the questionnaire was kept as simple as possible.

It must be emphasized that written questionnaires were used to collect data from customers rather than personal (face-to-face) interviews. The basic difference between a written questionnaire and a face-to-face interview is the presence of the interviewer and interviewee during face-to-face interviews. The advantages of written questionnaires are enormous and include the fact that it is likely to be less expensive in terms of time spent in collecting data. Secondly, written questionnaires can be distributed to a large number of respondents simultaneously in a large geographical area at a relatively low cost. Another advantage is that questions in written questionnaires are standardized and are therefore not susceptible to changes in emphasis as in the case of verbal interviews. And also based on the literature available on Relationship marketing, it was realized that most authors (example, Morgan and Hunt, 1994; Liang and Wang, 2004; Wong, 2004; Wang et al., 2006), have used this method to study large samples.

The researcher was however mindful of the disadvantages associated with written questionnaires. There is the possibility that written questionnaires will be misunderstood and interpreted differently by different people. To overcome this problem, the researcher carried out an initial pre-testing of questionnaires to evaluate respondents understanding of the research area. To further minimize the errors associated with written questionnaires, respondents were given the opportunity to request for any further explanations regarding the questionnaire. This was helpful in achieving content validity; a self-evident measure which relies on the assurance that the researcher demonstrates an adequate coverage of the known field, after critically reviewing the literature and constructing questions or instruments to cover the known content represented in the literature (Malhotra and Birks, 2007).
3.4.1 Unit of Analysis

The unit of analysis for the study is the individual customer. That is, the client being the direct recipient of services delivered by hotels. Most research works on relationship marketing in the hospitality industry have used customers as the unit of analysis (Olsen, 1995). The present study agrees with the conceptualization in the literature that relationship marketing is best viewed from the viewpoint of the clients and that, it is usually the clients of services that are able to tell as to whether or not the relationship with service providers is positive or not. Therefore, using customers as the unit of analysis is considered appropriate, since their expectations and perceptions of relationship marketing and services rendered by the hotels could be captured.

3.4.2 Data collection

One major phase of the survey process is the execution, or use, of the survey instrument. The Semi-structured questionnaires designed were purposively distributed among customers of the sampled hotels. Purposive used here refers to “selecting certain respondents for participation in the study presumably because they are representative of the population of interest and/or meet the specific needs of the research study” (Dillon et al. 1993).

After permission had been sought from hotel management, the questionnaires were left with the front desk officers of the selected hotels, who distributed the questionnaires to customers as they checked into the various selected hotels. For the purpose of this study, only customers who have stayed in the hotel three times or more within the last one year or more were given questionnaires to fill. When questionnaires were filled, they were then returned to the front desk officer and picked up by the researcher later. The researcher used this mode of data collection due to the fact that, it was easy for staff of the hotels to convince and encourage guests to complete the questionnaires as sited by Zikmund (2003) and also it was easy for hotel guests to be approached by staff of the hotels.
It must however be mentioned that a lot of preliminary activities preceded the actual data collection targeted at getting the support of respondents. The first step towards this was to obtain a letter of introduction from the University of Ghana Business School (UGBS), specifically the Marketing Department. This letter was addressed to the heads of the various hotels making up the sample. The letter was meant to request the permission of the various hotel managers to allow the researcher access to their hotel premises and to assist the researcher to administer the questionnaires. The introductory letter further explained the aims and objectives of the study and how beneficial the results of the study will be to the hotels. The letter further assured the hotels of the willingness on the part of the researcher to keep information gathered very confidential and not for any other purpose other than the intended study.

The researcher was happy when all eight hotels gave their approval and even went further to request for copies of the final work on completion. As such, the hotels were very much interested in participating in the study. Based on the ‘clear’ signal, the researcher immediately obtained a cover letter signed by the supervisor and attached to all 500 questionnaires which were administered to the respondents. This letter was meant to communicate the willingness of the researcher to keep all information as confidential as possible and to demonstrate the genuineness and credibility of the researcher as to the usage of the information gathered for academic purposes only. This is in line with Salant and Dillman (1994), who stressed the importance of maintaining the confidentiality of individual responses and reporting survey results only in the aggregate whilst considering and recognizing ethical issues requiring the researcher to only encourage participation without undue pressure or coercion of the participants.

The researcher was able to retrieve three hundred and thirty 330 out of the 500 questionnaires administered to the customers of the sampled hotels giving a 66% (percent) response rate. On the whole, data collection lasted a total of six (6) weeks (between March and April 2009). Data collection was originally meant to last for four weeks, but since the period between March and April is not considered a peak period, the
researcher had to extend the time by extra two (2) weeks in order to obtain a larger sample. Of the three hundred and thirty (330) questionnaires received, 30 questionnaires were incomplete and thus were not included in the analysis. The rest of the questionnaires were not returned at all. At the end of the editing, 300 questionnaires were successfully processed for the analysis.

Qualitative data on the other hand was collected through in-depth interviews with sales managers of the various hotels. Qualitative data was collected purposely to answer the fourth objective which sought to examine the major challenges faced by the various hotels as they tried to implement relationship marketing in their operations. The interview was designed to solicit the views of sales executives, sales managers and marketing managers of the sampled hotels on the practical challenges they encountered as they implemented relationship marketing in their operations. This proved quite successful since out of the ten (10) hotels visited, three (3) sales managers, one (1) marketing manager and three (3) sales executives responded favourably. It must be stated however that three sales managers who were unable to speak directly with the researcher nominated their sales executives to respond to the question which they gladly did.

3.5 Data Analysis Techniques

A significant number of the studies on relationship marketing in the hospitality industry have made use of structured questionnaires. Thus, these research studies have employed purely quantitative research techniques in their data analysis. It is however, important to note that, in recent times, several researchers have recognized the need to integrate both quantitative and qualitative methods in their data analysis (Burke and Onwuegbuzie, 2004). This integrated approach which employs a semi-structured research format is more convenient when dealing with respondents who have busy schedules and limited time at their disposal. The analytical instrument for this study is the Statistical Package for Social Science (SPSS) version 16.0 using multiple linear regression model and descriptive statistics. This software has been widely used by researchers as a data analysis technique (Zikmund, 2003).
3.6 Research Limitations and Practical Challenges

The research has the following limitations:

- Geographical limitation
- Time limitation
- Industry limitation

There are currently about 1432 hotels (both rated and nonrated) spread throughout the country. However, this thesis examined hotels in Greater Accra Region with regards to relationship marketing. In this light, the scope of the study is limited geographically since findings are applicable to hotels in Greater Accra, though the results are to be generalized to include hotels throughout the country. The study is also limited in terms of time at the disposal of the researcher. Though a cross-sectional study, the researcher could not have enough time to visit all the hotels in the other regions of the country. Finally, the study is limited in terms of industry scope. The study was restricted to hotels alone in the broad industry of hospitality. As a result, the generalizability of its findings may be limited to only hotels in the Ghanaian hospitality sector. One major practical challenge faced by the researcher was in the area of finance. Bulk of this coming from follow-ups on questionnaires and location of the hotels which were not easily accessible by public transport hence the use of taxi cabs for most of the visits. Another factor contributing to this was the huge cost of printing the questionnaires as well as the provision of incentives to some of the front desk officers who assisted in the data collection. One main challenge faced was convincing the sales managers to grant the researcher the interview. It took a lot of effort and persuasion on the part of the researcher to get the attention of these sales managers since most of them doubted the real intentions of the researcher to use the information for only academic purposes.

3.6.1 Ethical considerations

One very important consideration a researcher must not overlook is the issue of ethics in research (Malhotra and Birks 2007). The researcher in accordance with this took steps to make sure that no respondent or any participant in this research work was harmed in any
way. First of all, the researcher avoided contacting respondents on the blind side of the service providers. The researcher made sure that permission was sought and the aims and objectives of the study made known to the service providers as well as the respondents through introductory letters and cover letters respectively. Both service providers and respondents were also assured of the fact that the study is only for the purposes of academics and not for any other dubious use. Participants were also not forced but rather encouraged to voluntarily participate. The researcher also made sure that personal or demographic information were kept confidential.
CHAPTER FOUR
PRESENTATION AND DISCUSSION OF RESULTS

4.1 Introduction
The previous chapter provided details of the research methodology adopted for this study. This chapter reports on the empirical evidence from the field. This chapter however begins with a short overview of the hospitality industry in Ghana in order to provide readers with the context for the study and then continue with findings from the three hundred (300) customers.

4.1.1 The Hospitality & Accommodation Industry in Ghana
The Hospitality Industry which is under the supervision of the Ghana Tourist Board is classified under accommodation and covers all lodging facilities from budget through guest houses to 5-star hotels. The industry has played a significant role in the development of tourism and by extension the economy. The categorization of hotels is done on the basis of the number of rooms, room sizes and facilities such as toilets, baths etc, per room. Those that share facilities such as toilet and kitchen are known as Budget hotels whilst guest houses are accommodation facilities with between 4 and 9 rooms having their own complimentary facilities. The breakdown of these facilities per region is indicated in the table below 4.1 below.
Table 4.1: Summary of rated accommodation Establishments as at December 2007

<table>
<thead>
<tr>
<th>REGION</th>
<th>5-STAR</th>
<th>4-STAR</th>
<th>3-STAR</th>
<th>2-STAR</th>
<th>1-STAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Accra</td>
<td>1</td>
<td>4</td>
<td>14</td>
<td>70</td>
<td>68</td>
</tr>
<tr>
<td>Ashanti</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern</td>
<td>5</td>
<td>26</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western</td>
<td>3</td>
<td>14</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>5</td>
<td>9</td>
<td>18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volta</td>
<td>2</td>
<td>4</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brong Ahafo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>5</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upper East</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>1</td>
<td>4</td>
<td>30</td>
<td>138</td>
<td>169</td>
</tr>
</tbody>
</table>

(Source: Ghana Tourist Board, 2007 fact sheet)

As may be seen from the table, the industry is skewed in favour of the southern part of the country justifying the researcher's decision to include only two to five star hotels in the greater Accra region. In general over the years from 2001, there has been an increase in the number of hotels being established in the country. In 2002, the number of hotels (including non-rated hotels) increased by 11% from 1,053 in 2001. It further increased by 7% to 1,250 in 2003 and by 5% to 1,315 in 2004 and grew by 7% between 2005, 2006 and 2007. The pattern in terms of siting of hotels has been two-way, that is, locating the hotel in areas that may attract tourists and guests to patronise it or the presence of tourist attractions serving as a drawing factor to the setting up of a hotel within the vicinity. In terms of occupancy, 4-Star hotels seem to have enjoyed the highest patronage over a five year period from 2000 to 2007 as per the data provided by the Ghana Tourist Board. The occupancy rates for 2 to 5 star categories of hotels are indicated in table 4.2 below.
Table 4.2: Hotel occupancy rates between 2000 and 2006 for 2-5 star hotels

