

**EFFECT OF REVENUE MANAGEMENT PRACTICE ON CUSTOMER  
RELATIONSHIP IN 5- STAR HOTELS IN NAIROBI'S CENTRAL BUSINESS  
DISTRICT IN KENYA**

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**DECEMBER 2013**

**Declaration**

This report is my original work and has not been presented for a degree in any University.

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**Declaration by supervisor:**

I confirm that the work in this report was done by the candidate under my supervision.

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Date

## **Dedication**

This research project is dedicated to my beloved mother Monica Nyanganyi and two brothers Fred Osoro Bichage and Collins Maranga Bichage and my late grandmother Peninah Kwamboka, who have offered me inspiration, spiritual and emotional support from the time I started. Thank you and May God bless you abundantly.

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## **Operational Definition of Terms**

<b>Customer Relationship Management</b>	Process of managing detailed information about customers and carefully managing the customer “touch points” with the aim of maximizing customer loyalty.
<b>Dynamic Pricing</b>	Where sales of identical goods or services are transacted at different prices from the same provider.
<b>Nairobi Central Business District</b>	Is a designated commercial area of Nairobi city, which is typified by a concentration of social, economic and political institutions. The Nairobi business area boxed within main roads; Haile Selassie Avenue, Processional road Nyerere road and Moi Avenue and University Way.
<b>Revenue management</b>	Is an umbrella term for a set of strategies that enable capacity-constrained service industries to realize optimum revenue from operations.
<b>5-star</b>	Rating and classification used to refer to a concept that categorizes hotels, mostly using stars as a symbol depending on quality of service rendered.

## **Abbreviations and Acronyms**

<b>AAA</b>	American Automobile Association
<b>B2B</b>	Business to Business
<b>B2C</b>	Business to Consumer
<b>CRM</b>	Customer Relationship Management
<b>DV</b>	Dependent Variable
<b>HQ</b>	Head Quarters
<b>IDV</b>	Independent Variable
<b>MNC</b>	Multinational Corporations
<b>NCBD</b>	Nairobi Central Business District
<b>RM</b>	Revenue Management
<b>SME</b>	Small Medium Enterprise
<b>USA</b>	United States of America
<b>WOM</b>	Word Of Mouth

## Abstract

Revenue management, the practice of controlling customer demand through the use of dynamic pricing and capacity management is required by hotels. The practice enhances profitable operations and prohibits collapse in organizations with perishable products. The study was specifically aimed at determining the effect of price dynamism on customer relationship, investigate the effect of credit facility by an organization towards customer relationship, and assess managerial implication on customer relationship. The study equally wanted to establish the mediating effect of trust and commitment on customer relationship in relation to revenue management practice. This research was focused on the hospitality industry with a survey of four (4) five (5)-star hotels in Nairobi located within the Central Business District, which are, Intercontinental, Sarova Stanley, Nairobi Safari Club and Serena Hotels. The study adopted exploratory approach and used descriptive survey design. In order to collect the relevant data, a semi-structured questionnaire and a structured interview schedule was developed. To ascertain the validity and reliability of the research instruments, a pre-test and pilot survey was conducted. A qualitative research approach was adopted for the investigation through in-depth interviews with respective managers from the selected 5-star hotels within NCBD. Qualitative and quantitative techniques were used to analyze both descriptive and inferential statistics. The findings were presented using tables and charts, percentages, tabulations, means and other measures of central tendency. The study found that a customer is motivated to come back to a hotel when the hotel minimizes offering prices that are justified to products/services, when low season prices do not meet value expectations, when there is an increase in discounts on low season prices, when there is an increase of high season prices meeting value expectations; when there is an increase in the attractive packages the hotel offers to enhance relationship and loyalty of customers, and when there is an increase of the prices that increases customers purchasing powers. The study also found that hotels offer temporary or permanent credit facility to customers. Majority (72.13%) of respondents used credit to pay for a portion of up to 80% of their total spending in hotels. The convenience offered by credit facility and the amount of spending paid by credit affected the extent to which credit facility enhances loyalty. Managerial commitment to enhance customer relationship increases when a hotel increases its offering of quality services to customers compared to competitors, when the hotel's managers' establish good relationship with customers, when the hotel increases contact points for customer-employee interactions, and when employees demonstrate courtesy and professionalism when handling customers. The study also found that majority (84.8%) customers agreed that the positive relationship they had with their hotels had influenced their trust and commitment to those hotels. The study recommends that managers of five star hotels offer products and services whose quality match the price attached to them, that managers raise the value of products and services sold during low season to match their prices so as to encourage customer purchase of these products, that managers design a pricing strategy based on customer needs and preference for value. Managers should offer credit facility that gives customers longer time of payment so as to allow enhanced trust, relationship and loyalty to the hotel. Managers should also increase the amount of credit financing they offer to their customers to enhance

relationship their loyalty. Managers of five star hotels should be active in their management as well as responsive to all happenings in the hotel environment. They should be able to make good strategies that will affect the quality of the hotels products and services to outdo competitors, as well as influence good professionalism in employees.



## **CHAPTER ONE: INTRODUCTION**

### **1.1. Background of the Study**

According to Buttle (2004), many service organizations have built their success on being customer oriented-gearing the entire organization and employees towards delivering outstanding service, meeting customer needs, and building long-term customer relationships. Kotler and Keller (2006) argue that in recent years, an increasing number of service organizations have also recognized the rapidly growing importance of revenue management. As a result, they have taken steps to propel their revenue management initiatives out of the realm of information technology and decision science into the center of marketing strategies and decision-making.

In light of preceding advantages of conducting relationship marketing (RM), a hotel company may benefit financially from such practice by maximizing revenue from selling its fixed capacity, but on the other hand, it may alienate its customers (Kimes, 1994). Revenue management studies carried out in the hospitality industry have not only endeavored to harmonize the two practices by identifying areas of customer conflict (Mathies and Gudergan, 2007), but have also recommended a range of functional strategies to reduce these conflicts (Wirtz et al., 2003).

According to Xuan Lorna Wang (2006), hotel companies have become increasingly driven by a focus on short-term business to maximize yield and the longer term “relationship” value dimension has been devalued. As a result, Ho Pheng and Patterson (2003) argue that such practices might be perceived by customers as unfair, thus leading

to decreased customer satisfaction and goodwill, and ultimately to business loss from these customers.

High yield from profits should not be considered as a successful financial performance for the company, without investigating the price that has been paid in terms of customer relationships. Indeed, in the hotel industry context, there is no reported empirical research that examines the effects of RM practice on customer relationship. This gap is reiterated in a recent study by Writz et al., (2003) who “states that customers seem to have been forgotten in this stream of research. The growing importance of customer satisfaction, customer retention, changes in market demand, and competitive intensity has led to a paradigm shift from transactional marketing to relationship marketing (Baran & Strunk, 2008).

Due to deregulation in the U.S.A airline industry by the U.S.A airline, RM has gained widespread acceptance in a wide range of industries as it is viewed to enormously be effective and attributed to improved profits. (Talluri and van Ryzin, 2005) RM can apply virtually to all businesses with perishable inventory including service industries such as healthcare, convention centres, car rental agencies, cruise lines, golf courses, among others. Due to their similar market and supply operational conditions (Brotherton and Mooney, 1992), hotels have also successfully adopted and implemented the RM concept, boosting their operational performance by increasing both occupancy and average room rates.

### **1.1.1. 5 - Star Hotel Classification**

Hotel rating system was started in 1937 by AAA (American Automobile Association) a federation of independent motels which used diamonds rather than stars to categorize restaurants and lodgings. The AAA Five Diamond award is similar to a Five Star rating of hotels, ratings from 'good' to 'outstanding'. The star classification system is common for rating hotels and is often used to classify according to quality. From the initial purpose of informing travelers on basic facilities that can be expected, the objective of hotel rating is expanded to focus on the hotel experience as a whole. Higher star ratings indicate more luxury. Hotels are independently assessed in traditional systems and rest heavily on the facilities provided.

This study focused on Five Star Hotels with the NCBD in Nairobi County, which has four (4) hotels categorized as such by the Kenya Ministry of Tourism in consultation with internationally recognizable standards. The study focused on five Star Hotels within the NCBD because of revenue collection, which is normally substantial to warrant revenue management systems and practice, and the influx of customers into this category of hotels is high as the capacity of most five star hotels is usually more than one hundred (100) accommodation units.

The five star hotels within NCBD are Sarova Stanley, which is Nairobi's oldest hotel and has 217 rooms, built in 1902, with a rich and proud history. The Sarova Stanley is located at the corner of Kenyatta Avenue and Kimathi Street in NCBD. Serena hotel was also part of this survey study and is located along Processional Way, Nyerere Road, and

Kenyatta Avenue in NCBD. Serena Hotel is has 185 rooms and is known to offer five star experience of service and facility. Nairobi Safari Club is located close to University of Nairobi, Jeevanjee Gardens, and Kenya National Theatre. It located along University way in NCBD and has 146 rooms. Intercontinental Hotel is located in central Nairobi; the hotel is a business-friendly hotel within walking distance of Kenyatta Mausoleum, National Assembly Building, and Parliament Building. It is located along City Hall Way. The intercontinental Hotel has 376 accommodation units and is known to have hosted several heads of state.

## **1.2. Statement of the Problem**

Organizations have continued to embrace opportunistic behavior to maximize today's revenue, which compromises customer relationships causing customer dissatisfaction. This great tendency of firms causes lose of tomorrow's customer. Hospitality industry most often deals with perishable goods and services plus it greatly suffers from seasonal variability due to decline in the number of clients. In fact, no customer wants to pay a higher price for any good or service rendered. Customer service is of critical importance for the hospitality sector now more than ever before as customers are looking to increase value for money and are less forgiving of mediocre service.

Revenue management has been a well-researched topic in the service industry management literature; however its effect on customer relationships appears to be somewhat neglected as indicated in previous studies. Many researchers argue that customer relationship management

(CRM) has a significant impact on customer insight, satisfaction, customer retention, and loyalty (Bayon & Bauer, 2002).

Wang and Bowie, (2009) in their findings reported that one of the biggest threats for companies, which adopt price discrimination, is that customers recognize this as evidence of firms seeking for profits instead of developing their relationship with customers. The emergence of new channels and technologies is significantly altering how companies interface with their customers (Parvatiyar and Sheth 2001). This can in turn alter revenue generation and performance in the service industry. Philip Kotler (2003) concluded that customers are becoming hard to please. They are smarter, more price conscious, more demanding, less forgiving and many more competitors approach them. The challenge according to Jeffrey Gitomer (1998) is not to produce satisfied customers; several competitors can do this. The challenge is to produce delighted and loyal customers

This paper sought to bridge the gap between revenue management practices and customer relationship management literature from the client's perspective by providing an insight into client's perception towards the effect that hotel revenue management practice on customer relation.

### **1.3. Objectives of the Study**

#### **1.3.1. General Objective**

The main purpose of this research paper was to explore the effect of revenue management practice on customer relationship in hospitality industry in Kenya.

### **1.3.2. Specific Objectives**

The specific objectives were:

- i. To determine the effect of price dynamism on customer relationship in the hospitality industry in NCBD.
- ii. To investigate the effect of credit facility on customer relationship in the hospitality industry in NCBD.
- iii. To assess managerial implication on customer relationship in the hospitality industry in NCBD.
- iv. To establish the mediating effect of trust and commitment on the relationship between revenue management practice and customer relationship.

### **1.4. Research Hypothesis**

- i. Price dynamism has no effect on customer relationship in five star hotels in NCBD.
- ii. Credit facility has no significant effect on customer relationship in five star hotels in NCBD.
- iii. Managerial implication has no effect on customer relationship in five star hotels in NCBD.
- iv. Trust and commitment have no mediating effect on relationship between revenue management practice and customer relationship in five star hotels in NCBD.

### **1.5. Significance of the Study**

The research study is significant to business owners, investors, and management in hospitality sector, as it will elucidate how revenue management affects their industry. Thus the findings and recommendations there-of will help them realign their revenue management strategies to prevent the effects they have on customer relations. By extrapolation, the study will also help the business owners, investors and management in other sectors of the economies realigns their revenue management strategies on both their corporate accounts and individual customers for efficient relationship advancement.

The study is a source of reference materials for future researchers and students as they will find this study useful in learning the nexus between revenue management and customer relationship and use the research as an empirical source for future research. Further, the knowledge gained is useful for pedagogical purposes and any gap in the study not researched or under researched by the researcher in the course of providing the evidences supporting the research topic and research problems will be investigated further by scholars.

### **1.6. Scope of the Study**

The study was confined to establish the effect of revenue management practice on customer relationship development in hospitality industry. The study was carried within NCBD with a focus of four (4) five (5) star rated hotels. The study focused on customers and hotel management as the main targeted population to yield a customer's perspective of the revenue management practice. The study also limited itself to long-term effects of

revenue management practices to the hotels, effects on client relationship to the business and effects on customer relationship with employees.

### **1.7. Delimitation of Study**

In the course of the study, some of the challenges and constraints that the researcher encountered included: limited availability of information and literature, inaccurate data, poor cooperation by respondents, gathering and interpreting background research, difficulties with getting appointments with interviewees, and sampling errors. However during the course of this study, a continuous, detailed and scrupulous research was carried out.

It was anticipated that some managers would not give all the information freely as required by this study. The researcher however explained the importance of the study and obliged to the Hotel and Restaurants Authority and the Ministry of Tourism Act on research matters. Respondents were also reluctant to dispatch certain information that they considered confidential. This is because participants will often give answers that they believe to be desirable (Donaldson and Preston, 1995)

Another crucial problem encountered was data accuracy and sampling errors while conducting the research, which was overcome by pre-testing the data collection techniques and making changes accordingly.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter covers theoretical literature review, empirical literature review, the conceptual framework, and overview of literature review.