<table>
<thead>
<tr>
<th>HOTEL CATEGORY</th>
<th>ROOM OCCUPANCY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>5-Star</td>
<td>77.8%</td>
</tr>
<tr>
<td>4-Star</td>
<td>71.4%</td>
</tr>
<tr>
<td>3-Star</td>
<td>64.1%</td>
</tr>
<tr>
<td>2-Star</td>
<td>60.0%</td>
</tr>
</tbody>
</table>

Source: Ghana Tourists Board 2007 fact sheet)

4.1.2 Regulatory Framework: The “New Harmonized ECOWAS Standards”

The government of Ghana and the Ghana Tourist Board has begun an initiative to harmonize hotel standards within the ECOWAS sub-region. This has led to the development of new standards for the hotel industry. The Ghana Tourist Board is currently working on classifying and ‘grading’ by these standards which came to full effect in 2006. These standards define the categories as follows:

A: comprising Hotels, Resorts and Motels and are subject to international classifications
B: comprising catering rest houses, guest houses, and game lodges.
C: comprising hostels and home stays.
D: comprising tourist homes, serviced flats, and holiday apartments
E: comprising tourist campsites

4.1.3 Market Analysis and Overview

Ghana’s hospitality industry is at an early stage of development. As a result, business, official, and educational visits accounts for a larger proportion of the international hotel clientele in the country. In 2007, total international arrivals reached a high of 586,612 with total receipts of US$ 1,172,000,000, an improvement from 497,129 arrivals with total receipts US$ 986,800,000 (Ghana Tourist Board Directory, 2007)
Demand Analysis

The demand for hotel accommodation in Ghana is generally derived from sources such as: international and domestic tourists and holiday makers, corporate bodies, researchers, youth travellers, conferences, events, International business executives and local travellers. Over the years however, a major part of the demand has come from international tourists and executives visiting the country for business purposes and indications are that this trend is expected to continue. It has also been projected that total annual international tourist arrivals will increase from only 286,000 in 1995 to as much as 1,062,000 by year 2010 (Ghana Tourists Board Fact Sheet, 2007). This is due to general improvement in Ghana’s economy investment climate thereby attracting more foreign business and tourist visits. Some other attractions that will serve to increase the future demand for hospitality services in Ghana include the diverse range of tourist attractions such as rainforests, wetlands, and sanctuaries including butterfly and monkey sanctuaries.

Trends in international tourism are shifting from the sunshine and beaches in the Caribbean to the natural environment offered in Ghana in addition to the sunshine and beaches. Ghana has a lot of tourism potentials which are not tapped and there are currently efforts underway to market these attractions. The relative peace in Ghana compared to its neighbouring countries also increases its potential. In terms of distance, Ghana is closer to most of the major tourist sites. The location of Ghana on the Greenwich meridian also means that travellers and tourists coming into the country are not faced with dramatic time changes. The climate of Ghana tends to be favourable, not too violent nor too hot for tourists. The government has also developed an initiative called the Joseph Project, which is a strategic project aimed at making Ghana the gateway to the homeland for the over 40 million Africans in the Diaspora. This is expected to contribute to increasing the number of international tourist arrivals into the country hence increased demand for accommodation.
Customer Needs Assessment

An understanding of the needs of the customer and their preferences is essential in developing an appropriate marketing strategy and targeting a niche in the market. Research by the Ghana Tourists Board showed that short-stay foreign guests such as tourists, researchers, business men, students, and youth travellers which make up the greatest part of the Hotel’s business, preferred the following: a comfortable basic room with running water at a low price; a clean, hygienic environment; easy access to transportation; access to the internet, satellite television; air-conditioning and the availability of healthy food.

4.1.6 Supply Analysis

According to the Ghana Tourists Board, there were in 2007, about 1,432 establishments in Ghana providing hotel and other short stay accommodation facilities with a total of 20,788 rooms and 26,057 beds available. This included 342 rated hotels. The table 4.3 below shows the total number of hotels (both rated and non-rated), rooms and beds in the country between 2002 and 2007.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>HOTELS</th>
<th>ROOMS</th>
<th>BEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>1,169</td>
<td>16,180</td>
<td>21,442</td>
</tr>
<tr>
<td>2003</td>
<td>1,250</td>
<td>17,352</td>
<td>22,909</td>
</tr>
<tr>
<td>2004</td>
<td>1,315</td>
<td>18,079</td>
<td>23,538</td>
</tr>
<tr>
<td>2005</td>
<td>1,345</td>
<td>18632</td>
<td>23915</td>
</tr>
<tr>
<td>2006</td>
<td>1,427</td>
<td>22835</td>
<td>27839</td>
</tr>
<tr>
<td>2006</td>
<td>1,432</td>
<td>20,788</td>
<td>26,057</td>
</tr>
</tbody>
</table>

(Source: Ghana Tourist Board Fact Sheet, 2007)
Apart from the Greater Accra Region, hotels in other regions have been largely developed as part of some tourist attractions. Facilities and services provided by these hotels are in line with their various classifications but generally most hotels offer restaurant and bar services in addition to rooms, and these tend to be the main income generators. For the 2 to 5 star hotels, they also tend to offer conference rooms and other support services that are targeted at corporate bodies and event organizers. With this overview of the Ghanaian hospitality (accommodation) industry, the need for this research is never in doubt.

4.2 Presentation of Findings

The results have been presented using frequencies and percentages of current trends in the hotels of the surveyed customers. 300 valid responses out of 500 sampled customers were used to ascertain the impact of relationship marketing on customer loyalty.

The variables on relationship marketing (competence, communication, conflict handling, commitment, social/financial bonds, and trust), customer loyalty and customer satisfaction were coded using a scale (5-1), where 5=strongly agree and 1= strongly disagree. Based on the empirical data collected from the field, the four research questions are answered, but this is preceded by the demographic characteristics of the respondents who were surveyed. The first research question relates to the current state of relationship marketing in the hospitality industry. Secondly, it is proposed that relationship marketing practices lead to customer loyalty. Thirdly, it is also assumed that relationship marketing practices lead to customer satisfaction, and subsequently leading to customer loyalty. Here, the research is to determine whether customer satisfaction leads to customer loyalty and as to whether or not all loyal customers are equally satisfied. Finally, the last research question relating to the challenges posed to hotel service providers in the event of practicing effective relationship marketing is also discussed.
4.3 BACKGROUND INFORMATION

This section provides the results on the profiles of the customers who participated in the survey. The section specifically discusses the sex of customers, their various occupations, their age categories, countries of origin, the names of the hotels they patronize, and the number of years these customers have been patronizing the services of the hotel in question.

4.3.1 Sex of customers:

Majority (86%) of the customers interviewed were males and the rest (14%) were females. See Figure 4.1.

![Figure 4.1: Sex of customers](image)

4.3.2 Occupation of customers:

The customers were mainly businessmen and women, public servants (including politicians), Bankers, Lawyers, Medical Doctors, Lecturers/Teachers, Tourists, Seamen/Sailors and Flight attendants. Most of the customers representing (approximately 44.7%) were businessmen and women. This was followed by public servants (approximately 26.7%), flight attendants (approximately 8.3%), lawyers (approximately
6.7%) and tourists (approximately 5.3%). The rest are bankers (approximately 3.3%), medical doctors (2.0%), seamen/sailors (approximately 1.7%), and diplomats (approximately 1.3%). See Table 4.4 for detailed results.

Table 4.4: Occupation of customers

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Doctors</td>
<td>6</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Bankers</td>
<td>10</td>
<td>3.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Businessmen and Women</td>
<td>134</td>
<td>44.7</td>
<td>50.0</td>
</tr>
<tr>
<td>Flight Attendants</td>
<td>25</td>
<td>8.3</td>
<td>58.3</td>
</tr>
<tr>
<td>Lawyers</td>
<td>20</td>
<td>6.7</td>
<td>65.0</td>
</tr>
<tr>
<td>Tourists</td>
<td>16</td>
<td>5.3</td>
<td>70.3</td>
</tr>
<tr>
<td>Public Servants</td>
<td>80</td>
<td>26.7</td>
<td>97.0</td>
</tr>
<tr>
<td>Diplomats</td>
<td>4</td>
<td>1.3</td>
<td>98.3</td>
</tr>
<tr>
<td>Seamen/Sailors</td>
<td>5</td>
<td>1.7</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>300</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

4.3.3 Age of customers

Most of the respondents representing 47.3% are between 50 and 70 years. 45.7% of them are between 31 and 50 years. 5.7% of them are between 18 and 30 years and the rest (1.3%) are above 70 years. See Table 4.5.
4.3.4 Country of origin of respondents

Majority (87.3%) of the customers are Ghanaians. Some of the customers are from U.S.A (2.3%), Nigeria (2.0%), Egypt (1.3%), UK (1.3%), China (1.0%), and South Korea (0.7%). The rest representing 5.4% collectively are customers from some African and Asian countries. See Table 4.6 for details.

Table 4.6: Country of Origin of respondents

<table>
<thead>
<tr>
<th>Country</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3</td>
<td>1.0</td>
</tr>
<tr>
<td>Cote D'voire</td>
<td>2</td>
<td>0.7</td>
</tr>
<tr>
<td>Egypt</td>
<td>4</td>
<td>1.3</td>
</tr>
<tr>
<td>Ghana</td>
<td>262</td>
<td>87.3</td>
</tr>
<tr>
<td>Liberia</td>
<td>2</td>
<td>0.7</td>
</tr>
<tr>
<td>Libya</td>
<td>2</td>
<td>0.7</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Mali</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>N. Korea</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Nigeria</td>
<td>6</td>
<td>2.0</td>
</tr>
<tr>
<td>S. Korea</td>
<td>2</td>
<td>0.7</td>
</tr>
<tr>
<td>South Africa</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Togo</td>
<td>2</td>
<td>0.7</td>
</tr>
<tr>
<td>U.S.A</td>
<td>7</td>
<td>2.3</td>
</tr>
<tr>
<td>UK</td>
<td>4</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>300</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.3.5 Type of hotel:

17% of the respondents are customers of Labadi Beach Hotel (5-Star hotel). 33% of the respondents are customers of La Palm Royal Beach Hotel, Golden Tulip hotel and Fiesta Royale Hotel (4-Star hotels). Another 33% of the respondents are customers of Miklin hotel, Erata hotel and Alisa hotel (3-Star hotels). The rest (17%) of the respondents are customers of Hotel Majorie, Soriania hotel and Hotel Angelica (2-Star hotels). See Figure 4.2.

Figure 4.2: Type of hotel and their corresponding number of respondents

4.3.6 How long respondents have been using the services of the hotels

Most (56%) of the respondents have been using the services of the hotels for 4 years or more. 35% of them have been using the services of the hotels for 3 years. The rest (9%) of the customers have been using the services of the hotels for 2 years. See Figure 4.3.
RESEARCH QUESTION 1:

What is the extent of relationship marketing practice among Ghanaian hotels?