### **2.2 Theoretical literature review**

#### **2.2.1 Stages theory versus states theory**

The study was centred on the stages versus the state theory which is connoted by Rao and Perry (2002). The two scholars examine the process of relationship development as part of their comprehensive review of the evolution of core relationship marketing ideas and suggest that these can be broadly categorised into two concepts-stages theory and state theory. The former focuses on a progression of change process through stages while the latter emphasises strategic moves of exchange actors, which occur in an unstructured and predictable manner at any point in time (Ford et al., 1996).

Stages theory places its emphasis on the growth stages that an inter-firm relationship goes through (Ford, 1980; Kanter, 1994). This theory considers relationship development as an evolution and progression through an increasing of resource commitment and interdependence. For instance, Dwyer et al. (1987) considers that there are usually five phases in a buyer and seller relationship: awareness, exploration, expansion, commitment, and dissolution. This process is described as a gradual development, taking place in a sequential manner and over long periods of time (Ford, 1980).

In spite of the fact that stages theory is commonly recognised, other studies challenge its appropriateness (Quinn & Cameron, 1983; Bell, 1995). Critics firstly question stages theory's assumption that relationship development processes occur in a sequential or incremental and irreversible manner. Research conducted by Ford et al. (1996) found that inter-firm relationships seldom go through a definite stage-by-stage development process. If the early trial experience is abortive, then it is possible for some relationship to terminate before the commitment stage or even the expansion stage is reached. Secondly, one might have reservations about the simplicity of the stages theory, which does not allow for full explanation of the complexity of inter firm relationships. It offers little explanation of the transition from one stage to another. Additionally, stage theory fails to address unsuccessful situations (Rao & Perry, 2002).

On the other hand, State Theory acknowledges that relationship development is much more complex and that relationship may not evolve in the structured manner that stages theory implies (Anderson et al., 1994; Bell, 1995; Hakanson & Snehota, 1995). It focuses on the unpredictable state of the relationship at any point in time due to the fact that strategic moves of exchange actors occur in an unstructured and unpredictable manner (Ford et al., 1996). Rao and Perry (2002), in expressing their favour to the states over the stages theory suggest that states theory considers relationship development to move forward and backward or even stay in the same state for an undetermined period during the development process. Thus, it more accurately describes the reality of a business relationship based on mutual needs. In addition, the states theory provides a more appropriate foundation for understanding relationship development in marketing practise, considering that business relationship development does

not necessary follow an orderly progression of phases over time, and that the phases do not depend on “fulfilment of a set of conditions but rather depends on the circumstances/opportunities at a given point in time” (Rao & Perry, 2002). However, Wang (2011) states that if this proposition is followed with relationship development or termination being based upon changeable situations, the future of the relationship can be unpredictable as the unstable business circumstances.

The shortcoming of this theory is evident and thus portrays any relationship development process as a complex web which requires thorough consideration for sustainability. Customer relationship as a main focus in this study is a critical aspect in today’s business. Absolute understanding of its dynamic is crucial if success is to come by. The development of a “trusting relationship” is described as an investment in relationship building, which has a “long-term payoff” for both parties (Buttle, 2004. P. 15)

### **2.2.2 Institutional Theory**

Scott (2004) in his institutional theory suggests that the actions of firms and the outcomes of these actions are influenced by the knowledge systems, beliefs, and rules that characterize the context of the organization. The firm is embedded in a general environment comprising of the institutions that lay the guidelines to shape the behaviour of firms and macro-societal factors such as the prevailing culture. The firm is embedded in an industry environment that comprises the actors within an industry such as suppliers, customers, competitors, and channel partners. The nature of the relationships among these industry stakeholders influences the actions that a firm can initiate in pursuit of competitive advantage. The firm has an internal environment that

comprises of its unique sets of skills and resources; collective beliefs about the market, competition, and industry (e.g., shared mental models; and culture.

Scott (1995) indicates that, in order to survive, organizations must conform to the rules and belief systems prevailing in the environment, because institutional isomorphism, both structural and procedural, will earn the organization legitimacy. Multinational Corporations (MNCs) operating in different countries with varying institutional environments will face diverse pressures.

The study focused on five (5) star rated hotels to carry out the survey. Institutional theory puts emphasis on corporate strategy, business strategy, and functional strategies such as marketing strategy. These strategies interact to shape the competitive advantage of individual businesses in a firm's portfolio. It is the confluence of these strategies that determines the extent to which a particular business is able to achieve and sustain a competitive advantage. This competitive advantage, in turn, affects the market-based performance and financial performance of the businesses.

### **2.2.3 Trust and Commitment Theory**

Another theory reviewed by this study to explain relationship marketing is the trust and commitment theory by Morgan and Hunt (1994). Morgan and Hunt argued that relationship marketing only thrives well when trust and commitment are present. They argue that companies that aim to keep good relationship with their customers must enhance their relationships with their most valuable customers. However, this is achieved when there is trust and commitment between both parties-the company and the customer. Morgan and Hunt

discussed that it is only by being trustworthy and committed to customers that companies were able to maintain relationships that led to customer loyalty.

Morgan and Hunt considered trust to be the confidence parties in a relationship have towards each other. Brink and Berndt (2008) consider trust as the confidence that each of the parties in a relationship will freely give-and-take without distrusting the other parties' involvement. This implies that each of the parties to the relationship must be adequately represented and benefiting from the relationship. Additionally, Brink and Berndt (2008) argue that trust is possible between a company and customers when the company is able to create more time to interact with customers elaborately.

Morgan and Hunt (1994) further argued that when trust prevails in a relationship, it affects commitment. When parties trust each other in a relationship, they become committed to engage to enhance that relationship hence increase the benefits they get from the relationship. In commitment, Morgan and Hunt (1994) argue that both the company and the customer must show commitment towards starting, tending, and enhancing the relationship to survive to maturity. Both parties must also benefit from the commitment for the relationship to advance.

Critics of the trust-commitment theory argue that it is not entirely true that trust must exist in a mutual relationship. Sometimes, trust can be absent yet the relationship continues. As such, the parties involved in the relationship have other benefits they get from to continue with that relationship (Brink & Berndt, 2008).

The mediating effect of trust and commitment was assessed in the study. As such the causal effect of both the DV and IDV was determined and careful scrutiny of trust and commitment

on the causal relationship was evaluated. The theory came in handy to explain the ultimate relevance of trust and commitment in relationship development.

## **2.3 Empirical Literature Review**

### **2.3.1 Price Dynamism and Customer Relationship**

Price is the major factors determining customer satisfaction in service industry. When customers estimate the value of the services they receive, price is the first thing that comes to their mind. As such, most marketing theoreticians think that when studying price in relation to customer satisfaction and loyalty, satisfaction is shaped by the quality of services rendered and the price charged for the services among other factors. As a result, organisations that strive to exist successfully in their competitive markets must keenly evaluate how price affects customer's satisfaction and loyalty (Virvilaite, Saladiene & Skindaras, 2009). This means that any alterations affecting price will certainly have a significant effect on customers' satisfaction and loyalty. People in the hospitality industry associate price and the quality of services they get hence the satisfaction they get (Malik, Yaqoob & Aslam, 2012). As such, price dynamism is a significant factor of consideration in relationship marketing.

A survey by Yang and Wang (2004) indicates that increasing number of industry players in hospitality is creating increased competition among various players in the industry. To gain upper hand in the competition, industry players are offering attractive schemes and prices to customers. This has established various options for customers, who are certainly trying to make the best of the money they spend. Attrition of the loyal customers has resulted and they are

willing to shift from old service providers to the new ones who are providing better options at the same or even less prices.

The easy availability of information in the current information age has increased the importance of pricing and product specification in consumers' decision-making abilities. Consumers' associate price to the quality of services they are sold. As such, hotels and other organisations ought to keenly match price to quality and let the information adequately available to customers. Hotels need to know the real picture of rates and availability on various channels over a period of time, all at the tip of the finger. Revenue Management practice has made pricing dynamic, with hotel service providers offering different rates based on various factors such as day of week, number of days before stay date, channel and so on (Gupta & Lehmann, 2003).

The reason why hospitality establishments ought to offer prices that are satisfactory and appreciated by customers is that once a customer is satisfied with the services, they have a higher tendency of becoming repeat customers and even have the high likelihood of referring one or more other customers (Malik et al., 2012). This makes customer satisfaction the biggest challenge managers in hospitality establishments have to consider. As much as an establishment has a responsibility of ensuring their prices match the quality of products offered to loyal customers, it should also not lose sight of offering attractive prices and services to new customers (Zeithaml & Bitner, 2003). According to Sternquist and Jin (2004) cited in Anuwichanont (2011, p. 1259), high prices reduce the purchase probabilities of a customer. This makes it important and relevant for companies and establishments to do whatever possible to avoid pricing highly. It should however be noted that 'higher price' is a relative term defined

based on another thing. Mostly prices are considered high when they exceed those of competitors offering similar or same products. In other instances, prices are considered high when they unnecessarily exceed the quality or quantity of services or products they are attached to. It is based on this later statement that Anuwichanont (2011) advises that all service/product prices should reflect the quality of services or products offered.

Though the hospitality industry ought to offer prices based on the services or products they sell, sometimes the challenge of seasonality affects prices as well. Seasonality determines the supply and demand of hospitality services. According to basic economics of a free market, a low supply of visitors leads to hotels having a high demand for them and when the visitor supply is high, demand from hotels goes down. As such, when the supply of visitors is low, many food establishments will offer low prices to attract as many customers as possible (Lee et al., 2008). Prices will certainly go up when demand for hospitality services and products is very high. According to an article by Stellin (2013), when demand for hospitality services is low, establishments offer price discounts for high quality services that are otherwise very expensive during high seasons. She argues that this does not only increase revenue collected during low seasons, but also allows hospitality establishments reward some of their loyal and high purchasing power customers. An instance is where an executive suite room that generally goes for \$280 a night is offered at \$262 to a return customer who had just booked a normal \$250 room. According to Stellin (2013), hotels that offered such offers benefited by establishing better relationship with the customers hence influencing loyalty. Stellin notes that this trend of pricing is so common in the service industry where once a given service is not sold in a day, the



day's revenue is lost forever. As such, it's logical to sell even at a lower price than lose everything and avoid idle capacity.

Though discounts and offers are common in low seasons, Malik et al., (2012) advice that the hotel should not incur losses in the name of offering benefits to customers for the sake of building relationships. As such, Malik et al. advices that the price offer given should make business sense to the establishment.

Price also plays a significant role in persuading customers make choices on which products and services they need to be loyal to. Smaller companies thrive on offering low prices to certain products and services such that customers establish loyalty with those products as opposed to similar products offered by larger companies. For instance, in the airline industry, small airlines ensure efficiency, simplicity, productivity and high asset utility to offer low prices that enable them compete with large airlines. This makes most small airline companies to establish an enhanced relationship with their customers that lead to customer loyalty in the end (Anuwichanont, 2011).

Price has also been associated with value of the services rendered in the hospitality sector. Hsu (2008) considered value to be the difference between customers' expectations from a product and what exactly is offered in that product/service. Customers often link this with value to the price they paid. When the expectations were higher based on the price paid yet the delivered quality was low, then customers feel not to have received value for their cash and as such, this strains the relationship the customer has with the establishment in question.

Zeithaml (1988) presented a clear definition of value based on price. He identified value to be defined based on four distinct variables: low price, what a customer needs from a product, quality of product/service received for the price paid, and what customer gets for what they give. This definition looks at value based on the customer's point of view as well as on the organizations' point of view. In all instances price is a key factor. To a customer, value is evident when the price is low, when the customer gets what they want from a product, and when the quality paid for is what was received. From a marketers point of view, value is what the consumer gets based on what they paid. From this, clearly "value is a trade-off between benefits and sacrifices," (Mohajerani & Miremadi, 2012, p.135). A customer perceives value when the benefits exceed their sacrifices (Nasution and Mavondo, 2008 cited in Mohajerani & Miremadi, 2012, p.135). To a customer, the benefit is the quality received and the price paid is the sacrifice. Relationships are significant to customers when the customers appreciate the balance between the benefits and the sacrifices (Mohajerani & Miremadi, 2012; Malik et al., 2012). Thus, all price shifts must ensure that a customer will still get the value desired.

The increased need to enhance profits in the current hospitality establishments have seen managers engage in two major competitive strategies: low cost leadership and customer loyalty. However, pursuing the low-cost leadership strategy is riskier as it attracts negative effects to the hotels profitability. The act of offering discounted prices to customers, if not well worked out, increases the rate at which the hotel will lose revenue in the short and long term (Kandampully & Suhartanto, 2000). However, conducting relationship marketing such that instead of cost leadership, a hotel establishes loyal customers is a preferred way of remaining competitive (Dominici & Guzzo, 2010). To build on good relationship with customers, a hotel

will often attach product/service prices to the quality of that product hence cushion the company from revenue losses based on low or discounted prices. According to Kandampully and Suhartanto (2000), a hotel makes 25% profit rise when it builds 5% of loyal customers. This clearly indicates the importance of relationship marketing and customer loyalty rather than price competition.

### **2.3.2 Association of Credit Facility with Customer Relationship**

It costs much less to retain available customers than to attract new customers for organisations in the service industry (Rosenberg & Czepiel, 1983). Agreeing managers always look for ways through which they can retain as many customers as possible. As such, retention strategies like offering discounts to loyal customers, introducing loyalty programs to reward loyal customers, offering credit to loyal customers among others, have been implemented by many managers. According to Nguyen, Sherif & Newby (2007), one of the strategies of customer relationship management (CRM) is offering credit cards through which customers can access services then pay later. Nguyen et al. argue that organizations that have implemented credit facility have not only attracted many customers who feel convenient to use services/products then pay latter, but has also established an enhanced relationship with current customers hence leading to high customer satisfaction and loyalty.