This section aims to answer research question one: what is the extent of Relationship Marketing practice among Ghanaian hotels? The researcher used test of means and cronbach alpha values based on the practices of relationship marketing as indicated in Chapter Two. This is done in order to ascertain how well Ghanaian hotels are embracing and implementing the various practices of relationship marketing. This was done from the customer’s point of view. The details of the empirical data are discussed below.

4.4 The extent of relationship marketing practice in the hotel industry

Responses obtained on relationship marketing were found to be very reliable. Competence, Communication, Conflict Handling, Commitment, Social and Financial Bonds and Trust all obtained cronbach alpha values of at least 0.70. A mean score of approximately 5 was obtained for Trust. This means on the average the respondents strongly agree that amongst the relationship marketing practices, hotels in Ghana rely heavily on building of Trust in winning their customer’s loyalty. This means that,
Ghanaian hotels are very concerned with security for their customer’s transactions, hotels are keeping their promises and hence very reliable, hotels are relying more on fulfillment of their obligations to customers, showing respect to customers and building confidence in their services to win customer loyalty.

A mean score of approximately 4 was obtained for competence, communication, conflict handling and commitment. This means on the average, the customers agree that competence, communication, conflict handling and commitment are mainly factored in the relationship marketing practices of the surveyed hotels. A mean score of approximately 3 was obtained for social and financial bonds. This means on the average, the respondents are not as sure as to whether social and financial bonds are factored into the relationship marketing practices of the hotels. By this, it appears, hotels in Ghana are not doing enough when it comes to building strong relational bonds with their customers. This could be attributed to the many challenges the hotels are facing; most especially when building strong relational bonds require a substantial amount of a company’s financial resources.

Amongst all the practices, the least standard deviation of 0.40 was obtained for Trust. This means the customers (irrespective of the type of hotel) have the most similar views as far as Trust is concerned as a component of relationship marketing used by the sampled hotels. The highest standard deviation of 0.70 was obtained for commitment. This means the customers have diverse views when it comes to the issue of commitment. This could mean that the various hotels sampled show different levels of commitment to their customers. (It therefore appears that commitment depends on the type of hotel).

It is therefore reasonable to conclude that the extent of relationship marketing practice amongst Ghanaian hotels is high. Comparatively, the hotels pay the biggest attention to Trust in their relationship marketing practices. This is followed by Competence, Conflict Handling, Communication, Commitment and relational bonds (Social and financial) respectively. See Table 4.7.
RESEARCH QUESTION 2:

What is the relationship between Relationship Marketing and Customer Loyalty?

The researcher proposes here that an effective implementation of relationship marketing practices will inevitably lead to customer loyalty. In order to ascertain if this assertion is true, a regression analysis was first conducted on the various types of hotels studied to determine if there is a significant difference between the loyalty levels of the customers of the various hotels. Secondly, an overall F-statistic is conducted on relationship marketing and customer loyalty, and this is followed by a multi-variate regression analysis on the various constructs of relationship marketing to determine their individual significance as influencers of customer loyalty.

4.5 RELATIONSHIP MARKETING AND CUSTOMER LOYALTY

To assess direct and indirect relationships among the relationship marketing variables, the researcher followed descriptive analysis and regression equation modeling. This study proposed to test the overall significance of the regression model:

Let: Customer loyalty=$Y_1$, Competence=$X_1$, Communication=$X_2$, Conflict handling=$X_3$, commitment=$X_4$, social and financial bond=$X_5$, Trust=$X_6$, and Error term=$E$

Then: $Y_1=\text{Constant}+B_1X_1+B_2X_2+B_3X_3+B_4X_4+B_5X_5+B_6X_6+E$
Where: B = coefficients which show the direction of relation between dependent and independent variables

X = mean scores of the various variables of relationship marketing

The study found a significant relationship between relationship marketing and customer loyalty \( (F=26.422, \ p<0.05) \) (see Table 4.8 for details). This means competence, communication, conflict handling, commitment, social/financial bonds and trust jointly determine customer loyalty. An R-Square of 0.351 shows that competence; communication, conflict handling, commitment, social/financial bonds and trust jointly determine 35.1% of customer loyalty. Thus, a per unit increase in the variables of relationship marketing, will together lead to a corresponding increase in customer loyalty by 35.1%. This is shown by table 4.8 below.

Table 4.8: Customer loyalty with regards to relationship marketing (ANOVA)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>861.868</td>
<td>6</td>
<td>143.645</td>
<td>26.422</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>1587.477</td>
<td>292</td>
<td>5.437</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2449.344</td>
<td>298</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

R-Square= 0.351, Adjusted R-Square =0.339, S.E. =2.33

However, when tested separately, it was found that not all the individual variables affect customer loyalty by the same magnitude. This implies that some of the variables have a higher effect on customer loyalty, whilst some independent variables were even found to have an inverse relationship with the dependent variable (customer loyalty), (see Table 4.9). Comparatively, the biggest determinant of customer loyalty as revealed by the analysis is competence (37.2%). This is followed by commitment (28.3%), trust (23.9%), with relational bonds (social and financial) yielding (20.5%). Communication and conflict handling were found to be inversely related to customer loyalty. These two constructs were found to inversely affect customer loyalty by 4% and 1.1% respectively which the researcher considers insignificant. This is because at the stipulated 5% level of significance, these variables were found to be insignificantly related to customer loyalty.
Thus, their p-values were greater than 0.05, thereby rendering them insignificant (see Table 4.9).

Among the determinants which are positively related to customer loyalty, the study found that all of them (competence, social and financial bonds, commitment and trust) have significant effects on customer loyalty \( (p<0.05) \) (see Table 4.9). Therefore communication and conflict handling could be dropped from the model. We can therefore conclude that an increase in competence, social and financial bonds, commitment and trust jointly determine an increase in customer loyalty. Specifically, an improvement in competence, social and financial bonds, commitment and trust will lead to an increased customer loyalty. See Table 4.9 for details.

Table 4.9: Customer loyalty with regards to relationship marketing (Coefficients)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>5.421</td>
<td>1.864</td>
<td>2.908</td>
</tr>
<tr>
<td></td>
<td>Competence</td>
<td>.372</td>
<td>.069</td>
<td>.285</td>
</tr>
<tr>
<td></td>
<td>Communication</td>
<td>-.040</td>
<td>.071</td>
<td>-.031</td>
</tr>
<tr>
<td></td>
<td>Conflict handling</td>
<td>-.011</td>
<td>.081</td>
<td>-.007</td>
</tr>
<tr>
<td></td>
<td>Commitment</td>
<td>.283</td>
<td>.063</td>
<td>.233</td>
</tr>
<tr>
<td></td>
<td>Social and Financial Bonds</td>
<td>.205</td>
<td>.045</td>
<td>.245</td>
</tr>
<tr>
<td></td>
<td>Trust</td>
<td>.239</td>
<td>.078</td>
<td>.168</td>
</tr>
</tbody>
</table>

As stated earlier in the model that, Customer loyalty \( Y_1 \), Competence \( X_1 \), Communication \( X_2 \), Conflict handling \( X_3 \), commitment \( X_4 \), relational bonds (social and financial) \( X_5 \), Trust \( X_6 \), and Error term \( E \), it implies from Table 4.9 that

\[
Y_1 = 5.42 + 0.37X_1 - 0.040X_2 - 0.011X_3 + 0.28X_4 + 0.21X_5 + 0.24X_6 + E.
\]

The next section discusses these individual co-efficients and their (in)significance.
2.5.1 Competence and Customer Loyalty

Reading through the literature, competence has been found to be a major relationship marketing practice that positively influences customer loyalty. The researcher assumes that the competence exhibited by Ghanaian hotels will have a positive effect on customer loyalty. That is, how would the competence of hotels co-vary with their customers becoming loyal to them? This suggests that a strong positive relationship between the two variables would mean that, a positive change in the hotels' level of competence would lead to a positive change in the overall customers' loyalty. Thus, the two variables (competence and customer loyalty) will co-vary at any point in time or will rise and fall together perfectly. A regression analysis was used to test for the relationship between the two variables because of its parametric strength. The results of the study are summarized in Table 4.9.1 below.

Table 4.9.1: Competence and Customer Loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>5.421</td>
<td>1.864</td>
</tr>
<tr>
<td>Competence</td>
<td>.372</td>
<td>.069</td>
</tr>
</tbody>
</table>

It can be seen from the results of the Table 4.9.1 above ($t = 5.35$, $P = 0.000 < 0.05$) that the positive unstandardized coefficient (0.372) means a statistically strong significant relationship between a hotels' competence and how it affects customer loyalty. This appears to suggest that customers of hotels in Ghana consider the competence levels of their service providers as a very important factor in deciding whether to be loyal or not. This also means that customers pay much attention to the competence displayed by
employees of hotels in making a choice of a hotel. Thus, if customers' perceive the
competence of a hotel to be good and satisfactory, they will definitely patronize that hotel
and hence expect to receive the same or better service either from the same or a different
hotel with similar competence level in a future encounter and vice versa. It can also be
deduced from this result that, the future expectations of customers could be influenced by
how they perceive competence levels in their hotels. This establishes the view that the
extent to which customers perceive the competence of a hotel has a strong impact on the
likelihood of the customers becoming loyal to that particular service provider. This result
corroborate earlier findings by Cha and Ndubisi, 2004; Ndubisi, 2007 who also found
that, competence played a major role in determining customer loyalty in Malaysian
Banks.

4.5.2 Communication and Customer Loyalty

The researcher assumes that keeping in touch with valued customers, providing timely
and trustworthy information on service and service changes (Anderson and Narus, 1990)
by hotels will have a positive effect on customer loyalty. That is, customers' loyalty to
their various hotels would vary according to the communication efforts of these hotels. A
strong positive relationship would mean that a unit change in the communication efforts
of the hotels would attract a significant change in loyalty as far as customers are
concerned. A regression analysis was used to establish the strength of the effect of hotels'
communication efforts on the probability of their customers becoming loyal to them. This
statistical tool was used to test for the significance of the relationship between
communication at the instance of hotels, and loyalty at the instance of customers, as
summarized in Table 4.9.2 below.
Table 4.9.2: Communication and Customer Loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>5.421</td>
<td>1.864</td>
</tr>
<tr>
<td>Communication</td>
<td>-.040</td>
<td>.071</td>
</tr>
</tbody>
</table>

The results of table 4.9.2 above \((t=-0.56, P = 0.574 > 0.05)\) indicate that there is rather a negative coefficient \((-0.40)\) between communication and customer loyalty, meaning that communication is inversely related to customer loyalty. However, the strength of the relationship judging from the regression coefficient and p-value indicates that though the relationship is negative, it is not statistically significant \((P > 0.05)\) stipulated 5% level of significance This means that though both communication and customer loyalty affect each other (inversely), the existing relationship has been found to be insignificant.

The nature of the insignificant statistical relationship indicates that the two variables rise and fall though indirectly. Customers therefore did not view the provision of timely information, information on new products, discussions on ways to improve services and the approachability of hotel staff as enough reasons to be loyal to the hotels. This finding thus shows that Ghanaian customers’ loyalty to their hotels is not strongly dependent on how their service providers communicate to them. The reason for this could be that either all hotels are communicating so well with their customers and so customers do not pay particular attention to communications, or this could that even though Ghanaian hotels are communicating with their customers, they are not communicating effectively hence its inability to impact on customer loyalty within the Ghanaian hotel industry. Thus although a customer may experience poor communication in an encounter, his/her initial perceptions of the service provider may still remain high.
4.5.3 Conflict handling and Customer Loyalty

Regarding conflict handling, Ndubisi (2007), found a strong link between effective conflict handling and customer loyalty within the banking industry. In the light of this finding by Ndubisi, (2007) and many scholars who agree with this assertion, the study assumed that there is a strong positive relationship between conflict handling by hotel relationship managers and the loyalty of their customers. In other words, to what extent does the effective handling of conflict by hotels impact on their customers being loyal to them? In simple terms as the customer perceives conflict handling to be high, his/her loyalty to that particular institution is likely to be high. A regression analysis was used as the statistical tool to test for the relationship between conflict handling and customer loyalty of Ghanaian hotels. This regression analysis was found appropriate because of its parametric strength in data analysis. The results are summarized in the Table 4.9.3 below.

Table 4.9.3: Conflict handling and Customer Loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>5.421</td>
<td>1.864</td>
</tr>
<tr>
<td>Conflict handling</td>
<td>-.011</td>
<td>.081</td>
</tr>
</tbody>
</table>

Contrary to the expectation of the researcher, the results of Table 4.9.3 above (t = -0.136, P = 0.892>0.05) indicate that there is a negative coefficient (-0.011) between the two variables. The results though indicating a negative relative relationship, is still insignificant at the 5% level of significance (P = 0.892>0.05). This shows that the current finding disconfirms earlier findings by Ndubisi, (2007) that there is a strong relationship between conflict handling and customer loyalty. Thus, the loyalty of customers to their hotels is not affected by how effectively these hotels handle conflicts with their
customers. However, this could be arising from the different contexts in which both studies were conducted. The finding thus suggests that there are hotels in Ghana that have built a positive and favourable conflict handling machinery because their services delivered to customers are supposed to be of high quality. The statistical results however indicate that most customers consider conflict handling to be not so relevant to their loyalty to their respective institutions. In short, avoiding potential conflicts, solving manifest problems before they arise, openly and promptly discussing solutions when problems arises, and listening to customers grievances do not provide concrete grounds for the customer to decide whether to become loyal or not to a hotel within the Ghanaian settings.

4.5.4 Commitment and Customer Loyalty

A review of current literature has shown that commitment is one of the major relationship practices that have a very high potential to influence customer loyalty (see Morgan and Hunt, 1994; Gronroos, 1994). Flowing from this argument, the researcher expected that commitment of hotel service providers to satisfying the needs of their customers will have a positive effect on their customers becoming loyal to them. That is, customers’ loyalty to their hotels in the country would increase and decrease according to how committed their service providers are to the satisfaction of their needs. Strong positive relationship would mean that a unit change in commitment could be directly linked to customer loyalty. Commitment and customer loyalty will co-vary simultaneously at any time. Again a regression analysis was used as the statistical tool to test for the strength of relationship between commitment and customer loyalty in Ghanaian hotels. The results of the regression coefficients are summarized in the Table 4.9.4 below.
Table 4.9.4: Commitment and Customer Loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>5.421</td>
<td>1.864</td>
</tr>
<tr>
<td>Commitment</td>
<td>.283</td>
<td>.063</td>
</tr>
</tbody>
</table>

The results in the Table 4.9.4 above (t = 4.514, P = 0.000 < 0.05) indicates that the positive regression coefficient (0.283) shows a statistically strong significant (P < 0.05) relationship between commitment and customer loyalty such that the higher the commitment of hotels towards the satisfaction of the needs of their customers, the higher the probability that these customers are going to become loyal to the hotels. The strength of the relationship judging from the interpretation of the regression coefficient is very strong and this means customers’ loyalty to their hotels is largely informed by the level of commitment that their hotels leverage towards the satisfaction of their needs. In the light of this results, where hotels continuously make adjustments to suite customer needs, offer personalized services to meet customers’ personal needs and show flexibility in serving customer needs, they are sure that customers will value their relationships with service providers and consequently become loyal to the hotel.

The results of the present study suggest that customers expect their service providers to be committed to ensure that they (customers) are really satisfied when transacting with them. The finding is therefore in agreement with the research findings of some leading researchers who describe customer loyalty as a function of commitment at the instance of their service providers (see Gronroos, 1994, Morgan and Hunt, 1994, Ndubisi, 2007).
4.5.5 Relational Bonds (Social and Financial bonds) and Customer Loyalty

It has been argued that customers who are treated personally should have stronger reasons not to switch companies (Berry and Parasuraman, 1991; Liang and Wang, 2005). The researcher thus presupposed that relational bonds (social and financial) will have a positive effect on customer loyalty. That is, how does relational bonds (social and financial) that hotels build with their customers rise and fall with their customers becoming loyal to them? The study assumed a strong positive relationship between the two variables which implied that, a positive change in the way hotels’ build relational bonds with their customers would attract a positive change in the overall customers’ loyalty. Thus, the two variables relational bonds and customer loyalty will co-vary perfectly. In a similar way a regression analysis was used to test for the relationship between the two variables and to test how significant relational bonds as relationship marketing construct, on customer loyalty because of its parametric strength. The results of the current study are summarized in Table 4.9.5 below.

Table 4.9.5: Social and Financial Bonds and Customer Loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.421</td>
<td>1.864</td>
<td>2.908</td>
<td>.004</td>
</tr>
<tr>
<td>Social and Financial Bonds</td>
<td>.205</td>
<td>.045</td>
<td>.245</td>
<td>4.593</td>
</tr>
</tbody>
</table>

The results of table 4.9.5 above \( t = 4.59, P = 0.000 < 0.05 \) indicates that the positive unstandardized coefficient (0.205) indicates a statistically strong significant relationship between hotels’ relational bonds and how it affects customer loyalty. This appears to suggest that hotels’ customers in Ghana consider relational bonds built between themselves as customers and their service providers as a very important factor in deciding
to be loyal customers to their hotels. Thus regularly checking on customers, sending them
gifts on special occasions, involving customers in the hotel’s functions, providing special
discounts to customers, treating customers as friends and not just customers, sponsoring
fully paid packages for customers and going the extra mile to even participate in
customer’s family events, can greatly influence customer loyalty. Thus, the future
expectations of customers could be influenced by how they perceive social and financial
bond levels in their hotels. Findings that agree with this current findings include
Shammout, 2007; Ndubisi, 2007).

4.5.6 Trust and Customer Loyalty

The researcher included trust as a major relationship marketing construct due to it widely
being accepted by relationship marketing scholars as a major influencer of customer
loyalty. That is, customers’ loyalty to their hotels should vary according to how
trustworthy their service providers are to the satisfaction of their needs. Strong positive
relationship would mean that a unit change in trust could be directly linked to customer
loyalty. The regression analysis was used as the statistical tool to test for the strength of
relationship between trust and customer loyalty of hotels in the Ghanaian hospitality
(hotel) industry. The results of the regression coefficient are summarized in the Table
4.9.6 below.

Table 4.9.6: Trust and Customer Loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>5.421</td>
<td>1.864</td>
<td>2.908</td>
<td>.004</td>
</tr>
<tr>
<td>Trust</td>
<td>.239</td>
<td>.078</td>
<td>.168</td>
<td>3.074</td>
</tr>
</tbody>
</table>
The results in Table 4.9.6 above \((t = 3.074, P = 0.002 < 0.05)\) indicates that the positive regression coefficient \((0.239)\) imply a statistically strong and significant \((P < 0.05)\) relationship exist between trust and customer loyalty such that the higher the trustworthiness of hotels towards the needs of their customers, the higher the probability that these customers are going to become loyal to the hotels. The strong regression coefficient of 0.239 at a significance level of 0.05 obtained therefore could be interpreted to mean when hotels show great concern for the security of customer transactions, provide reliable and consistent promises, showing respect to customers, fulfilling its obligations to its customers and building absolute confidence in the hotel’s services, it will be rewarded with customer’s loyalty. The strength of the relationship judging from the interpretation of the regression coefficient is very strong and this means customers expect their service providers to be trustworthy to ensure that they (customers) become loyal to them. This current finding is consistent with the research findings of some leading researchers who describe customer loyalty as a function of trust at the instance of customers’ service providers (see Leverin and Liljander, 2006; Bitner, 1995; Moorman et al., 1993; Reichheld and Sasser, 1990).

### 4.5.7 CUSTOMER LOYALTY AND HOTEL TYPE

The results shows that there is a significant difference between the loyalty levels of the customers of the various hotels surveyed \((F=9.3, p<0.05)\). Three (3)-Star hotels were found to have the most loyal customers (with a mean score of 24.78). This is followed by four (4)-Star hotels (with a mean score of 24.38), five (5)-Star hotels (with a mean score of 23.58) and two (2)-Star hotels (with a mean score of 22.40) respectively. See table 4.10.
Table 4.10: Customer loyalty with regards to hotel type

<table>
<thead>
<tr>
<th>Type of hotel</th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Star</td>
<td>22.4000</td>
<td>50</td>
<td>3.55711</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Star</td>
<td>24.7800</td>
<td>100</td>
<td>2.59206</td>
<td>9.314</td>
<td>0.000</td>
</tr>
<tr>
<td>4 Star</td>
<td>24.3800</td>
<td>100</td>
<td>2.56936</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Star</td>
<td>23.5800</td>
<td>50</td>
<td>2.47510</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>24.0500</td>
<td>300</td>
<td>2.86266</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RESEARCH QUESTION 3:

*What is the relationship between Relationship Marketing practices, customer satisfaction, and loyalty in the Ghanaian hospitality industry?*

In order to find out if there is a functional relationship between relationship marketing and customer satisfaction, and eventually leading to customer loyalty, a one-way ANOVA was first of all used to test the overall significance between relationship marketing and customer satisfaction. Next, another one-way ANOVA was performed to ascertain if there is a significant difference between the satisfaction levels of the customers of the various hotels, followed by a multi-variate analysis of the various constructs of relationship marketing and customer loyalty to test for their individual significance. Finally, a one-way ANOVA is conducted on customer satisfaction and customer loyalty to see if there is an overall significance between the two.