According to (Berry, 1983), companies have embraced credit as a means of attracting customers. Berry further argues that offering credit often encourages customers to speed up or increase the amount they spend. As such, credit is used as a strategy of gaining competitive advantage over competitors. Lewis and Chambers (2000) argue that credit separates the

pleasure of buying from the pain of paying. Put otherwise, customers exhibit a higher purchasing power when they are given the credit option. As such, offering credit remains a worthy option to doing business. Revenues can be built much more quickly by offering credit than if no credit is allowed.

Despite its advantages, credit facility should only be allocated to a few customers. This is because offering credit to all customers can be disastrous to the business, as the business will lack cash to run its day-to-day activities. However, according to a report published by the Cvent Solutions (2013), 80% of a business' revenue comes from 20% of the customers. Credit facilities should therefore be given to these 20% customers since they are the most profitable for the business. Peavler (2013) notes that a company must establish an elaborate credit policy before it ventures into offering credit. A credit policy will ensure that the company minimizes possible losses and bad debts arising from its action of offering credit. The policy also ensures that the business profits from the credit facilities it offers. This is because, though credit leads to creating better relationships with customers, it has a negative effect to the short term running of the business. Some of the advantages of credit facility according to Peavler (2013) include creating enhanced relationships with customers, ability to increase prices, and increased customer base.

Berry (1983) states in his findings that businesses that offer credit facilities to their customers benefit from a competitive edge over businesses that don't offer credit. Peavler (2013) also confirms this argument by asserting that through credit facility, a business is able to enhance relationships with customers and increase customer profits. Customers who are offered credit feel trustworthy hence develop loyalty towards the business. As the customers pay their

outstanding balances, they have a higher likelihood of returning since they already have a relationship with the business.

According to Bowen and Shoemaker (1998) for the purpose of customer loyalty, organizations can prefer to offer credit when their power to buy cash is low. This encourages repeat business, after more successful business transactions together. Many customers frequent a particular catering establishment not only because it offers quality products and services, but also because of the chance to pay later. In such circumstances, an establishment with better credit terms ends up winning many customers than one with poor credit terms. Some customers who may be much business-oriented may want to hang on to their money so that it earns them interest. As such, they would prefer paying by credit until the time they get cash. A catering establishment offering these customers the chance to enjoy the catering services on credit benefits more since this client's exhibit loyalty. This is also contributed to the fact that most catering establishments require advance payment, or payment by cash because the nature of services and products sold cannot be reclaimed in case of default. Besides offering credit, allowing customers use their company's or personal credit cards also enhances loyalty and increases profits for the catering establishment. This is, in fact, less risky to a catering establishment since another third party company handles the risk of bad debt likely to arise with defaulting (Shock & Stefanelli, 2001).

### **2.3.3 Managerial Implication on Customer Relationship**

Managers play a significant and useful role in an organization to ensure the operation procedures and systems and the resources function of the company are useful towards enabling the organisation meet its goals. Delaney (1996) posits that management delivers knowledge

with a purpose of verifying whether existing knowledge is effectively used to generate the desired outcomes. Some of the key characteristics of an effective management include creativity, innovativeness, logical and productive in the process of meeting set objectives. Managerial skills enable managers manage their firms effectively.

According to Yang and Wang, (2004), a competent manager ought to have good leadership skills, multitasking and motivational skills, and decision-making abilities that will enable them come up with right practice and methods to steer their companies to success. These skills comprise qualities and attributes characteristic with the personality of a manager, which enable effective managerial thought and action. Lewis and Chambers (2000) argued that good managerial skills define the efficiency and performance of an organisation. This is attributed to the influence managers have to influence workers, and customers.

In the service industry, employees have a significant role to play in relationship marketing. For instance, Bitner (1995) acknowledges the importance of the relationship between customers and employees. He argues that when the contact between a customer and an employee increases, their relationship grows as well. Customers of intangible products are more concerned on how the service they get is packaged and delivered. As such, the relationship and contact between employees and customers is crucial. However, an employee has the ability to behave poorly in front of the customer hence cause poor relationship that can affect customer loyalty. As such, with the knowledge of how important relationships should be, managers ought to equip their employees adequately on how to relate with customers. This, however, requires specialized managerial skills from a manager (Ongoro, Kiragu & Simwa, 2013).

A skilled manager will also increase contact points between customers and employees so as to give his/her employees a chance to sell the company's image to its customers hence create relationships that will lead to enhanced satisfaction and loyalty (Reichheld, 1993). Skilled and experienced managers who have effective leadership will also influence customer satisfaction and loyalty by creating a feedback system and acting on the various concerns customers request. Evidence shows that a customer who feels their needs are considered is likely to be satisfied and loyal than one who perceives an organization as arrogant and unconcerned based on its lack of response on complains raised. Customers also get satisfied when handled on one-on-one basis and a manager able to implement this wins many loyal customers (Barlow, 1992). Kumar (2005) also suggests that a good manager in a service company is able to tailor make the different services on offer to meet each customer's needs and satisfy them. This also influences relationships hence loyalty.

Through effective management, organizations can withstand the market pressures while creating superior customer experience. Hospitality industries like many other industries around the globe have embraced the concept of customer experience management, with many incorporating the notion into their mission statements. For example, Valero Energy Corporation is committed to ensuring a positive retail experience for customers by focusing on convenience, value and quality. The literature in marketing, retailing and service management historically has not considered customer experience as a separate construct. Instead, researchers have focused on measuring the quality of services sold and customer satisfaction (Li-Ting, Jun-Der & Cheng-Kiang, 2008).

Companies's management create experiential marketing by allowing their customers feel, sense, act and relate to the company and its brands (Schmitt, 1999). Moreover, Berry and Haeckel (2002) suggest that companies aiming to provide their customers with satisfactory experience must meet all conditions buyers exhibit when making a purchase. Customer satisfaction is a philosophy tending to the creation of value for customers, anticipating and managing their expectations, and demonstrating ability and responsibility to satisfy their needs. Valdani (2009) also presents that enterprises exist for the sole reason of serving customers. Thus, the key is in satisfying customers. To attain this, management must have the ability to manipulate all the available resources and focus them towards producing products that meet the customer's satisfaction.

Quality service and customer satisfaction are the two crucial items that guarantees a business competitive advantage and customer loyalty. Customer relationship is one key factor leading to this loyalty. However, hotel managers experience the challenge of being able to build and sustain customer relationships that will lead to loyalty (Yen & Su, 2004). The key question therefore is how managers can build those important relationships with customers as it is important to first know the importance of managing customers hence customer relationships. As Chapman (2009) points out, managing customers enables an organization understand what its customers need or wants thus making the organization aware of the quality and quantity of products and services it needs to supply to them. Knowing customers also enables an organization identify products and customers with highest growth potential and profitability. As such, the organization is able to focus on such products or customers for highest profitability and competitiveness. Managers therefore need to have skills to know their



customers for these basic reasons. It is only with such knowledge that managers will supply services and products that enhance customer relationship and satisfaction (Chapman, 2009). A study by Ongoro et al. (2013) among hotel based SMEs in Keroka found that managerial skills was one key contributor towards building and sustaining customer relationships.

#### **2.3.4 Mediating effect of trust and commitment on relationship between revenue management practice and customer relationship**

Customer relationships are a strategic asset to organizations as they lead to customer satisfaction and loyalty (Mohajerani & Miremadi, 2012). As such, positive relationships give customers a reason to commit to an organization and its products. Customer relationships are also proving to lead to satisfaction, which creates trust between customers and their organizations (Gruen et al., 2000). Relationship marketing is largely based on trust (Crosby et al., 1990). To be able to enhance trust between employees and customers, managers have increased the time and points of contact between employees and customers as well as trained employees on how to handle customers concern in a professional, sound, and satisfactory manner (Crosby et al., 1990). Building better customer relations is paramount to building trust in the customer. Additionally, Grönroos (1990) argues that trust is built when service relationships are attained through mutual exchange and fulfillment of promises. Heinz (2010) adds that trust is a very important item towards customer loyalty. A customer will not become loyal if they cannot trust your brand, business, or products. Therefore the significance of trust to loyalty cannot be overemphasized.

However, despite the importance of trust, Heinz (2010) argues that few business know how to acquire customers' trust. He advises that organizations must do what their customers want them to do, treat them right, actively listen to their concerns and act on them, ask them to brainstorm with you, be responsive to them, and let their ideas and opinion count for them to have trust towards you/your business. This leads to better customer relationships that then lead to loyalty. Heinz (2010) further admits that a company with loyal customers is able to increase its revenue collection and its competitive advantage over competitors who do not have loyal customers. This is because it is less costly to maintain loyal customers than attract new ones. On average, loyal customers also have a high purchasing power and profitability than first time customers (Mohajerani & Miremadi, 2012; Kandampully & Suhartanto, 2000; Dominici & Guzzo, 2010).

According to the trust and commitment theory, trust is a precursor of commitment. A relationship characterized by trust among the parties will certainly be accompanied by commitment. Commitment enhances the strength of the relationship between companies and their customers thus influencing their loyalty, which is crucial to relationship management (Morgan and Hunt, 1994). There is a casual relationship between trust, commitment, satisfaction, and loyalty, which in return affect profitability and competitive advantage. Satisfied customers have strong belief in their company's products and services hence are likely to enhance their engagement in the relationships thus enhance their commitment (Li-Ting et al., 2008). According to Garbarino and Johnson (1999) cited in Li-Ting et al. (2008, p.4), trust and commitment drives successful relational exchange while satisfaction and evaluation drive transactional exchange.

## **2.4 Summary of Literature Review**

The chapter reviewed literature that presents the gaps that was investigated by the study. The chapter started by reviewing the theoretical framework guiding this study followed by the empirical review of literature. In the theoretical review, the study reviewed three major theories but was centred in the stages theory versus states theory argued by Rao and Perry (2002) and Anderson et al. (1994); Bell (1995); and Hakanson and Snehota (1995). The study also reviewed the institutional theory by Scott (2004) and the trust and commitment theory by Morgan and Hunt (1994).

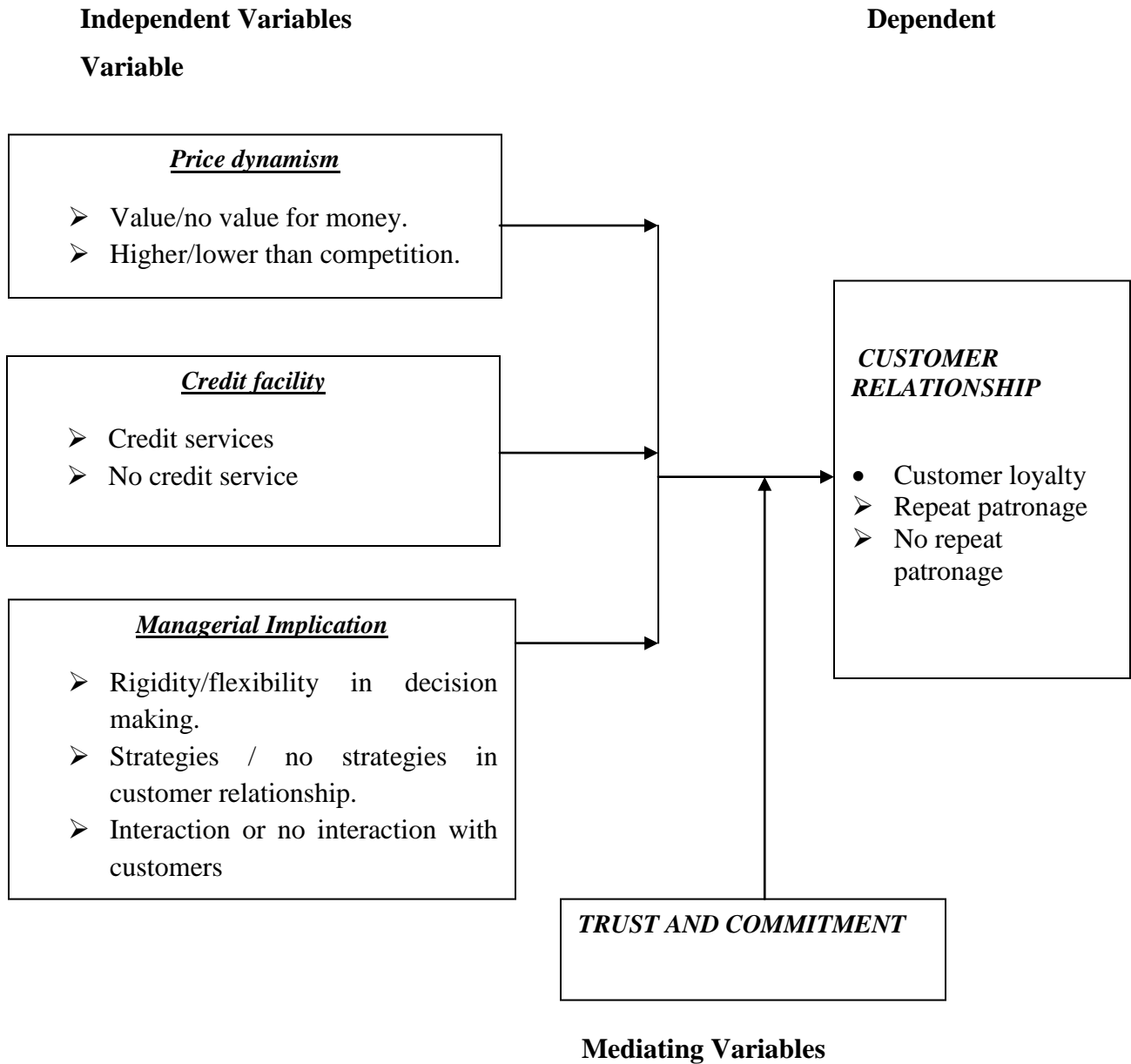
In the empirical review, the study presented literature based on the objectives being studied. On the effect of price dynamism on customer relationship, the review has shown how fluctuations in price cause different reactions in customers, which affect customer relationships. The study has also presented some of the scenarios where price changes. The study also explained vividly how credit facility affects customer relationships and the importance of regulating credit facility to ensure profitability. The negative effects of credit facility on customer relationships have also been explored. On the managerial implications, the study has established how managerial actions influence customer relationships. The review has also defined skills a manager needs to have to enhance the building and maintaining of customer relationships. In the last subtopic in the empirical review, the study investigated the mediating effect of trust and commitment in customer relationships and revenue management practice. The mediation of trust and commitment was elaborated comprehensively. The chapter ends with a conceptual framework depicting the association of variables under study.