4.6 RELATIONSHIP MARKETING AND CUSTOMER SATISFACTION

To assess direct and indirect relationships among the relationship marketing variables on customer satisfaction, the researcher followed descriptive analysis and regression equation modeling. This study proposed to test the overall significance of the regression model:
Let: Customer Satisfaction = Y, Competence = X1, Communication = X2, Conflict handling = X3, Commitment = X4, Social and Financial bonds = X5, Trust = X6, and Error term = E

Then: Y = Constant + B1X1 + B2X2 + B3X3 + B4X4 + B5X5 + B6X6 + E

Where: B = coefficients which show the direction of relation between dependent and independent variables.

X = mean scores of the various variables of relationship marketing

The study found a significant relationship between relationship marketing and customer satisfaction (F=9.2, p<0.05). This means competence, communication, conflict handling, commitment, social/financial bonds and trust jointly determine customer satisfaction. See Table 4.11 for details. An R-Square of 0.159 shows that competence, communication, conflict handling, commitment, social/financial bonds and trust jointly determine 15.9% of customer satisfaction.

Table 4.11: Customer satisfaction with regards to relationship marketing (ANOVA)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>22.301</td>
<td>6</td>
<td>3.717</td>
<td>9.186</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>118.147</td>
<td>292</td>
<td>.405</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>140.448</td>
<td>298</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

R-Square = 0.159, Adjusted R-Square = 0.141, S.E. = 0.63

Comparatively, the biggest determinant of customer satisfaction is competence (8.4%). This is followed by trust (3.5%), commitment (2.1%), conflict handling (2.1%), social and financial bonds (1.1%), and communication (0.6%) respectively. Among the six determinants only competence has a significant effect on customer satisfaction (p<0.05). Therefore trust, commitment, conflict handling, social and financial bonds, and communication could be dropped from the model. We can therefore conclude that competence determines customer satisfaction. Specifically, an improvement in competence will lead to an increase customer satisfaction. See Table 4.12 for details.
Table 4.12: Customer satisfaction with regards to relationship marketing (Coefficients)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.283</td>
<td>.508</td>
<td>2.523</td>
</tr>
<tr>
<td></td>
<td>Competence</td>
<td>.084</td>
<td>.019</td>
<td>.268</td>
</tr>
<tr>
<td></td>
<td>Communication</td>
<td>.006</td>
<td>.019</td>
<td>.019</td>
</tr>
<tr>
<td></td>
<td>Conflict handling</td>
<td>.021</td>
<td>.022</td>
<td>.059</td>
</tr>
<tr>
<td></td>
<td>Commitment</td>
<td>.021</td>
<td>.017</td>
<td>.072</td>
</tr>
<tr>
<td></td>
<td>Social and Financial Bonds</td>
<td>.011</td>
<td>.012</td>
<td>.056</td>
</tr>
<tr>
<td></td>
<td>Trust</td>
<td>.035</td>
<td>.021</td>
<td>.103</td>
</tr>
</tbody>
</table>

The regression (prediction) equation on the above model is as follows:

Assuming: Customer Satisfaction = Y, Competence = X, Communication = X, Conflict handling = X, Commitment = X, Social and Financial Bonds = X, Trust = X, and Error term = E, then it can be deduced from the above Table that:

\[ Y = 1.28 + 0.084X_1 + 0.006X_2 + 0.021X_3 + 0.021X_4 + 0.011X_5 + 0.035X_6 + E. \]

The next section discusses these co-efficients to depict their (in)significance.

4.6.1 Competence and Customer Satisfaction

Narteh, (2009), found that the competence displayed by Ghanaian banks led to improved customer satisfaction. This study thus assumed that competence will have a positive effect on customer satisfaction. That is, the competence displayed by hotels impact on their customers becoming satisfied. Thus will a positive change in the hotels’ level of competence attract a positive change in the overall customers’ satisfaction? Similarly, a regression analysis was used to test for the relationship between the two variables. This statistical tool was used to test for the relationship between the two variables because of
its parametric strength. The results of the current study are summarized in Table 4.12.1 below.

Table 4.12.1: Competence and Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.283</td>
<td>.508</td>
<td></td>
<td>2.523</td>
</tr>
<tr>
<td>Competence</td>
<td>.084</td>
<td>.019</td>
<td>.268</td>
<td>4.420</td>
</tr>
</tbody>
</table>

The results, (table 4.12.1) above \( t = 4.42, P = 0.000 < 0.05 \) indicates that the positive unstandardized coefficient of 0.084 denote a statistically strong significant relationship between hotels' competence and how it affects customer satisfaction. This appears to suggest that hotels' customers in Ghana consider the competence levels of their service providers as a very important factor in satisfying their customers. If customers' perceive the competence of a hotel to be good and satisfactory, they will definitely patronize that hotel and hence expect to receive the same or better service either from the same or a different hotel with similar competence level in a future encounter and vice versa. Thus, the future expectations of customers could be influenced by how they perceive competence levels in their hotels. This result thus confirms Narteh (2009)'s findings in the Ghanaian banking sector that competence determines customer satisfaction.

4.6.2 Communication and Customer Satisfaction

Ndubisi and Cha, (2005) found that effective communications by marketers with their customers will have a positive effect on the customers to become satisfied. That is, customers' satisfaction will be impacted by the communication efforts of these hotels. Thus the assumption was made that a strong positive relationship would mean that a unit change in the communication efforts of the hotels would attract a significant change in
satisfaction as far as customers are concerned. Using a regression analysis to establish the strength of the effect of hotels’ communication efforts on the probability of their customers becoming satisfied, the table (4.12.2) below was obtained.

Table 4.12.2: Communication and Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.283</td>
<td>.508</td>
</tr>
<tr>
<td>Communication</td>
<td>.006</td>
<td>.019</td>
</tr>
</tbody>
</table>

The results of the Table 4.12.2 above (t=-0.30, P = 0.77 > 0.05) indicate that there is a positive coefficient (0.006) between communication and customer satisfaction. However, the relationship is not statistically significant (P > 0.05) at the stipulated 5% level of significance. The strength of the relationship judging from the regression coefficient and p-value indicates that though the relationship is positive, it is not statistically significant. This means that though both communication and customer satisfaction affect each other, the existing relationship has been found to be insignificant.

This finding shows that customers’ satisfaction is not strongly dependent on how their service providers communicate to them. Thus although a customer may experience poor communication in an encounter, his/her initial perceptions of the service encounter will remain high. This finding also confirms earlier ones by Ndubisi and Cha, (2005) and Narteh, (2009), even though the latter, found communication to be significant in the banking sector.
4.6.3 Conflict handling and Customer Satisfaction

As regards the relationship between conflict handling and customer satisfaction, the research framework assumed that effective conflict handling by hotels will have a positive effect on customers' level of satisfaction. Thus, how would customer satisfaction be affected by the hotel's ability to resolve conflicts? Again, a strong positive relationship would mean that a unit change in the conflict handling efforts of the hotels would attract a significant change in satisfaction as far as customers are concerned. A regression model was used to test for the significance of conflict handling at the instance of hotels, on satisfaction at the instance of customers. The results are summarized in Table 4.12.3 below.

Table 4.12.3: Conflict handling and Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.283</td>
<td>.508</td>
</tr>
<tr>
<td>Conflict handling</td>
<td>.021</td>
<td>.022</td>
</tr>
</tbody>
</table>

The results of Table 4.12.3 above (t=0.946, P = 0.35 > 0.05) indicate that the coefficient (0.021) between conflict handling and customer satisfaction is positive. However, the relationship is not statistically significant (P > 0.05) at the stipulated 5% level of significance. The strength of the relationship judging from the regression coefficient and p-value indicates that though the relationship is positive, it is not statistically significant. This means that though effective conflict handling impacts positively on customer satisfaction, its impact is not momentous. Thus, the avoidance of conflicts; solving manifest problems; openly and promptly discussing solutions when problems arise; listening well and understanding customer grievances will not significantly improve
customer loyalty especially within Ghanaian hotels. Thus a company’s inability to solve manifest conflicts may still leave the customer indifferent as far as satisfaction is concerned.

4.6.4 Commitment and Customer Satisfaction

An observation made by Wilson (1995), suggested that commitment is the most common dependent variable used in buyer-seller relationship studies. The framework therefore describes customer satisfaction as the result of effective commitment by hotels to customer needs. That is, how customers perceive the hotel’s commitment to satisfying their needs will positively increase their satisfaction levels. A unit change in the commitment levels of the hotels would therefore attract a significant change in satisfaction as far as customers are concerned. After using a regression analysis to test for the significant relationship between commitment on the part of hotels, and customer satisfaction, the following results were obtained as shown in table 4.12.4 below.

Table 4.12.4: Commitment and Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std. B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>Constant</td>
<td>1.283</td>
<td>.508</td>
</tr>
<tr>
<td>Commitment</td>
<td>.021</td>
<td>.017</td>
</tr>
</tbody>
</table>

The results above (t=1.23, P = 0.22 > 0.05) indicate that there is a positive coefficient (0.021) between commitment and customer satisfaction. However, the relationship is not statistically significant (P > 0.05) at the stipulated 5% level of significance. The strength
of the relationship judging from the regression coefficient and p-value indicates that though both commitment and customer satisfaction affect each other, the existing relationship between the two is insignificant. Therefore in Ghanaian hotels, no matter how committed employees are to customer's needs, if the hotel is perceived to be incompetent, satisfaction levels of customers will not be enhanced any bigger.

However, the findings agree with Morgan and Hunt, (1994) and Leverin and Liljander, (2006) who also found that commitment positively influences customer satisfaction. Recently, too Narteh, (2009), also confirmed this finding in Ghana however within the banking sector.

4.6.5 Social and Financial Bonds and Customer Satisfaction

The framework based on current literature, sought to argue that where hotels maintain stronger relational bonds (social and financial) with their customers, customers’ level of satisfaction will increase. Thus, a strong positive relationship would mean that a unit change in the way hotels relate socially and financially with their customers would lead to a significant change in satisfaction as far as customers are concerned. The regression analysis used to ascertain the impact of relational bonds on customer satisfaction revealed the table below.

Table 4.12.5: Social and Financial Bonds and Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.283</td>
<td>.508</td>
</tr>
<tr>
<td>Relational bonds (Social and Financial)</td>
<td>.011</td>
<td>.012</td>
</tr>
</tbody>
</table>
The results of table 4.12.5 above \((t=-0.92, P = 0.36 > 0.05)\) indicates a positive coefficient \((0.011)\) for relational bond as influencer of customer satisfaction. However, the relationship is not statistically significant \((P > 0.05)\) at the stipulated 5% level of significance. The strength of the relationship judging from the regression coefficient and p-value is not strong enough to cause any significant change. This finding shows that customers' satisfaction is not strongly dependent on how their service providers build social and financial bonds with them. From the data gathered for this study, a lot of customers said their levels of satisfaction would not necessarily improve just because of good relationships they may have with the service provider. They believed more in providing competence services if their satisfaction levels were to increase significantly. This therefore means that, regular checks on customers, sending gifts to customers on special occasions, providing sponsorship packages, discounts, treating customers as friends and involving employees in family events of customers alone, will not lead to any significant increase in customer satisfaction though its impact will still be. This finding agree with earlier findings of Lin et al., 2003; and Hsieh et al., 2005; Ndubisi and Cha, 2005 and Narteh, 2009.

4.6.6 Trust and Customer Satisfaction

As said in the literature, trust has frequently been mentioned as one of the most important underpinnings of relationship marketing (Morgan and Hunt, 1994; Bitner, 1995; Reichheld and Sasser, 1990). Based on the literature, the conceptual framework assumes that the level of trustworthiness on the part of the hotels as perceived by a customer, would determine the satisfaction levels of customers. That is, how does trust as a single relationship marketing construct affect customer satisfaction? As such would a positive relationship mean that a unit change in the trustworthiness of the hotels would attract a significant change in satisfaction as far as customers are concerned? To answer this, a regression analysis was used to establish the effect of trust as influencer of customer satisfaction. The statistical tool was used to test for the significance of the strength of trust in determining customer satisfaction. The result is summarized in Table 4.12.6 below.
The results of the Table 4.12.6 above ($t=1.66$, $P = 0.098 > 0.05$) indicate that there is a positive coefficient (0.035) for trust, meaning trust positively affects customer satisfaction. However, the strength of relationship judging from the regression coefficient and p-value is not statistically significant ($P > 0.05$) at the stipulated 5% level of significance. This finding shows that customers’ satisfaction is not strongly dependent on how trustworthy their service providers are to them. For instance, some customers who responded to the questionnaire said even though some experiences have led them not to trust their hotels, such experiences did not have any effect on their overall satisfaction levels. The researcher thus takes this to mean hotels showing concern for the security of customers’ transactions, promising and delivering on time, showing respect to customers, fulfillment of obligations, and building absolute confidence in your services alone without being competent, will not achieve any high results in terms of making the customer satisfied. This finding in spite of its insignificance still confirms that, trust impacts positively on customer loyalty. (see Morgan and Hunt, 1994; Gronroos, 1994)

### 4.6.7 CUSTOMER SATISFACTION AND HOTEL TYPE

There is a significant difference between the satisfaction levels of the customers of the various hotels ($F=9.3$, $p<0.05$). 5-Star hotels have the most satisfied customers (with a mean score of 4.74). This is followed by 4-Star hotels (with a mean score of 4.62), 3-Star hotels (with a mean score of 4.54) and 2-Star hotels respectively (with a mean score of
4.14). This means the higher the level of hotel, the higher the satisfaction level of the customer. See Table 4.13.

Table 4.13: Customer satisfaction with regards to hotel type

<table>
<thead>
<tr>
<th>Type of hotel</th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Star</td>
<td>4.1400</td>
<td>50</td>
<td>1.06816</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Star</td>
<td>4.5400</td>
<td>100</td>
<td>0.55814</td>
<td>8.1</td>
<td>0.000</td>
</tr>
<tr>
<td>4 Star</td>
<td>4.6200</td>
<td>100</td>
<td>0.56461</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Star</td>
<td>4.7400</td>
<td>50</td>
<td>0.44309</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4.5333</td>
<td>300</td>
<td>0.68590</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.7 CUSTOMER SATISFACTION AND CUSTOMER LOYALTY

To assess direct and/or indirect relationships between customer satisfaction and customer loyalty, the researcher followed descriptive analysis and regression equation modeling. It was found that there is a significant relationship between customer loyalty and customer satisfaction (F=56.3, p<0.05). This means customer satisfaction determines customer loyalty. See Table 4.14 for details. The R-Square (0.159) shows that customer satisfaction determines 15.9% of customer loyalty.

Table 4.14: Customer loyalty with regards to Customer satisfaction (ANOVA)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>389.261</td>
<td>1</td>
<td>389.261</td>
<td>56.283</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>2060.989</td>
<td>298</td>
<td>6.916</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2450.250</td>
<td>299</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

R-Square= 0.159, Adjusted R-Square =0.156, S.E. =2.63

4.7.1 Loyal customers who are not satisfied

It can be deduced that relationship marketing has a more significant effect on customer loyalty than it does on customer satisfaction (ANOVA and R-Square results). The preceding section reveals that customer satisfaction determines just about 15.9% of
customer loyalty whereas Relationship Marketing determines 35.1% of customer loyalty. This implies that there may be loyal customers who are not necessarily satisfied. Therefore, an independent question asked about loyal customers who are not satisfied revealed that there were a total of 11 (3.7%) customers who are loyal but are not satisfied with the overall performance of their hotels. This is due to the fact that 97.3% of the customers have either average or high loyalty towards the hotels but only 93.7% of them either have an average or high satisfaction.

With respect to the individual classes of hotels, it was found that 2-Star hotels have a significant percentage (22%) of the respondents who are loyal but not satisfied with the overall services offered by the hotels. 3-Star hotels and 5-Star hotels have no loyal customers who are not satisfied with the overall services offered by the hotels. Only 2% of the customers of 4-star hotels are loyal but not satisfied with the overall services offered by the hotels. (See Figure 4.4) Therefore, it can be concluded that although there may be some loyal customers who are not necessarily satisfied, in most cases however, customers who are loyal are also satisfied with the services provided by their hotels. This means that it is not all loyal customers who are necessarily satisfied customers. These findings therefore confirms the findings of Bennett and Rundle-Thiele, (2004) who also argued that it is not all satisfied customers who are loyal customers.

**Figure 4.4: Loyal customers who are not necessarily satisfied**

![Bar Chart](image-url)
Research question four
What are the major practical challenges faced by Ghanaian hotels as they attempt to implement the concept of relationship marketing as a way of winning customer loyalty?

The final motivation for undertaking this study was to bring to the fore the main challenges Ghanaian hotels, in their quest to implement relationship marketing as a loyalty drive, face. This section therefore addresses these factors which act as constraints to Ghanaian hotels as they take steps to win the loyalty of their customers through relationship marketing. Loyal customers do not only require less information themselves, they also serve as an information source for other customers. Yet building customer loyalty is one of the biggest challenges for the hotel industry (Yesawich, 1997).

In finding out what practical challenges Ghanaian hotels faced in the implementation of relationship marketing, the researcher used a qualitative method of data collection specifically in-depth interviews with sales managers and executives of seven out of the 10 hotels surveyed. Three of the targeted respondents refused to grant an interview to the researcher with the explanation that, it was against their hotel’s policies. The challenges as discussed in this section are therefore responses of these seven managers and executives who participated in the interviews.

4.8 PRACTICAL CHALLENGES FACING GHANAIAN HOTELS

The findings revealed that Ghanaian hotels are faced with a number of challenges in their attempt to implement relationship marketing as a strategy towards achieving customer loyalty. Apart from the features of the industry which generally constrain the operations of hotels, such as the perishability (where rooms left unsold on any given night can never be resold), the fixed nature of supply, such that, additional rooms to a hotel cannot be done overnight, and the inability to change location although the characteristics of a location can change, the study found that there were some specific challenges peculiar to the Ghanaian hotels as they implement the relationship marketing concept. These findings are discussed below.
4.8.1 High cost of building relationships

All participants of the in-depth interview cited high cost of building relationships as one of the major challenges of the effective implementation of relationship marketing. They further revealed that, the long-term maintenance of these relationships meant investing huge amounts of company resources such as high telephone bills, high fuel costs, as well as increased depreciation of equipments such as company vehicles. For instance two of the participants are quoted as saying

"Marketing wants to do more to retain and maintain and retain clients, but there are serious constraints such as financial and budgeting and you know that relationship maintenance also involves money"

"As you know running a hotel is both capital and labour intensive and as such the budget for marketing is never sufficient"

The interviews also revealed that, the multiplicity of taxes faced by Ghanaian hotels such as income tax, corporate tax, value added tax, permits and yearly allowances to relevant district assemblies among others makes it difficult for monies needed for the enhancement of relationships with customers to be allocated to marketing. This challenge was found to be common to all the surveyed hotels thus agreeing with Sharland, (1997), who argued that relationship marketing is expensive and costly to implement in spite of its numerous benefits.

4.8.2 Low level of management support

The second most common challenge raised by all the respondents to the interview is the issue of lack of management support for the effective implementation of relationship marketing as a strategy to winning customer loyalty. They explained that, management was only interested in short-term profitability and not long-term relationships with customers whose future commitment to the hotel was not easily predictable. For example:
"It is not as if management does not know the importance of having loyal customers; they know but yet they will not invest so much money into maintaining long-term relationships."

"Our hotel lost three key customers as result of slashed marketing budgets which prevented us from effectively enhancing our relationships with them. We lost them to our close rival because they felt well treated by our competitor."

"Management procedures and processes in the organization sometimes delay our efforts to build long-term relationships with our clients."

The interview revealed that, hotel managers preferred "quick businesses" than investing so much money in long-term relationships with customers thereby limiting the resources available to relationship managers for effectively implementing the concept of relationship marketing.

4.8.3 Manpower or Relevant Skilled Personnel

The interviewees mentioned the lack of manpower as a major challenge facing the hotel industry. Even in hotels where manpower was not a problem, personnel were found to lack the requisite skills and expertise needed for the effective implementation of relationship marketing. They complained about management's lack of interest in strengthening the manpower base of the marketing department which impacts negatively on the outcome of practicing relationship marketing since the practice becomes inconsistent. This is because the few relationship marketing personnel manage several relationships with several customers thereby having only limited time to spend with each customer.

"For relationship marketing to effectively lead to customer loyalty, the relationship must be consistent and regular, but in our case it is not so. This is because whilst demand is always increasing, there are fewer personnel to manage these clients."
Four of the interviewees mainly from two and three star hotels were very much concerned with the rate at which their skilled relationship managers were poached by higher rated hotels. They described this as one of their major challenges. This is because after investing huge amounts of money in training programmes for marketing personnel, they only end up leaving the job for better paid ones in higher rated hotels. For example:

"I've just lost two of my best performing sales executives to a top hotel in this country after years of training and impacting in them the skills involved in effective relationship building”

4.8.4 Lack of Adequate Database

Five participants in the in-depth interview agreed that data mining and warehousing as important as they may be have not been given the full attention by their hotels. The challenge was mainly the lack of personnel to constantly upgrade information about current customers. They identified poor addressing systems in Ghana, frequent changes in telephone numbers of clients, relocation of some clients without prior notice to their service providers as the main cause of this challenge. This problem was common to three and two star hotels. Even though the three interviewees from the four and five star hotels did not face much of a challenge with data capture, they did with data maintenance citing the same reasons as in above. All respondents however agreed that customers sometimes refuse to give the right information or simply do not provide any information at all. This makes it difficult for effective tracking of customers’ activities and relationship building.

"because customers’ are unwilling to provide full information about themselves, we find it very difficult to even segment our customers based on incomes, occupation, area one lives and status for the purposes of proper planning and targeting”

"even though we are willing to effectively communicate with and contact our clients on a daily basis, we are unable to do so because customers want to gain confidence in us before releasing any detailed information about themselves or their businesses. So you
can imagine a situation like that. How can we maintain effective relationships with them?"