## **2.5 Conceptual Framework**

The conceptual framework underlying this study was based on the concept that price dynamism, credit facilities and managerial implications as IDV have an effect on customer relationship, which is the DV. Price dynamism was operationalised by comparing prices with competitors and value or no value for price charged at the moment when service is rendered. Credit facility was operationalised by assessing whether clients were offered services on credit or no credit. Managerial implication in the study was operationalised by assessing the rigidity and flexibility of decision making, strategies or no strategies in relation to the DV and the interaction or no interaction with customers. The DV was operationalised through customer loyalty that was measured through either repeat purchase or no repeat purchase. Trust and commitment were bound to occur if any sustainable relationship is to occur and therefore were mediating variables in this study, which sought to address the identified gap in hospitality literature.

**Figure 2.1: Conceptual Framework**

**Source, Author (2013)**



## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents the methodology adopted in achieving the objectives of this study. The chapter includes; the research design, study area, target population, sample size and sample techniques, pilot testing, data collection instruments, data collection procedure, data analysis and presentation and ethical considerations. The chapter systematically discusses the research paradigm and how the study was carried out.

### **3.2 Research Design**

A descriptive survey was used to investigate the field of study in the selected five Star rated hotels in their revenue management department. According to Mugenda and Mugenda (2003), a descriptive survey collects data that enable the testing of hypotheses or answering questions on the present status of the study subject. De Vaus (2003) further posits that descriptive studies collect data that describes variables or relationships between variables being investigated. He adds that descriptive studies attempt to answer the question ‘what’. Survey study allowed the researcher to collect significant amount of data on several variables under study at a given period. A survey study in the same way was used to explore relationships between a variable (customer relationships) with a practice (revenue management) in their natural setting as they occurred. The objectives were stated clearly and other mediating variables (trust and commitment) that might have produced a difference in the causal relationship were carefully controlled as Kerlinger (1969) points out that descriptive studies are not only restricted to fact

findings, but may often result in the formulation of important principles of knowledge and solutions to significant problems.

### 3.3 Study Area

The study was carried out in Nairobi in 5 star rated hotels within the CBD area as noted by Singleton (1993) that the ideal setting for any study should be easily accessible to the researcher. The CBD area in Nairobi has four hotels that are five star rated. This made it the perfect choice for the study and permitted instant rapport with the informants Singleton (1993).

**Table 3.1: 5-Star Hotels in Nairobi CBD**

<b>Hotel</b>	<b>Capacity(rooms)</b>
Sarova Stanley	217
Nairobi Serena	185
Intercontinental Hotel	376
Nairobi Safari Club- Lillian Towers	146

### 3.4 Target Population

The target population were customers both corporate and walk-in guests. Accessible population was 400 sourced from the database, which segregates the guests based on the booking segments. Report generated for a period of 6 months from the sample hotels in the study area to assess the B2B and the B2C acknowledges that each 5 star rated hotels within the CBD in Nairobi serve not less than 300 of corporate clients and not less than 100 walk-in guests.

**Table 3.2: Distribution of Target Population**

<b>Strata</b>	<b>Population</b>
Corporate clients (B2B)	1200
Walk in Clients (B2C)	400
<b>Total</b>	1600

Source, Hotel Business Mix Report (2013- 6 months)

### 3.5 Sampling Design and Procedure

The study used stratified random sampling in conducting the study. The population was divided into homogeneous subgroups (corporate clients and walk-in clients) and a simple random sample in each subgroup was taken. Homogenous groups formed the strata. A sample of 160 customers, representing 10% of the population was used as a sample size as advised in Mugenda and Mugenda (2003) that 10% of accessible population would suffice for descriptive study if the population units are more than 30. Additionally eight (8) managers two from each hotel in the study site with information on the study area were interviewed. The total sample size was therefore 168 respondents.

**Table 3.3: Sample Population**

Strata	Population	Sample Ratio	Sample Size
Corporate clients (B2B)	1200	0.1	120
Walk in Clients (B2C)	400	0.1	40
<b>Total</b>	<b>1600</b>	<b>0.1</b>	<b>160</b>
Revenue manager / Sales & Marketing manager.	4	1.00	4
Front office manager	4	1.00	4
<b>Total</b>	<b>1608</b>	<b>0.2/1.00</b>	<b>168</b>



### **3.6 Data Collection Instruments**

The main data collection instruments were questionnaires and interview schedules. Primary and secondary data source were used to collect relevant information. Self-completion questionnaire were the main research instrument, which was used to collect information about customer's attitude, opinions and habits regarding the area of study. Questionnaires had both open and closed ended questions and ensured the collection of data from many respondents (customers) within a short period of time. Interviews schedules were based on an interview guide where open-ended-question approach was used by the researcher. The interview guide aided in collecting data on policy information, rules and regulations and other variables like administrative experience.

#### **3.6.1 Pilot Testing**

The research instruments was pilot tested on a sample 5 star rated hotel not within the study area. Instruments were self-administered to the respondents and feedback was used to reflect on the variables under study but was not used in the actual data collection. This helped detect any potential misunderstanding or biasing effects of different questions and validate the instrument in readiness for the study. It also helped test the feasibility of the study techniques. Convergent and discriminatory validity were estimated in order to test if the questionnaire measured what it was intended to measure.

Reliability of the instrument was increased through the pilot test conducted. The clarity of the questionnaire items was assessed to eliminate inadequate or vague items or modified to improve the quality of the research instrument. Spearman-Brown Prophecy formula of

reliability testing was employed, whereby the pilot questionnaires were divided into two equivalent halves and a correlation coefficient for the two halves computed. The study accepted 0.7 and above reliability coefficient as reliable. The instruments were reviewed until this reliability was achieved.

### **3.6.2 Data Collection Procedure**

Permission was sought from the Department of Business Administration-Kenyatta University. The copy of the letter when granted was used to access the selected hotels. This letter explained the purpose of the research, its significance, and an assurance of confidentiality. Consent was sort from the respondents before engaging them in the study. Closed-ended questions had predetermined answers while open-ended questions gave the respondent free will to answer according to their experience.

Questionnaires were self-administered to the respondents who were given a time frame of fifteen (15) minutes to answer. They were then gathered after the given response time is over for analysis and judgment. In respect for the informants and in order to protect them from abuse of data they give for the research against their people, data was presented in such a way that it could not be linked to individuals who gave it except by the researcher who may need to seek clarification during analysis of data.

Scheduled interviews were done on management staff to validate the response from the questionnaires. The interview sessions lasted for 15-20 minutes where general questions about hotel's performance in relation to the area under study were asked for all the hotels. This

corroborated information from questionnaires and enabled the researcher to get an absolute and comprehensive understanding of the research field.

### **3.7 Data Analysis and Presentation**

Qualitative data collected from questionnaires and interview schedules were interpreted according to themes arising, which were coded then descriptive analysis of the codes was done. Quantitative data was processed by tabulation in form of frequency tables, pie-charts and graphs (Macmillan and Schumacher, 2001) and descriptive analysis of data where both were presented by involving uni-variate and multi-variate analysis. Primary data involved calculation of several measures mostly concerning one variable (uni-variate analysis) with respect to measures of central tendency (mean, mode and median) and measures of dispersion (variance, standard deviation and inter-quartile range).

Frequency distributions were used to establish the number of respondents giving certain information. Multivariate logistic regression statistics was used to predict relationship between independent variables (IDV) and the dependent variable (DV). The multi-variate analysis involved simultaneous analysis of the two variables under study and the relationship between the IDV and DV. Data analysis incorporated Statistical Package for Social Science (SPSS) as suitable software, which was easily accessible and easy to use.

### **3.8 Ethical Considerations**

Logistical and ethical considerations were made as pertains to the research study where all members of the target population were informed that they are free to participate or

reject participation in the study. They were not coerced or paid to provide information and no penalties would be meted for refusal to participate in the study. Consequently, information given by the respondents was treated confidentially and was used only for academic purposes and the identity of the respondents was not revealed to anyone. Research assistants were recruited in an objective manner, trained, and supervised. They were expected to do their work without bias and to accurately record all necessary data.

## **CHAPTER FOUR: RESEARCH FINDINGS**

### **4.1 Introduction**

This chapter presents the collected data, its analysis, presentation, and interpretation. The data is presented according to the category of respondents: customers and hotel managers. In each category, the presentation is done according to the study objectives.

### **4.2 Return Rate**

The study targeted 168 respondents, 160 being customers who visit five star hotels in Nairobi while the 8 being managers of the five star hotels. 106 customers responded while the researcher only accessed 4 managers to participate in the study. This comprised a return rate of 65%, which comprises majority of the sample targeted. As such, the researcher chose to go ahead with the analysis since the return rate represented majority of the targeted sample and was more than the recommended rate of 50%.

### **4.3 Background Information for Customers**

#### **4.3.1 Length of Experience**

The study investigated the length of time customers had used the services of their hotels. The collected results were as presented in table 4.1 below.

**Table 4.1: Length of experience**

Experience using services of your hotel					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	53	50.0	50.0	50.0
	5-10 years	29	27.4	27.4	77.4
	11-15 years	15	14.2	14.2	91.5
	16-20 years	5	4.7	4.7	96.2
	21-25 years	3	2.8	2.8	99.1
	26-30 years	1	.9	.9	100.0
	Total	106	100.0	100.0	

**Source: (Survey data 2013)**

Majority of 50% of the respondents had used the services of their hotels for a period of less than five years, 27.4% had used the services for between five and ten years while 14.2% had used it for 11 to 15 years. The least number of customers (0.9%) had patronage to their hotels for 26-30 years. This results show behavior that customers don't use the services of a single hotel for long periods of time. The fact that the number of customers reduces as time increases shows that most customers only prefer using the services of their hotels for short periods (few years) before they change or stop.

#### **4.3.2 Highest education level**

Table 4.2 below shows the highest level of education customers had.

**Table 4.2: Highest level of education**

**Highest education level**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	1	.9	1.0	1.0
	Primary	1	.9	1.0	1.9
	Secondary	2	1.9	1.9	3.8
	Post secondary certificate	5	4.7	4.8	8.6
	Diploma	23	21.7	21.9	30.5
	Degree	47	44.3	44.8	75.2
	Postgraduate	26	24.5	24.8	100.0
	Total	105	99.1	100.0	
Missing	20	1	.9		
	Total	106	100.0		

**Source: (Survey data 2013)**

Majority (44.8%) had achieved a degree as their highest education level, 24.8% had postgraduate education while 21.9% had diploma certification. Only 1% did not have any education, 1% had primary education and 1.9% had secondary education. This shows that majority of the customers interviewed were well educated to make good reason out of the questions the study presented to them. It also shows that the choices the customers made were made out of knowledge as opposed to out of ignorance.

### **4.3.3 Customers' Average Spending in Hotels**

The researcher investigated the average spending customers spent in hotels in one year.

The collected results were as shown in table 4.3 below.

**Table 4.3: Average annual spending in hotels**

**Annual average spend in hotels**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 100,000	18	17.0	17.8	17.8
	100,000-200,000	41	38.7	40.6	58.4
	200,001-300,000	10	9.4	9.9	68.3
	300,001-400,000	6	5.7	5.9	74.3
	400,001-500,000	6	5.7	5.9	80.2
	500,001-600,000	2	1.9	2.0	82.2
	600,001-700,000	4	3.8	4.0	86.1
	700,001-800,000	1	.9	1.0	87.1
	900,001-1,000,000	2	1.9	2.0	89.1
	over 1 million	11	10.4	10.9	100.0
	Total	101	95.3	100.0	
Missing	20	5	4.7		
Total		106	100.0		

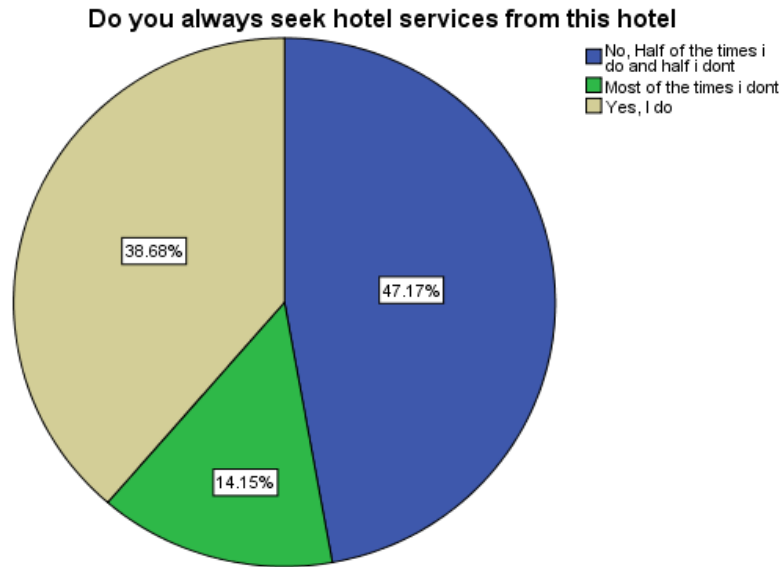
**Source: (Survey data 2013)**

Majority of customers (40.6%) used between Ksh.100, 000 and Ksh. 200, 000 in one year in hotels while 17.8% used less than Kshs. 100, 000 in one year. Ten point nine percent used over a million and 9.9% used between Kshs. 200, 001and 300, 000. This results shows that majority of the interviewed customers were low spenders on hotels hence did not bring huge annual revenue to the five star hotels targeted.

#### **4.3.4 Loyalty to your Hotel**

The study investigated whether customers always sought hotel services from the hotel they were in anytime they needed to use hotel services. The collected results were as shown in figure 4.1 below.





**Figure 4.1: Loyalty to the hotel**

**Source: (Survey data 2013)**

Majority (47.17%) of the respondents said that they only sought services from the hotels where they were half of the times while the other half they sought from other hotels. However, a significant number (38.68%) only sought hotel services from the hotels they were in while the remainder (14.15%) only sought services from the hotel they were in occasionally. This indicates that majority of respondents were not loyal to the hotels where they were.

**4.3.5 Background Information of the Interviewees**

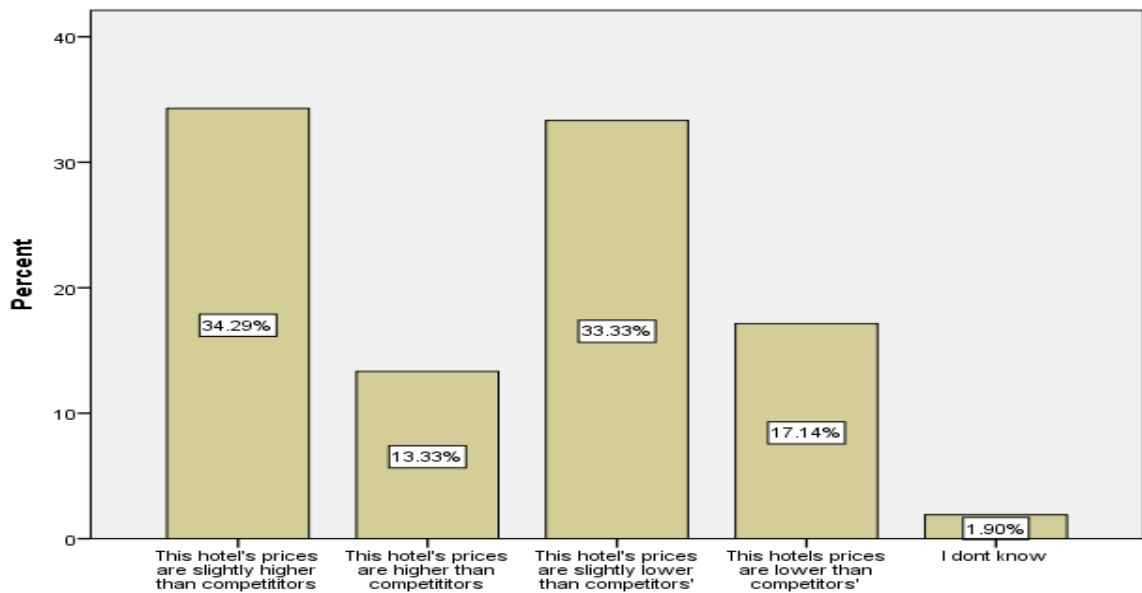
Four out of eight interviewees were able to respond to the study’s questions adequately. 100% of them were men aged over 40 years and had experience of more than 10 years in their current hotels.

#### 4.4 Effect of price Dynamism on Customer Relationship

The first objective investigated the effect of price dynamism on customer relationship in five star hotels in NCBD. The collected results were as presented in the subheadings that follow.

##### 4.4.1 Comparison of Hotel's price to Competitors

The study investigated how prices in customers' hotels compared to competitor prices. The collected data were as shown in the figure 4.2.



**Figure 4.2: Comparison of Hotel's price to Competitors'**

**Source: (Survey data 2013)**

Majority (34.29%) said that their hotel's prices were slightly higher than competitors' while 33.33% said their hotel's prices were slightly lower than competitors. Thirteen

percent said their hotel's prices were higher than competitors' while 17.14% said their hotel's prices were lower than competitors'. Additionally 1.9% of the customers were not aware whether their hotel's prices were high or low to competitors'. These results presents that the five star hotels in NCBD received two major groups of clients: those who had probably utilized the services of low priced hotels, hence, when they compared the low prices of competitor hotels to the prices of their current hotels they felt their hotel was slightly expensive. The other group of customers was those who probably utilized services from slightly higher priced hotels, hence, when they compared the prices in the current hotel felt that they were slightly cheaper.

#### 4.4.2 Effect of Price Dynamism on Customer Relationship

The study also investigated how price dynamism affected customers' relationship with the hotel hence their loyalty. To establish this effect, the researcher regressed the different variables under price dynamism with the ability of customers to exploit a hotels services and products a second time given the chance. Here, it was assumed that customers who have an established relationship with the hotel would come back for the hotel's services and products at another time]. The regression results were as presented in table 4.4 below.

**Table 4.4: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.379 <sup>a</sup>	.144	.085	.406

**Source: (Survey data 2013)**

a. Predictors: (Constant), High prices reduce customers' purchasing probabilities, Hotel offers attractive packages to enhance relationship and loyalty of customers, High season's prices meet value expectations, Low season prices meet value expectations, Low season price is highly discounted, Hotel offers justified prices based on quality of services/products.

The results in table 4.4 show that there is a weak relationship between the dependent variable and the independent variable. As such, these results show that the relationship between a customer's come back and the high prices that reduce customers' purchasing probabilities; the hotel's offers that are attractive to enhance relationship and loyalty of customers; the high season's prices that meet customers' value expectations; the low season prices that do not meet customers' value expectations; the low season price that is highly discounted, and the hotel's offers of justifiable prices based on quality of services/products is weak though positive. The adjusted  $R^2$  means that only 8.5% of the dependent variable can be explained accurately by the independent variables. This just substantiates the weak linear relationships between the dependent and the independent variables.

**Table 4.5: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.430	6	.405	2.462	.030 <sup>b</sup>
	Residual	14.475	88	.164		
	Total	16.905	94			

**Source: (Survey data 2013)**

a. Dependent Variable: The prices influence customers to come back.

b. Predictors: (Constant), High prices reduce customers' purchasing probabilities, Hotel offers attractive packages to enhance relationship and loyalty of customers, High season's prices meet value expectations, Low season prices meet value expectations, Low season price is highly discounted, Hotel offers justified prices based on quality of services/products.

The ANOVA results in table 4.5 show a P value of 0.030, which is less than 0.05. This indicates that there is significance between customers coming back to a hotel again and the price they are offered, the attractiveness of the packages they receive, the ability of high season and low season prices to meet value expectations, and the hotel offering justifiable prices on the products/services on offer. Based on the assumption that customer comeback is informed by the relationship the customer has with the hotel, this

results indicate that the price a customer is charged during low season and high season has great significance on the relationship a customer has with a hotel.

**Table 4.6: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.149	.283		.527	.600
Hotel offers justified prices based on quality of services/products	-.036	.087	-.057	-.414	.680
Low season price is highly discounted	.154	.076	.281	2.043	.044
Low season prices meet value expectations	-.077	.074	-.127	-1.033	.304
High season's prices meet value expectations	.074	.058	.144	1.288	.201
Hotel offers attractive packages to enhance relationship and loyalty of customers	.116	.068	.176	1.715	.090
High prices reduce customers' purchasing probabilities	.011	.043	.027	.265	.792

**Source: (Survey data 2013)**

a. Dependent Variable: The prices influence customers to come back

Table 4.6 shows the coefficients of the independent variables that affect the comeback of customers to a hotel. As the table shows, the relationship between a customer and a hotel (or the ability of a customer to come back to a hotel) increases by a unit when the hotel reduces offering prices that are justified to the products/services offered by 0.036, as well

as reduces by 0.077 during low season when the low season prices are not meeting value expectations of customers by 0.077. Probably, this result shows that justifying the price of the product/service based on their quality increases the price thus making the products/service expensive. This, thus, attracts customers to dislike justifying price to quality of services/products sold. This result matches the observation made by Malik et al. (2012) that customers respond significantly to any alteration affecting price, as they significantly associate price and quality.

The fact that relationship (comeback) reduces by 0.077 during low season when low season prices do not meet value expectations shows that hotels reduce the quality of services or products offered during low season so as to cut costs hence affecting customer's perception of the products/services being of the desired value. This confirms that customers attach value to the prices they are given just as Malik et al. (2012) observed that price alterations are linked to quality perception hence determine customer satisfaction from the quality of services or products on offer.

Similarly, an increase of 0.154 in discounts on low season prices, an increase of 0.074 of high season prices meeting value expectations, a 0.116 increase in the hotel offering attractive packages to enhance relationship and loyalty of customers, and an increase of 0.011 of the prices that increases customers purchasing powers also increase the relationship a customer has with a hotel by a unit. This means that customers prefer being loyal to hotels that offer high discounts during low seasons, prices that match value of products in high seasons, and attractive packages that encourage relationship and loyalty. These findings concur with those presented by Malik et al. (2012) that offering prices that

are satisfactory and appreciated to customers enhances customer satisfaction with the services they get, hence, develop a higher tendency of becoming repeat customers and even have the high likelihood of referring one or more other customers. The result also shows that customers of five star hotels prefer relating to hotels with prices that increase customer purchasing power just as it was discussed by Sternquist and Jin (2004) that high prices reduce the purchase probabilities of a customer.

#### 4.4.3 Reasons for come back to a hotel

Additionally, the study investigated in-depth some of the factors that influence customers to come back to a hotel another time. The collected data was as presented in the table 4.7(a) below.

**Table 4.7(a): Reasons for come back to a hotel**

Reason	Frequenc y	Percentage (%)
The hotel has good services/professionalism	33	40
Their prices are affordable	20	24
The hotel has good foods/cuisines	6	7
Hotel is next to my offices (Hotel offers convenience for my businesses)	6	7
I/my company is loyal to the hotel	4	5
The hotel has variety of products and services	3	4
Hotel offers credit	2	2
My company books me here-I have no choice of not coming back.	2	2



Good décor	1	1
I like their online booking service	1	1
Have favorable contract terms	1	1
Location suites my business needs	1	1
I get personalized services from the hotel	1	1
I like their conferencing package	1	1
<b>Total</b>	<b>82</b>	<b>100</b>

**Source: (Survey data 2013)**

Majority of 40% came back to a hotel because it offered better services/professionalism. This shows that customers significantly used better services or professionalism as a determinant of whether they would visit a hotel again or not. Another 24% considered affordability of prices as a major factor that influenced them to come back to a hotel again. These two findings concur with the argument that people consider quality of services sold to them and link that quality to the price to determine whether they will be loyal to an organization or not (Malik et al., 2012).

#### **4.4.4 Reasons for not coming back to a hotel**

The study also established some of the reasons why some customers could not go back to their hotels in future. The collected reasons for not going back were as shown in table 4.7(b).

**Table 4.7(b): Reasons for not coming back to a hotel**

<b>Reason</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Prices are too high/expensive	14	61
Poor services/unprofessionalism	7	30
I attend because I am forced by my company	1	4
Poor WIFI	1	4
<b>Total</b>	<b>23</b>	<b>100</b>

**Source: (Survey data 2013)**

Majority (61%) of the respondents supported the major reason for customers not coming back to their hotels being high prices. Poor services or unprofessional services were the second factor that affected peoples come back to a hotel in future, as it had 30% support. These results show that customers of five star hotels put a lot of regard in prices they are charged and the quality of services or professionalism they get. As such, these results also concur with Malik et al.'s (2012) arguments as shown in 4.4.3.

### **Interview results on price dynamism on customer relationship**

The study interviewed respondents on the pricing mechanism and pricing policies that were in place to regulate the pricing procedures of a hotel. The findings showed that hotels use group pricing where several factors are considered. Firstly, the minimum margin levels are set based on the cost of producing or preparing the product or services that needs to be sold. The minimal marginal levels are informed by the quality of services or products offered. This price forms a benchmark and is aimed to ensure that whichever price the hotel charges, it will not incur losses. Thereafter, the managers apply the demand and supply factors to either inflate or reduce prices as per the season. Wholesale

or corporate pricing is based on market overview and the economic growth levels as provided by the KTB. Nevertheless, the quality of services offered was a significant determinant of the pricing policy adopted. This concurs with the observations made by Malik et al. (2012) that most establishments set their prices based on the quality of services or products they offer.

The researcher also enquired how hotel managers ensured that pricing is accuracy across different products on offer and at different times. The collected data showed that intensive research and constant monitoring of the Average Daily Rate (ADR) and index ratings of competitors were significant in ensuring the pricing was sustainable and accurate. This presents the commitment managers had towards ensuring that the prices charged met their costs as well as were not highly significant from competitors. This confirms Sternquist and Jin's (2004) arguments that prices should not be high from those of competitors since they can lead to dissatisfaction from customers. However, Anuwichanont (2011) emphasizes that the prizes need to meet the quality requirements. Additionally, one respondent said that their hotels had technology systems where daily prices were entered to avoid miscommunication of price. Employees were only allowed to refer to this system for the day's prices on products and services on offer.

As to whether hotels had customer relations management programs/departments, all the interviewees agreed. One interviewee submitted that given the hotel industry is a service industry, having a program to manage guest relationships was crucial as it would extend the experience guests received. One of the interviews said that his hotel had started a reward program where customers earn points anytime they use the hotels products and

services. The customers with high points are then rewarded with complimentary room nights, spa services, or meal vouchers. This program was aimed to enhance customer relationship hence loyalty. The interviewee understood that loyal customers are less reactive on prices as long as they meet the minimum quality they would expect. This is seen to match the argument submitted by Anuwichanont (2011) that price must meet the minimum quality requirements.