4.8.5 Recent Cuts in Government expenditure

Four participating hotels mainly three, four and five star hotels, attested to the fact that recent announcement by government of its intention to cut down budget expenditure on conferences by ministries, agencies and departments is having a strong effect on marketing activities in the hotels. This is because most of these hotels depend largely on revenues from these governmental agencies. As a result of these reductions in expenditure by governmental agencies, revenues accruing to hotels have been hit badly. This is making it impossible for marketing to meet its targets due to further cuts in marketing budget. Even though two respondents from two star hotels did not mention this as a major challenge, they agree that it had minor effects on their marketing plan since most of their loyal customers were mostly private individuals and not necessarily public servants.

4.8.6 Low level of customer trust for relational bonds

Six out of the seven respondents to the interview, raised the low level of customer involvement and interest in the process of relationship marketing as one of the main challenges they currently faced especially with Ghanaian customers. Three of them explained that, many of their loyal clients did not want to be disturbed by constant telephone calls and messaging. This was supported by all the other participants. They attributed this to the fact that most of their customers lacked appreciation for long-term relationships and rather viewed the marketer’s attempt to build and maintain relationships with them (customers) as being forced to patronise their services even when they were not ready to do so. They thus do not consider buying hotel services as an impulsive decision. For example:

"Most of our clients simply lacked trust for the relationship we try to build with them; they think we want to exploit them for their monies"
“One of my regular clients sent me a message asking me to stop putting pressure on him and that whenever he was ready to patronise our hotel, he would inform me.”

In summary, the findings of this study revealed that relationship marketing is a strong determinant of customer loyalty. It also shows that Ghanaian hotels rely heavily on relationship marketing as a tool to winning customer loyalty. The study further revealed that not all loyal customers are equally satisfied customers. Finally the work exposes many of the practical challenges facing the Ghanaian hoteliers in their attempt to implement relationship marketing strategy.
CHAPTER FIVE
CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

5.1 Introduction
The previous chapter presented the findings of the study. This chapter concludes the study. It begins by restating the objectives of the research and the methodology that was employed in the data collection process. The chapter continues with the key findings of the research as well as the theoretical and practical implications or possible recommendations to hoteliers in Ghana. The chapter ends by giving its conclusions and suggestions for further studies.

The major goal of this study was to examine the relationship between Relationship Marketing and Customer Loyalty. Specifically, the study was meant to explore the impact of relationship marketing on customer’s decision to remain loyal to their service providers. Thus does the practice of relationship marketing strategy lead to increased customer loyalty in the Ghanaian hospitality industry as have been found in other countries? The research also sought to find out whether any relationship exists between Relationship marketing practices, customer satisfaction and customer loyalty. In other words, does the fact that customers are satisfied with the relationship strength means they will automatically become loyal to the hotel; and are all loyal customers satisfied? The study also sought to examine the extent of relationship marketing practice amongst Ghanaian hotels. The theses thus developed and empirically tested a model that leads to a better understanding of relationships between relationship marketing practices, customer satisfaction, and customer loyalty in rated hotels in Ghana. In order to answer the research questions posed in chapter one, the study extended relational practices to include relational bonds and competence in addition to the common relationship constructs such as commitment, trust, conflict handling and communications.
A survey methodology was adopted and questionnaires were used as the major data collection tool. Three hundred (300) out of five hundred (500) customers of rated hotels (2 to 5 star hotels) responded to the questionnaire. In addition, in-depth interviews were also conducted with marketing, sales managers and sales executives of seven (7) hotels on the challenges and constraints they faced as they implemented the relationship marketing strategy.

5.2 Findings

The findings are discussed in relation to the objectives of the study.

Research Objective One

The extent of relationship marketing practice amongst Ghanaian hotels

All sampled hotels admitted that, there is increasing competition within the hospitality industry and subsequently revealed that they relied heavily on long-term relationship building in maintaining their customers. With this in mind, the researcher sought to examine the extent of relationship marketing practices from the customers’ point of view based on the degree to which customers agreed with the positive statements on the relationship practices of their hotels as presented in the questionnaire.

Responses obtained showed that the practice of the various relationship marketing constructs tested in this study were at an appreciable level. Thus hotels in Ghana appear to be relying heavily on the use of relationship marketing to achieve competitive advantage and subsequently customer loyalty. This confirms earlier revelations made by the sales managers and executives to the fact that they rely more on relationship marketing as a marketing strategy in the face of increased competition. The responses showed that competence, communication, conflict handling, commitment, social and financial bonds and trust all obtained a mean score of between approximately 4 and 5. This means that hotels in Ghana show high levels of competence, communicate more often with their customers, avoid conflicts and resolve any conflicts that may arise fairly,
are committed to the needs of their customers, relates exceptionally well with their customers and maintain a high level of trust between themselves (hotels) and their customers. Amongst all the practices however, the responses obtained clearly showed that hotels pay the biggest attention to trust in their relationship marketing practices which is closely followed by competence, conflict handling, communication, commitment and social and financial bonds respectively.

Research objective two

The relationship between relationship marketing and customer loyalty in the Ghanaian Hospitality (hotel) industry

This main objective of this study was to find out whether there is a positive relationship between relationship marketing and customer loyalty. A regression model was computed to determine how the six relationship marketing practices impact on customers’ decision to remain loyal to their service providers. In other words, which of the practices of relationship marketing has a stronger effect on customer loyalty within Ghanaian hotels? The results showed that there is a significant relationship between relationship marketing and customer loyalty (F=26.4, p<0.05). This means competence, communication, conflict handling, commitment, relational bonds (social and financial), and trust jointly determine customer loyalty. An R-Square of 0.351 was obtained indicating that all six relationship marketing practices jointly determine 35.1% of customer loyalty. An attempt made to estimate how the individual variables contribute to customer loyalty revealed that amongst all the six practices of relationship marketing, competence is the biggest determinant of customer loyalty, closely followed by relational bonds, commitment, trust, conflict handling and communication respectively. The findings also revealed that competence, commitment, trust and relational bonds have significant effects on customer loyalty (p<0.05). Communication and conflict handling appeared not to exert too much significance in determining customer loyalty in the Ghanaian hotel industry.
Research objective three

The relationship between relationship marketing, customer satisfaction and customer loyalty

The above research objective sought to clearly establish the relationship between relationship marketing, customer satisfaction and customer loyalty. The work depicted a situation where relationship marketing could have two outcomes. The assumption is that relationship marketing can make customers loyal. Similarly, relationship marketing can lead to customer satisfaction before making customers loyal. A closely related question that was also addressed is “are all loyal customers satisfied with the overall performance of their hotels” or “does satisfaction automatically lead to customer loyalty?” these research questions were answered in two forms. First a link was drawn between relationship marketing and customer satisfaction and subsequently a link was drawn between customer satisfaction and customer loyalty.

Relationship marketing and customer satisfaction

A one way ANOVA was performed using relationship marketing as the independent variable and customer satisfaction as the dependent variable. With a significance level 0.000 or P<0.05, an F-statistics value of 9.2 was obtained meaning there is a significant relationship between relationship marketing and customer satisfaction. This means competence, communication, conflict handling, commitment, relational bonds, and trust jointly determine customer satisfaction. Subsequently, an R-square of 0.159 showed that competence, communication, conflict handling, commitment, relational bonds and trust jointly determine 15.9% of customer satisfaction. The findings also revealed that comparatively, the biggest determinant of customer satisfaction is competence (.084). This is followed by trust (.035), commitment (.021), conflict handling (.021), relational bonds (.011) and communication (.006) respectively. Thus amongst all six determinants of customer satisfaction, only competence was found to have a significant effect on customer satisfaction (p<0.05). The study can therefore conclude that within the Ghanaian context, particularly the hospitality industry, relationship marketing practices
determines 15.9% (percent) of customer satisfaction with competence having the greatest impact on customer satisfaction.

The findings also revealed significant differences between the satisfaction levels of the customers of the various sampled hotels (F=9.3, p<0.05). Thus, 5-star hotels have the most satisfied customers, followed by 4-star hotels, 3-star hotels and 2-star hotels in that order.

**Customer satisfaction and customer loyalty**

This second part of this question sought to find out whether customer satisfaction is positively related to customer loyalty. In other words are all loyal customers satisfied with their service providers? The findings revealed that there is a significant relationship between customer satisfaction and customer loyalty (F=56.3, p<0.05). This means that customer satisfaction determines customer loyalty. An R - square value of 0.159 shows that customer satisfaction determines 15.9% of customer loyalty. The findings also revealed that relationship marketing has a more significant effect on customer loyalty than it does on customer satisfaction (ANOVA and R – Square results).

The findings also revealed that whereas relationship marketing determines 35.1% of customer loyalty, customer satisfaction determines only 15.9% of customer loyalty. The study therefore shows that there may be some loyal customers who are not necessarily satisfied. The findings showed that, only 3.7% of respondents are loyal to their service providers but are not satisfied with the overall services offered by the hotels. The findings showed that a significant percentage (22%) of such customers came from the 2-star hotels and only 2% from 4-star hotels. However, 3-star and 5-star hotels were found to have no customers who are loyal and not satisfied with the overall services offered by the hotels. As such the study can conclude that not all loyal customers are satisfied customers.
Research Objective Four

Challenges faced by Ghanaian Hotels as they implemented relationship marketing in their operations.

The marketing environment differs from one country to the other and as such businesses and consumers are likely to exhibit varying behaviours towards each other. Because of these differences in marketing environments, this study sought to explore the practical challenges peculiarly faced by Ghanaian hotels as they implemented relationship marketing in their operations. The findings revealed that the extent of relationship marketing practice amongst Ghanaian hotels is high however an in-depth interview with seven (7) sales executives, marketing and sales managers revealed that a number of factors impede the efforts of Ghanaian hotels to implement relationship marketing. These practical challenges included high costs involved in building and maintaining long-term valuable relationships with their customers, low level of management support, lack of manpower and relevant skilled personnel, difficulty in tracking, capturing and continuously updating customer data due to poor technological facilities in the hotels, the massive cuts in government’s expenditure and low level of customer trust for relational bonds.