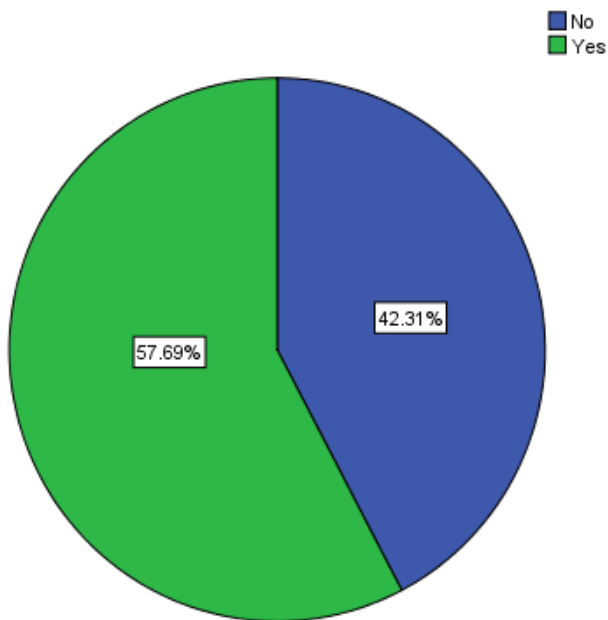
In regards to how managers measured value for money, the collected data showed that several factors are crucial in determining value for money. One interviewee said that the quality of services or products *vis-a-vis* the quality of the same products/service offered by competitors was a key measure of value. This quality then informed the price allocated to that product/service (in relation to competitor price). However, in one interview, the interviewee noted that customer behaviour was the biggest determinant of value of a product or service and its equivalent pricing. This was basically determined through purchase behaviour and customer feedback. When the purchase behaviour was poor or when the feedback showed that the value is below expectations, the hotel adjusted to meet the customer needs. However, interviewees confirmed that the most important thing is for the value to match the price of the product just as Virvilaite et al. (2009) argued.

## 4.5 Credit facility and customer relationship

The second objective investigated the effect of credit facility on customer relationships in five star hotels within the NCBD. Under each subheadings are present the results that were collected.

### 4.5.1 Access to credit

The researcher enquired whether customers were offered credit by their hotels. The collected results were as presented in figure 4.3 below.



**Figure 4.3: Access to credit facility**

**Source: (Survey data 2013)**

Majority (57.7%) accessed credit from their hotels while the remaining 42.3% did not access credit facility.

The reasons given for being able to access credit and not being able to access it were as presented in table 4.8

**Table 4.8(a): Reasons for not accessing credit**

Reason	Frequency	Percent (%)
I don't qualify (lack of creditworthiness)	12	30
My sponsor company does not allow (I am paid for in cash)	6	15
I am not a loyal customer	8	20
I prefer cash	14	35
Total	40	100

**Source: (Survey data 2013)**

Majority (35%) of respondents preferred to use cash to pay as opposed to credit, 30% were not creditworthy thus could not access credit from their hotels, 20% were not loyal customers and the remaining 15% were sponsored by companies that did not allow them to pay with credit. These results show that the reasons for not accessing credit were of personal choice as well as of not meeting the requirements of the credit policy of a hotel.

**Table 4.8(b): Reasons for being able to access credit**

<b>Reason</b>	<b>Frequency</b>	<b>Percent (%)</b>
Repayment agreement the business has with the hotel	24	29
The business a customer gives the hotel	18	22
Creditworthiness	8	10
Customer's net pay	7	9
Loyalty to the hotel	10	12
Travel agent	1	1
Spending power of a guest	2	2
The relationship a customer has with the hotel	12	15
Total	82	100

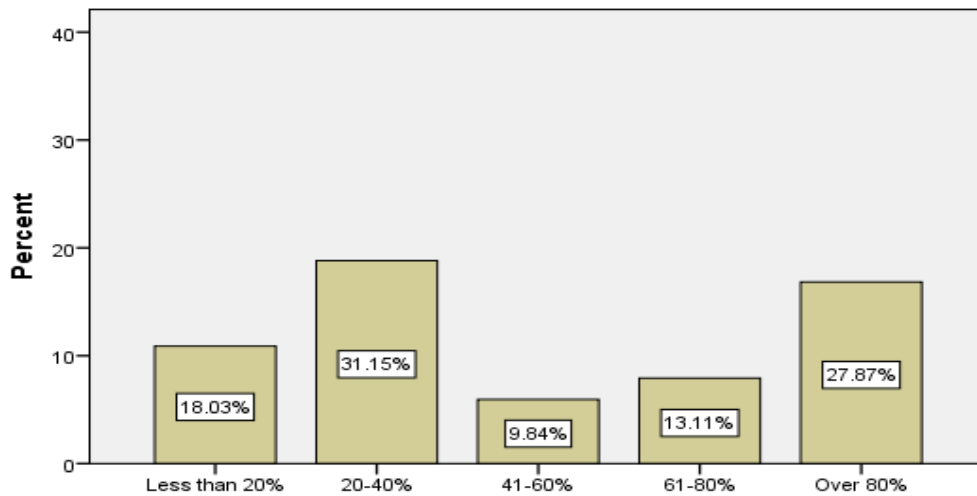
**Source: (Survey data 2013)**

According to majority of 29% of the respondents, credit was offered to customers who had a repayment agreement with the hotel. This is basically to avoid the hotel incurring unnecessary losses due to defaulting customers. The agreement offers a measure of how the hotel can regain its money in case there is a default. As such, the agreement binds the customers and the hotel to committing to play their role. Such strategy of offering credit is similar to what Peavler (2013) considers as a credit policy that ensures a company does not run losses by offering credit.

The amount of business a customer gives a hotel is also a determinant for access to credit as supported by 22% of customers. This shows that hotels offer credit to customers who give them huge businesses. Giving these customers credit may motivate and encourage them to bring more and more business to the hotel. This finding confirms Cvent Solutions' (2013) argument that credit facility should be offered to customers who are most profitable to the business.

#### 4.5.2 Spending paid by credit

After establishing the number of people who could access credit facility, the study further investigated the percentage of spending customers were able to pay using credit. The collected data are as shown in figure 4.4 below.



**Figure 4.4: percentage spending at the hotel paid by credit**

**Source: (Survey data 2013)**

Majority (31.15%) of customers used credit to pay between 20-40% of their spending in hotels, 27.87% used credit to pay for over 80% of their spending, 18.03% used credit to pay less than 20% of their total spending and 13.11% used credit to pay for 61-80% of their spending. The remaining 9.84% used credit to pay for 41-60% of their spending. Generally, majority of respondents (72.13%) use credit to pay for a portion (up to 80%) of their total spending. This indicates that customers only used credit as an additional mode of payment as opposed to using it fully to pay 100% of their bills. Findings from the interview show that hotels only offered 50-50 balance of credit facility where the



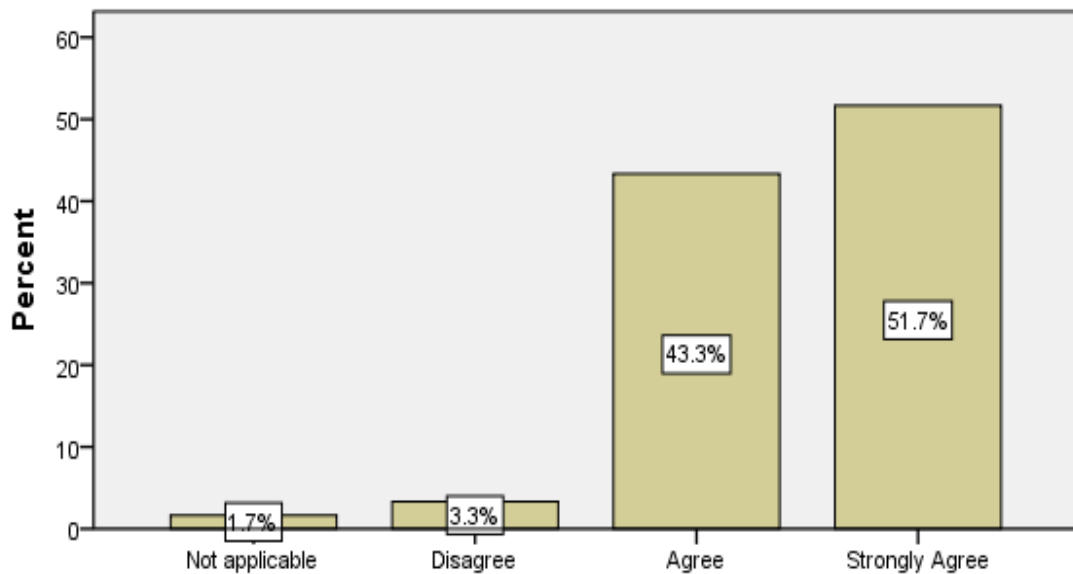
customer financed one-half using cash and the hotel financed the other on credit. This finding is similar to the argument that some organizations offer credit to their customers when they no longer have the power to purchase using cash (Bowen & Shoemaker, 1998).

### 4.5.3 Advantages of using credit over cash

The study investigated some of the advantages of using credit over cash according to customers. Results were as shown in the subheadings.

#### 4.5.3.1 Credit offers convenience of paying later

The data in figure 4.5 presents the collected results concerning whether credit offered customers the convenience of paying later.



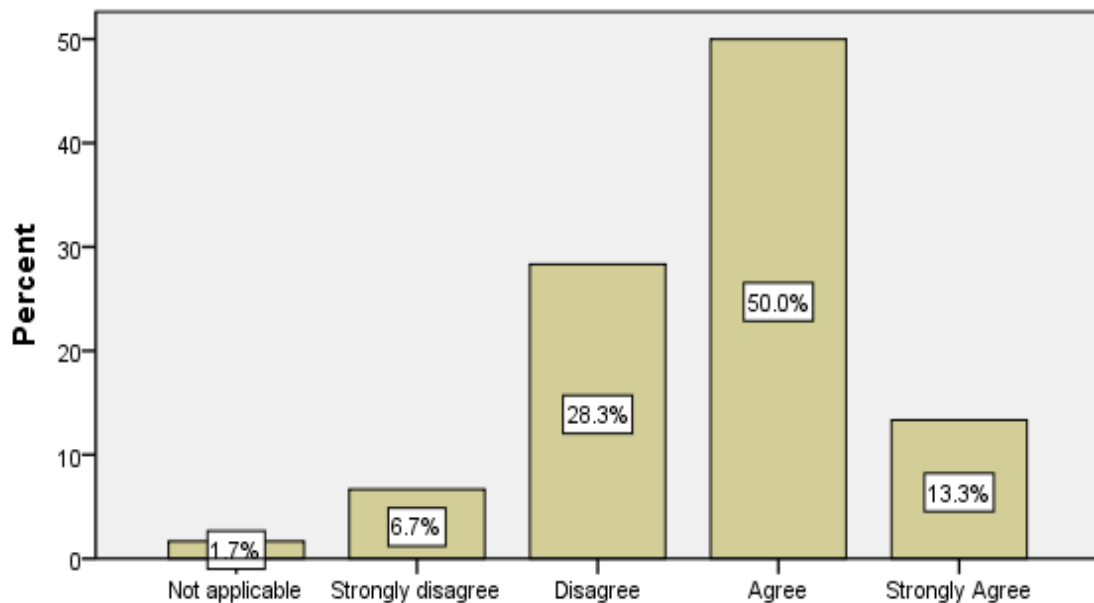
**Figure 4.5: Credit offers convenience of paying later**

**Source: (Survey data 2013)**

Majority (95%) of customers agreed that credit offered them the convenience of paying later. Only 3.3% disagreed and 1.7% said it was not applicable. This gives one of the advantages of customers preferring to use credit as a mode of payment. Since credit gave the convenience of paying later, it means credit allowed customers to consume hotel services and products even when they did not have money at their disposal. This is in concurrence with the assertion made by Nguyen et al. (2007) that customers who access credit facility feel convenient to use the services/products then pay later, and develop relationships that lead to satisfaction hence loyalty.

#### 4.5.3.2 Credit encourages enhanced spending

The figure 4.6 shows results concerning whether credit allowed customers to spend more at their hotels.



**Figure 4.6: Credit allows one to spend more at the hotel**

**Source: (Survey data 2013)**

Majority of 63.3% agreed that credit allowed them to spend more at the hotel. Thirty five percent of the customers disagreed that credit allowed them to spend more at the hotel while the remaining said it was not applicable. The fact that credit allowed customers to enjoy hotel services and products even when they do not have cash at their disposal, means that it increased instances at which customers can consume the hotel's services/products. As such, customers are able to spend more as their ability to spend is not only limited to the hard cash they have, but to the promise to pay in future. This finding also concurs with the presentations of Berry (1983) that offering credit often encourages customers to speed up or increase the amount they spend.

#### **4.5.4 Credit enhances loyalty**

To establish how credit facility affected customer loyalty to hotels, the researcher regressed loyalty of customers against the convenience credit offered them and the amount of their spending paid by credit. The collected regression results were as shown in the tables 4.9, 4.10, and 4.11.

**Table 4.9: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.341 <sup>a</sup>	.116	.083	.755

**Source: (Survey data 2013)**

a. Predictors: (Constant), Convenience of credit allowing later payment, Percentage spending paid by credit.

The model summary shows that the convenience of credit allowing later payment and the percentage spending amount paid by credit have a positive relationship with the credit facility increasing the loyalty of a customer to a hotel. Simply put, the convenience offered by credit facility and the amount of spending paid by credit all affect the extent to which credit facility enhances loyalty. However, the  $R^2$  shows that the relationship is accurately explained up to 12%.

**Table 4.10: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.984	2	1.992	3.492	.038 <sup>b</sup>
	Residual	30.230	53	.570		
	Total	34.214	55			

**Source: (Survey data 2013)**

a. Dependent Variable: Credit facility has increased loyalty to the hotel

b. Predictors: (Constant), Convenience of credit allowing later payment, Percentage spending paid by credit

From table 4.10, it is clear that  $p=0.038$ . This value is less than 0.05 hence shows that there is significance between the independent variable and the independent variable. This

means that the extent to which credit facility enhances loyalty significantly depends on the convenience that credit gives a customer to pay later and the percent, which that credit facility covers on a customer's total spending at a hotel.

**Table 4.11: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.592	.681		2.337	.023
Percentage spending paid by credit	.099	.068	.192	1.459	.151
Convenience of credit allowing later payment	.365	.193	.249	1.893	.064

**Source: (Survey data 2013)**

a. Dependent Variable: Credit facility has increased loyalty to the hotel.

As indicated in table 4.11, an increase in the convenience of paying later of 0.365 and an increase of 0.099 in the percentage of spending paid by credit result in an increase in the credit facility offered increasing loyalty of customers to a hotel. As such, the loyalty of customers to a hotel will increase when the credit facility offers more convenience of paying later and when the amount of spending paid by the credit facility is increased. This shows that hotels that will design a credit policy that will cover a larger part of customers spending and will offer increased convenience (increase the time one should pay) will achieve higher loyalty than those that do not or those that do otherwise.

Increasing the convenience of pay to match the customer's requirement depicts exceptional trust that will influence loyalty from the customer. Similarly, allowing the customer to pay a larger share of his spending using credit shows the trust an organization has to a customer hence enhancing loyalty. These findings confirm the arguments that companies with better credit terms end up attracting and retaining many customers than those with poor credit terms (Bowen & Shoemaker, 1998; Peavler, 2013).

#### **4.5.5 Interview results on Credit facility and customer relationship**

As to whether hotels offered credit payment to their customers, all interviewees agreed. In fact, the study found there were two kinds of credit given to respondents, temporary and permanent credit facilities. Temporary one was short term and could be terminated without prior notice. Temporary credit facility was offered to individual customers while permanent credit facility was offered to corporate and wholesale customers or very loyal customers. However, the responses they gave showed that qualifying for credit depended on how prompt one would make payments for previous bookings. This is similar to investigating how creditworthy a customer is based on the previous payments just as Peavler (2013) noted.

Interviewees agreed that credit facility enhances loyalty and customer-hotel relationship since those customers who access credit feel that their hotels trust them. As such, these customers opt to spend their money to that hotel that can allow them credit than to hotels, which cannot offer them credit. This also confirms the observation made by Berry (1983) that credit offers a business competitive advantage and those made by Peavler (2013) that offering credit enhances relationships and loyalty.

#### 4.6 Managerial implication on customer relationship

The third objective investigated the effect managerial implication had on customer relationship with five star hotels in NCBD. The results were as discussed in the subheadings.

##### 4.6.1 Hotel offers best quality services

As to whether hotels offered best quality services to customers when compared to those offered by competitors, the results in table 4.12 were collected.

**Table 4.12: Compared to other hotels, this hotel offers best quality services to customers**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Not applicable	1	.9	1.2	1.2
Strongly disagree	4	3.8	4.8	6.0
Disagree	10	9.4	12.0	18.1
Agree	32	30.2	38.6	56.6
Strongly Agree	36	34.0	43.4	100.0
Total	83	78.3	100.0	
Missing 20	23	21.7		
Total	106	100.0		

**Source: (Survey data 2013)**

Majority (82%) agreed that when compared to other hotels, their hotels offered best quality services to customers. Sixteen point eight percent disagreed while the remainder said the two were inapplicable. These results show that five star hotels in the NCBD aspired to offer best quality services than competitors. Given that the study surveyed five star hotels alone, the fact that majority of respondents agreed that their hotels offered best quality services indicates that each of the five star hotels offered unique

experience/products that made them be best in that field hence the responses. This implies that the management of five star hotels had invested in ensuring that that they produced the desired experience through creativity in quality services and products than competitors. These discussions tally the presentations of Delaney (1996) that effective management is one that offers creativity, innovativeness, is logical and productive in the process of meeting set objectives- [being the best among competitors]. The results also concur with the observation by Lewis and Chambers (2000) that efficiency and performance of an organisation defined the good managerial skills input to that organisation.

#### **4.6.2 Relationship between hotel managers and customers**

The study investigated the relationship between hotel managers and customers. The collected data was the presented in table 4.13 as shown.

**Table 4.13: Hotel's managers have good relationship with customers**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	4	3.8	4.9	4.9
Disagree	4	3.8	4.9	9.9
Agree	41	38.7	50.6	60.5
Strongly Agree	32	30.2	39.5	100.0
Total	81	76.4	100.0	
Missing 20	25	23.6		
Total	106	100.0		

**Source: (Survey data 2013)**

Majority (90.1%) respondents agreed that the managers of their hotels had established good relationships with them as customers while the remaining 9.9% disagreed. This



indicates that the management of five star hotels comprehended the importance of having better relationship with customers. This may be attributed to the fact that good relationship with customers allows managers to understand customer needs and concerns better hence offer services and products that are satisfactory to them. Good relationship also increases customer loyalty. These findings disagree with those presented by Yen and Su (2004) that hotel managers are challenged with building and sustaining customer relationships that lead to loyalty since they indicate that managers of five star hotels, in fact, have build such good relationships with customers.

#### 4.6.3 Employees have good relationship with customers

The study also investigated whether employees in five star hotels have good relationship with their customers. The collected results are as shown in table 4.14.

**Table 4. 14: Employees have good relationship with customers**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	2.8	3.7	3.7
	Disagree	7	6.6	8.6	12.3
	Agree	34	32.1	42.0	54.3
	Strongly Agree	37	34.9	45.7	100.0
	Total	81	76.4	100.0	
Missing	20	25	23.6		
Total		106	100.0		

**Source: (Survey data 2013)**

Majority (87.7%) agreed that employees in five star hotels have good relationships with their customers and 12.3% disagreed. Since managers shape an organization to develop according to the strategies they consider fit, they also influence how employees relate to

customers. As such, this results show that managers understood the importance of establishing structures that ensure good relationships between employees and customers hence the relationships just as Bitner (1995) acknowledges in the literature review section.

#### 4.6.4 Contact points between Customers and Employees

The data in table 4.15 shows the results concerning whether five star hotels in NCBD had created many contact points between customers and employees.

**Table 4.15: Hotel has many contact points between customers and employees**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Not applicable	1	.9	1.2	1.2
Strongly disagree	2	1.9	2.4	3.6
Disagree	13	12.3	15.7	19.3
Agree	41	38.7	49.4	68.7
Strongly Agree	26	24.5	31.3	100.0
Total	83	78.3	100.0	
Missing 20	23	21.7		
Total	106	100.0		

**Source: (Survey data 2013)**

Majority (80.7%) of respondents agreed that five star hotels in NCBD had created many contact points between customers and employees. Those who disagreed were 18.1% while the remainder said the two were inapplicable. Many contact points between customers and employees are platforms for employees and customers to relate and interact. Thus, the fact that five star hotels have many of those contact points shows that managers created the infrastructure and facilitated employees and customers to interact

more often in order to create a better relationship among them. These results show agreement with the findings made by Reichheld (1993) that skilled managers increased contact points between customers and employees to give their employees a chance to sell the company's image to its customers hence create relationships that will lead to enhanced satisfaction and loyalty.

#### 4.6.5 Employees have Courtesy when Dealing with Customers

The researcher investigated whether employees were more courteous and professional when handling customers. The collected findings were presented in table 4.16.

**Table 4.16: Employees are more courteous and professional when handling customers**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	5	4.7	6.0	6.0
Disagree	12	11.3	14.5	20.5
Agree	28	26.4	33.7	54.2
Strongly Agree	38	35.8	45.8	100.0
Total	83	78.3	100.0	
Missing 20	23	21.7		
Total	106	100.0		

**Source: (Survey data 2013)**

Majority of 79.5% agreed while 20.5% disagreed that employees in five star hotels were more courteous and professional when handling customers. Since these hotels had a philosophy of giving customers the best experience and developing positive relationships with them, courtesy, and professionalism are crucial. Employees having courtesy and

being professional simply reflects what their managers require as part of their employee culture hence this result indicates that the managers had significantly invested in enabling their employees treat customers with courtesy and professionalism to avoid instances that can lead to customer dissatisfaction hence affect loyalty. This concurs with the submissions that managers ought to equip their employees adequately on how to relate with customers to treat customers well hence enhance customer-hotel relationship that will affect loyalty (Ongoro, Kiragu & Simwa, 2013).

#### 4.6.6 Availability of Feedback System

The study also enquired on whether five star hotels in NCBD had instituted feedback systems to attend to customer concerns. The collected results are presented in table 4.17.

**Table 4.17: Management has instituted feedback system to address customer concerns**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	.9	1.2	1.2
Disagree	10	9.4	12.0	13.3
Agree	38	35.8	45.8	59.0
Strongly Agree	34	32.1	41.0	100.0
Total	83	78.3	100.0	
Missing 20	23	21.7		
Total	106	100.0		

**Source: (Survey data 2013)**

Eighty-six point eight percent of respondents agreed that five star hotels had instituted feedback systems that attended to customer concerns while the remaining respondents

disagreed. Certainly, the management of five star hotels understands the importance of having feedback system to address customer concerns. This is also linked to the good relationships employees and managers have with customers, which is best achieved when customers' concerns are well addressed. Customer concerns are thus, conveyed through this feedback system. These findings concur with Barlow (1992) that skilled managers with effective leadership skills create feedback system that influence customer satisfaction and loyalty by and acting on the various concerns from customers.

#### 4.6.7 Customer concerns are Handled Well

After establishing the institution of feedback system, the researcher went ahead to establish whether customer concerns and needs are addressed well. The collected results are as shown in table 4.18.

**Table 4.18: Customer concerns are handled well**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	2.8	3.7	3.7
	Disagree	11	10.4	13.4	17.1
	Agree	33	31.1	40.2	57.3
	Strongly Agree	35	33.0	42.7	100.0
	Total	82	77.4	100.0	
Missing	20	24	22.6		
Total		106	100.0		

**Source: (Survey data 2013)**

Majority of 82.9% agreed customer needs and concerns are handled well hence their loyalty while 17.1% disagreed. This implies that the management of the hotel responded

adequately to the feedback received from customers. This is also another indication that five star hotels in NCBD treasured their relationship with customers hence had to handle their concerns and needs well. The findings agree with those presented by Barlow (1992) that customers who feel their needs are well taken care of have high satisfaction and loyalty than those whose needs are not.

#### 4.6.8 Hotel Comprehends Customer Needs

As to whether the concerns and needs that were handled showed the hotel's well understanding of customer needs was investigated and the collected findings presented in table 4.19 below.

**Table 4.19: Hotel comprehends what customer needs are**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	9	8.5	11.7	11.7
Disagree	5	4.7	6.5	18.2
Agree	33	31.1	42.9	61.0
Strongly Agree	30	28.3	39.0	100.0
Total	77	72.6	100.0	
Missing 20	29	27.4		
Total	106	100.0		

**Source: (Survey data 2013)**

As indicated in table 4.16, majority (81.9%) agreed while 18.2% disagreed that the hotels comprehended well what customer needs were. This also shows further commitment that the management had towards employees. The management understood the needs of customers so as to attend to them well. This may be attributed to the better relationship managers had with customers as already established elsewhere in this study. This finding

also substantiates that customers whose needs are well addressed become loyal due to the high satisfaction they get (Barlow, 1992).

#### 4.6.9 Managerial effects and customer loyalty

To establish how managerial effects affected customer relationships hence customer loyalty, the researcher regressed managerial commitment to customer relationships (DV) and quality of services offered by the hotel compared to competitors, managers' relationships with customers, contact points between customers and employees, and professionalism and courtesy with which employees treat customers (IVs). The resultant output was as presented in tables 4.20, 4.21, and 4.22.

**Table 4.20: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.567 <sup>a</sup>	.322	.284	.842

**Source: (Survey data 2013)**

a. Predictors: (Constant), Employees are more courteous and professional when handling customers, Hotel has many contact points for customer-employee interaction, Hotel offers best quality services to customers when compared to competitors, Hotel's managers have good relationship with customers.

The model summary in table 4.20 shows an average positive relationship between the independent variables and the dependent variable. This means that Employees being

more courteous and professional when handling customers, Hotel having many contact points for customer-employee interaction, Hotel offering best quality services to customers when compared to competitors, and Hotel's managers having good relationship with customers had a positive relationship with Managerial commitment to customer relationship in five star hotels. The relationship between this variables can however, be explained to an accuracy of 32% as predicted by the  $R^2$ .

**Table 4.21: ANOVA Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.227	4	6.057	8.548	.000 <sup>a</sup>
	Residual	51.019	72	.709		
	Total	75.247	76			

**Source: (Survey data 2013)**

a. Predictors: (Constant), Employees are more courteous and professional when handling customers, Hotel has many contact points for customer-employee interaction, Hotel offers best quality services to customers when compared to competitors, Hotel's managers have good relationship with customers

b. Dependent Variable: Managerial commitment to customer relationship in hotels

The significance level of 0.000, which is lower than 0.05 shows that there is significant relationship between the independent variable and the dependent variables being studied.