5.3 Theoretical and Practical Implications for Hotel Managers

This study focused on relationship marketing and customer loyalty in the hotel industry which falls within the services sector. Amongst the thirty relationship types proposed by Gummerson (1999), this study focused mainly on the relationship between service providers (business) and customers, thus business-to-customer relationships. Customer loyalty and satisfaction in the hotel industry has become a central issue to both managers and researchers. The reason is that it costs more to attract new customers than retaining old customers (Uncles et al, 2002). The benefits of relationship marketing are enormous, such that it impacts heavily on customer’s decision to be loyal, increase repeat purchases, and even lead to customers acting as agents of the service providers (Uncles et al., 2002). The literature pertaining to customer loyalty has also shown that loyal customers increase the overall profitability of service providers (hotels) (Reichheld and Sasser,
In the light of this, this research provides managerial implications for hotel managers as well as relationship marketers. The theoretical implication of this research is that the study provides empirical evidence within the Ghanaian context that the six practices of relationship marketing namely: competence, trust, commitment, communication, relational bonds, and conflict handling altogether have impact on customer loyalty. This study thus adds value to the literature by empirically linking a broader list of relationship marketing practices to customer loyalty. It therefore builds on earlier works in the area of relationship marketing and customer loyalty (Ndubisi, 2007; Ndubisi, 2004; Lee-Kelley et al., 2003; Leverin and Liljander, 2006; Guenzi and Pelloni, 2004) which linked an incomplete list of relationship marketing practices to customer loyalty and other researchers who have linked relationship marketing to customer satisfaction (example, Narteh, 2009) ignoring the ultimate goal of building customer loyalty.

The findings showed that, if a hotel wants to achieve a high rate of customer loyalty, then relationship marketing should be relied upon as a major strategy. In other words hotels must make continuous efforts to effectively manage their relationships with their customers because the way they build and maintain these relationships could make a customer become loyal. Specifically, hotels must take the necessary steps to improve upon their competence. In this instance, managers must have a greater understanding of the needs of their guest and envisage a guest’s experience as satisfying a need rather than just selling a service. By improving competence levels, managers should take the necessary steps to deploy knowledgeable staff that will be capable of providing accurate and timely services whilst being passionate about service quality. Therefore, intensive technical training programs are required to deliver services that are not only satisfactory but delightful. Training programs that are designed to give employees the skills to do their job must be made a minimum requirement. Continuous training and large investment in customer service as well as technical training are needed to ensure consistency in quality service delivery. Employees in turn must display a desire to provide first class service to its customers to win their confidence. These factors in combination lead to customer loyalty. For example:
"I would advise an improvement in the service delivery of the hotel and I would suggest that people centered and proper training methods be adopted to meet the dynamic needs of the customers"

"service excellence must be taken seriously by the hotel if they want us to continue coming back to them. Many service providers have not yet come to terms with this"

"my suggestion is that the hotel needs to be more proactive and competent with their dealings with us. They should improve on their aging assets and learn how to sole conflicts more competently"

Trust as revealed by the findings is an important determinant of customer loyalty in Ghanaian hotels. Managers must therefore put in place measures that will lead to customers building trust for them. Managers must thus make efforts to keep promises made to customers, protect customers’ information, and providing quality service in such a way that they win the customers’ confidence.

"there should be enough customer confidentiality where I can discuss personal problems and issues with the service provider. This will boost my confidence in the relationship"

Commitment also proved to be a strong determinant of the strength of relationship marketing and thus a useful construct for measuring customer loyalty. The practical implication to managers is that, managers must place a lot more emphasis on the building and maintaining of valued relationships. By this, hotels must be committed to the needs of the customers by making adjustments to suite customer’s needs, offering personalized services to meet customers’ personal needs, showing genuine commitment to customer relations, clearly understanding customer needs and flexibly serving them. For example:

"the hotel’s response to customer needs must be swift and very prompt and must meet the exact need of the customer. They must be willing to adjust to suite the customer’s taste"
Furthermore, if hotels want to increase customer loyalty, they must encourage the building of strong relational bonds in the form of social bonds between their employees and customers. Employees must therefore regularly check on their customers, send customers' special gifts on special occasions such as surprise birthday cards and flowers. Not only must hotels show concern for customer needs, they must take steps to also involve customers' in their social functions and treat them as real friends, not just customers. If possible, hotels should go the extra mile of even participating in family events of their customers. For example:

"I would further suggest that better relationships be established between the guests and hotel management in ways that would engender better loyalty. i.e. lots of follow-up visits and frequent face to face interactions not only telephone calls"

"this hotel must create a lot more loyalty programmes like the frequent guest programmes and communicate more with us especially through the internet. They must keep us closer to them and get in touch regularly not only when we are in the hotels. They should stop pretending and be real"

"my service provider should be more flexible when it comes to offering discounts on prices. I mean they should give more discounts"

"the hotel should be contacting regular and frequent customers like us on a regular interval in order to keep us permanently and also they must show appreciation to us regular customers in very kind manners like offering bigger discounts or gifts"

"I suggest that management should find out how my business is doing because without my business, I will not lodge here in their hotel"
With respect to financial bonds, hotels must offer more discounts to customers and design special financial packages for their customers such as club cards, frequent stay programmes and sponsored packages such as free trips to tourist sites and other interesting places. This is a sure way to achieving customer loyalty.

5.4 Conclusions and Suggestions for future studies

This research has clearly shown that relationship marketing practices jointly have a significant influence on customer loyalty within the Ghanaian hotel industry. This means that, marketers aiming at building and maintaining long term beneficiary relationships with their customers hoping to win their loyalty must pay attention particularly to competence, trust, relational bonds, and commitment.

This study was limited to only 10 hotels within the Greater Accra region of Ghana even though there are more than one thousand hotel and accommodation facilities spread across the country. The researcher recommends that future research should include more hotels so that the findings could be more generalized across the hospitality (hotel) sector. The study again was only limited to the hospitality sector. However, future research could go beyond the hospitality sector to study other sectors such as the telecommunications industry, insurance sector as well as the banking sector. The researcher also recommends that further research be done to determine how relationship marketing practices impact on the various sexes’ (male and females). This study assessed the impact of relationship marketing practices on customer loyalty in the hotel industry but within the Ghanaian context. Therefore future research could extend this study to cover other African countries in order to explore the extent of relationship marketing practice in their hotel industry and how it impacts on customer loyalty due to differences in macro-environmental factors and consumer behaviour.

Overall, this research provides a useful and practical model that can be used by managers to develop relationship marketing strategies aimed at not only satisfying customers but also gaining customer loyalty within the hospitality (hotel) sector.
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APPENDIX I

QUESTIONNAIRE FOR LOYAL CUSTOMERS

Topic: Relationship Marketing and Customer Loyalty in Ghanaian Hospitality

This questionnaire relates to a research project being conducted on the topic “Relationship Marketing and Customer Loyalty in the Ghanaian Hospitality Industry”. This research is aimed at investigating whether the practice of relationship marketing in Ghanaian hotels necessarily lead to customer loyalty and to extend the extent of appreciation of the concept of relationship marketing amongst Ghanaian hotels. The researcher would therefore be grateful if you could provide answers to the questions below. The academic nature of the study naturally means that all your responses will be treated with the strictest confidence.

Section I

Please read each one of the following and tick the slot that corresponds to the option that appropriately captures your level of agreement with each of the statements. Where

- Strongly Agree = 5
- Agree = 4
- Neutral = 3
- Disagree = 2
- Strongly Disagree = 1

<table>
<thead>
<tr>
<th>COMPETENCE</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The hotel is excellent in service delivery</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>2 The hotel’s staff are very efficient in customer handling</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3 The hotel’s staff have excellent knowledge about their work</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>4 The hotel’s staff possess excellent hotel management skills</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMMUNICATION</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 The hotel provides timely and trustworthy information</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>6 The hotel provides information when there is any new service</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>
7. The hotel discusses with me new ways of improving their services to my benefit
   Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
8. The hotel provides accurate information always.
   Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
9. The hotel’s staff are easily approachable
   Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2

CONFlict HANDLING:
10. The hotel tries to avoid potential conflicts
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
11. The hotel tries to solve manifest conflicts before they create problems
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
12. The hotel has the ability to openly and promptly discuss solutions when problems arise
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
13. The hotel listens well and understands my grievances
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2

COMMITMENT
14. The hotel makes adjustments to suit my needs
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
15. The hotel offers personalized services to meet my personal needs
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
16. The hotel understands my needs and is flexible in serving them.
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2

SOCIAL AND FINANCIAL BONDS
17. The hotel regularly checks on me
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
18. The hotel sends me gifts on special occasions
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
19. The hotel involves me in their social functions
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
20. The hotel gives me special discounts on all purchases
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
21. The hotel offers me financial packages on regular basis
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
22. The hotel treats me as a friend not just a customer
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
23. The hotel participates in my family’s social functions
    Strongly Agree: 5  |  Agree: 4  |  Neutral: 3  |  Disagree: 2
TRUST

24 The hotel is very concerned with security for my transactions 
   5 4 3 2

25 The hotel's promises are reliable and consistent 
   5 4 3 2

26 Employees of the hotel show respect to customers 
   5 4 3 2

27 The hotel fulfill its obligations to its customers 
   5 4 3 2

28 I have absolute confidence in the hotel's services 
   5 4 3 2

CUSTOMER LOYALTY

29 I have never considered switching to another hotel 
   5 4 3 2

30 I am a loyal customer to the hotel 
   5 4 3 2

31 I would recommend the hotel to my friends and family 
   5 4 3 2

32 I consider the hotel as first choice among other hotels 
   5 4 3 2

33 I will always take the risk to try their new products 
   5 4 3 2

34 Price increases will not affect my loyalty to the hotel 
   5 4 3 2

SATISFACTION AND LOYALTY

35 I am satisfied with the overall services provided by the hotel 
   5 4 3 2

36 I am loyal to the hotel but not satisfied with their overall services 
   5 4 3 2

SECTION II

Background Information

37 Sex 
   1. (Male) 
   2. (Female)

38 Occupation 

39 Age 
   (1) 18 – 30 
   (2) 31 – 50 
   (3) 51 – 70 
   (4) Above 70

40 Country of origin 

41 Name of hotel 

42 For how long have you been using the services of this hotel?

(1) 1 year  (2) 2 years  (3) 3 years  (4) More than 4 years

ADDITIONAL INFORMATION

If your service provider should ask you ways of improving their relationship with you, what other ways would you suggest to them apart from the above options?

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Thank You for your cooperation and for being part of this study.
APPENDIX II INTRODUCTORY LETTER
UG\[\text{Logo}\]|BS
University of Ghana Business School

26TH March, 2009

The Human Resource Manager

 ..................................................

Dear Sir/Madam,

LETTER OF INTRODUCTION: MR. GEORGE CUDJOE AGBEMABIESE
This is to introduce to you Mr. George Cudjoe Agbemabiese, who is a final year MPhil student of the University of Ghana Business School (University of Ghana) Legon. As part of the graduation requirements, each student is expected to write a dissertation. The topic he has chosen is “Relationship Marketing and Customer Loyalty in the Ghanaian Hospitality Industry”. The main focus of the study is that Relationship Marketing can lead to customer satisfaction and increased customer loyalty in the hospitality (hotel) industry.

He has selected your hotel to help in the empirical investigations. I shall be very grateful if you could give him all the necessary assistance he needs to enable him complete his study. I assure you that the information that you provide will be kept confidential and will be used for only academic purposes.

Thanks for your anticipated co-operation.

Yours faithfully,

Dr. Bedman Narteh (Supervisor)

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