**Table 4.22: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.121	.480		.252	.801
Hotel offers best quality services to customers compared to competitors	.134	.143	.122	.936	.353
Hotel's managers have good relationship with customers	.130	.167	.102	.780	.438
Hotel has many contact points for customer-employee interaction	.423	.137	.353	3.101	.003
Employees are more courteous and professional when handling customers	.157	.122	.146	1.292	.201

**Source: (Survey data 2013)**

a. Dependent Variable: Managerial commitment to customer relationship in hotels

As indicated in table 4.22 managerial commitment to enhance customer relationship increases when a hotel increases its offering of quality services to customers compared to competitors by 0.134, when the hotel's managers good relationship with customers increases with 0.130, when the hotel has 0.423 times contact points for customer-employee interactions, and when employees courtesy and professionalism when handling customers increases by 0.157. This therefore means that customers will develop higher and better relationships with hotels when the management has put measures in place to ensure that the hotels offer better quality services to customers compared to competitors. When a hotel offers these services, it automatically outdoes competitors hence reducing

chances of customer's crossing over to competitors. These findings concur with those presented by Yen and Su (2004) that quality services and customer satisfaction are the two crucial items that guarantees a business competitive advantage and customer loyalty.

The results also show that customers will develop higher and better relationships with a hotel when the managers have good relationship with customers. This is attributed to the fact that good relationship enables managers and customers share freely things that can allow building their relationship. This result concurs with the submissions of Chapman (2009) that when managers are skilled to know and interact with their customers, they will be able to supply services and products that enhance customer relationship and satisfaction which then lead to loyalty.

Additionally, the findings show that managerial commitment to enhance customer relationship and loyalty arises when a hotel has many contact points for customer-employee interactions. This is attributed to the fact that every contact point provides a chance for the customer and employee to interact thus build their relationships. Therefore, having many contact points is equivalent to building even stronger relationships among employees and customers. This concurs what Bitner (1995) presented, that when the contact between a customer and an employee increases, their relationship grows as well. The loyalty a customer have will then depend on the kind of relationships they had (Ongoro et al., 2013).

Moreover, the managerial commitment to enhance customer relationship in hotels increases when the courtesy and professionalism of employees is high when handling

customers. This arises from the fact that when employees are courteous and professional, they make the managers star shine since the employees work under his/her instructions. As such, having this courtesy and professionalism will lead to enhanced satisfaction, relationships, and loyalty.

#### **4.6.10 Interview Results on Managerial Implication**

The interviewer enquired on the managerial role in customer relationship in five star hotels. The collected data showed that managers were in constant interaction with customers at different points. One interviewee noted that as a manager he held constant check backs and evaluation on customer experience at different points of the day and on random customers. In these evaluations, the manager evaluated the needs and requirements of customers and incorporated them in the hotel's strategy. Additionally, the managers reviewed feedback from customers and corrected the concerns customers had shown. Managers also engaged in on-the-job training to equip their employees on how to handle customers professionally to give them a high guest experience. The hotels also had a complaints desk that offered quick response to urgent customer complaints for in-house customers. Additionally, the management had set up a 24-hour call line to the reception in all guest rooms and public rooms to ensure fast response to guest concerns. This confirms the argument that skilled managers create many contact point that enhance interaction with customers hence builds on customer relationships (Barlow, 1992).

#### **4.7 Trust and commitment**

The fourth objective investigated the mediating effect of trust and commitment on the relationship between revenue management practice and customer relationship. The data

collected on this objective was presented in subheadings as indicated in the following part.

#### 4.7.1 Relationship enhances trust

The study investigated whether the relationship customers had with the hotel enhanced their commitment and trust to the hotel. The collected data was as shown in table 4.23.

**Table 4.23: Positive relationship with the hotel has increased trust and commitment**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not applicable	3	2.8	3.8	3.8
	Strongly disagree	5	4.7	6.3	10.1
	Disagree	4	3.8	5.1	15.2
	Agree	44	41.5	55.7	70.9
	Strongly Agree	23	21.7	29.1	100.0
	Total	79	74.5	100.0	
Missing	20	27	25.5		
Total		106	100.0		

**Source: (Survey data 2013)**

Majority of 84.8% agreed that the positive relationship they had with their hotels had influenced their trust and commitment to those hotels. Of the remaining respondents, 3.8% said their relationship was not applicable to influencing them to trust and commit to their hotels while the remainder disagreed. Positive relationship shows the good interaction and mutual benefit that customers and hotels get from each other. As such, the relationships give a person the benefits he/she gets from a hotel hence, justifying their trust and commitment to a hotel. These findings concur with those presented by Crosby et

al. (1990) that increasing points of relating and time of relating between employees and customers has enhanced the trust customers had in their organizations. Crosby et al. (1990) also presented that enhancing professionalism among employees increased how they handle and relate to employees thus increasing employee satisfaction in the experience employees demonstrated, which in the long run increases trust and commitment.

#### 4.7.2 Trust and commitment enhances loyalty

The study also investigated whether the customers trust and commitment to the hotel had influenced their loyalty to the hotel. Table 4.24 shows the collected findings.

**Table 4.24: Trust and commitment to the hotel has enhanced loyalty**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not applicable	4	3.8	5.1	5.1
	Strongly disagree	4	3.8	5.1	10.3
	Disagree	10	9.4	12.8	23.1
	Agree	37	34.9	47.4	70.5
	Strongly Agree	23	21.7	29.5	100.0
	Total	78	73.6	100.0	
Missing	20	28	26.4		
Total		106	100.0		

**Source: (Survey data 2013)**

Majority of 76.9% agreed that the trust and commitment they had in their hotels enhanced their loyalty to those hotels. Seventeen point nine percent disagreed while the remainder chose not applicable. This shows that customers were loyal to hotels they trusted and committed to. This is attributed to the fact that trust and commitment was

driven by the relationship a customer had with a hotel while the relationship depended on the services and products the customer received from that hotel. Thus, the loyalty emanated from the services and relationships the customer had with the hotel. These finding confirms the assertion Heinz (2010) made that trust is a very important determinant of customer loyalty.

#### 4.7.3 Satisfactory relationship influenced the trust and loyalty

The study investigated the effect satisfactory relationships had on customers' trust and loyalty and the collected results were as shown in table 4.25.

**Table 4.25: Satisfactory relationship with hotel has contributed to the trust in the hotel**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not applicable	1	.9	1.3	1.3
	Strongly disagree	4	3.8	5.2	6.5
	Disagree	15	14.2	19.5	26.0
	Agree	36	34.0	46.8	72.7
	Strongly Agree	21	19.8	27.3	100.0
	Total	77	72.6	100.0	
Missing	20	29	27.4		
Total		106	100.0		

**Source: (Survey data 2013)**

Majority (74.1%) of the customers agreed that the satisfactory relationships they had with their hotels had increased their trust and loyalty to the hotels while 24.7% of the customers disagreed. The opinion of the majority arises from the fact that satisfactory relationships arise from better services and products and good employee or manager relationship with customers. Better quality products, services and relationships justify a

customer's need to patronage a given hotel hence build the trust and commitment that customer has to a given hotel. It also enhances the relationship the customer has with the hotel. Thus, this explains why a customer with satisfactory relationships will be loyal to a hotel. The findings confirm the discussion that satisfied customers have strong belief in their company's products and services hence are likely to enhance their engagement in the relationships thus enhance their commitment (Li-Ting et al., 2008).

#### 4.7.4 Increased points of contact and professionalism enhances trust

The study also investigated whether increased points of contact and professionalism among employees enhanced trust from customers. The results were as shown in table 4.26 below.

**Table 4.26: Increased points of contact and professionalism enhances trust**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	5	4.7	6.3	6.3
Disagree	19	17.9	24.1	30.4
Agree	33	31.1	41.8	72.2
Strongly Agree	22	20.8	27.8	100.0
Total	79	74.5	100.0	
Missing 20	27	25.5		
Total	106	100.0		

**Source: (Survey data 2013)**

Majority of 69.6% agreed that increased points of contact and professionalism among employees had made them trust the hotel more while 30.4% disagreed. The results from majority is attributed to the fact that increased points of contact increases points of interaction between customers and the hotel hence, provide chances of the customer

presenting their concerns and needs to the hotel. Professionalism, on the other hand, expose the customer to the desired guest experience as is prescribed of a five star hotel hence making the customer feel appreciated. These factors then enhance the trust that customer has in the hotel. The results also agree with the discussion by Crosby et al. (1990) that increasing the time and points of contact between employees and customers and training employees on how to handle customers' concern in a professional, sound, and satisfactory manner enhances trust customers have towards employees hence organization.

#### **4.7.5 Interview Results on Trust and Commitment**

The interviewer enquired whether hotels had repeat customer patronage and percentage of business the repeat customers give to the hotel. Collected data showed that five star hotels had new and repeat clients though most of their businesses came from repeat clients. One interviewee noted that their loyalty programs had ensured that they keep the loyal customers even as they seek new customers. He noted, "Loosing business is not a good thing to a hotel, but gaining new ones is always a plus." This is why the hotels were using loyalty programs to retain customers. Through the loyalty programs, the hotels are able to create trust and commitment from customers.

To enhance trust and commitment, interviewees noted that they have created systems that ensure a smooth booking, arrival stay, and departure from their facilities. These systems also had capacity to handle guest complains and restore them as required so as not to jeopardize the experience. Communication between different departments was also



smooth to eliminate delays or inconveniences. As such, the five star hotels enhanced customer trust and commitment by offering them best quality service and products that would enhance their satisfaction. This confirms the findings by Gruen et al. (2000) that customer relationships lead to satisfaction, which creates trust between customers and their organizations; and Grönroos (1990) observation that trust is built when service relationships are attained through mutual exchange and fulfillment of promises [like fulfilling the promise of providing good food and accommodation].

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary of the collected findings, the conclusions drawn from these findings and the recommendations the study makes. All these factors are discussed as per the study objectives.

### **5.2 Summary of Findings**

#### **5.2.1 Effect of price Dynamism on Customer Relationship**

Concerning the first objective: investigating the effect of price dynamism on customer relationship in five star hotels in NCBD, the study collected the findings show that most (34.29%) customers considered the prices they were charged to be slightly higher than competitors' and 33.33% said their hotel's prices were slightly lower than competitors.

The motivation of a customer to come back to a hotel increases when the hotel reduces by 0.036 offering prices that are justified to products/services. The comeback also reduces by 0.077 during low seasons when the low season prices are not meeting value expectations of customers. The relationship (comeback) also increases when low season prices do not meet value expectations by 0.077; when there is an increase of 0.154 in discounts on low season prices; when there is an increase of 0.074 of high season prices meeting value expectations; when there is a 0.116 increase in the hotel offering attractive packages to enhance relationship and loyalty of customers, and when there is an increase of 0.011 of the prices that increases customers purchasing powers also increase the

relationship a customer has with a hotel by a unit. Other factors that influence customers to come back to a hotel are whether it offers better services/professionalism and whether it offers affordable prices. Reasons for not coming back to a hotel include expensive services or products as noted by majority of 61% and poor or unprofessional services.

The study also found that quality of services or products offered is a great determinant of price a product is given and that customers pay for prices that match quality. To ensure accuracy in pricing, hotels used intensive research and constant monitoring of the Average Daily Rate (ADR) and index ratings of competitors were significant in ensuring the pricing was sustainable and accurate. Additionally the study found that hotels had technology systems where daily prices were entered for employees to refer to avoid miscommunicating the prices. All five star hotels in NCBD have customer relations management programs/departments that manages guest relationships to enhance guest experience. Loyalty programs were also created to enhance guest relations with the hotel. Concerning how managers measured value for money, the collected data showed the use of the quality of services or products *vis-a-vis* the quality of the same products/service offered by competitors was a key measure of value. This quality then informed the price allocated to that product/service (in relation to competitor price). Customer behaviour was the biggest determinant of value of a product or service and its equivalent pricing. This was basically determined through purchase behaviour and customer feedback.

### **5.2.2 Credit Facility and Customer Relationship**

The second objective investigated the effect of credit facility on customer relationships in five star hotels within the NCBD. The study found that Majority (57.7%) of customers were able to access credit from their hotels while the remaining 42.3% did not access credit facility. The major reasons given for not accessing credit were that customers preferred paying cash (35%), 30% were not creditworthy thus could not access credit from their hotels, 20% were not loyal customers and the remaining 15% were sponsored by companies that did not allow them to pay with credit. Of those who accessed credit, 29% had repayment agreement with the hotel and 22% of customers gave huge businesses to the hotel.

The study also investigated the percentage of spending customers were able to pay using credit and the results showed generally, majority (72.13%) of respondents used credit to pay for a portion of up to 80% of their total spending in hotels. The study also found that the advantages of using credit over cash were that credit offered customers the convenience of paying later as noted by majority (95%) customers. Majority of 63.3% customers also agreed that credit allowed them to spend more at the hotel. The study also found that the convenience offered by credit facility and the amount of spending paid by credit affected the extent to which credit facility enhances loyalty. An increase of 0.365 in the convenience of paying later and an increase of 0.099 in the percentage of spending paid by credit increases customer loyalty based on credit facility. As such, the study found that the loyalty of customers to a hotel would increase when the time for paying the credit is long enough and when the credit facility can be used to pay for a larger amount

of spending. All interviewees agreed that hotels offered credit to all customers on either temporary or permanent terms. Temporary credit facility was offered to individual customers while permanent credit facility was offered to corporate and wholesale customers or very loyal individual customers. However, qualifying for credit depended on how prompt one would make payments for previous bookings. The credit facility enhanced loyalty and customer-hotel relationship.

### **5.2.3 Managerial Implication on Customer Relationship**

The third objective investigated the effect managerial implication had on customer relationship with five star hotels in NCBD. Findings show that majority (82%) agreed that when compared to other hotels, their hotels offered best quality services to customers. Majority (90.1%) of customers also agreed that managers in their hotels had established good relationships with customers. As to whether employees in five star hotels have good relationship with their customers, majority of 87.7% customers agreed. Majority (80.7%) of respondents also agreed that five star hotels in NCBD had created many contact points between customers and employees to enhance employee-customer relationships. Majority of 79.5% agreed that employees in five star hotels were more courteous and professional when handling customers while majority of 86.8% agreed that five star hotels had instituted feedback systems that attended to customer concerns. Majority of 82.9% agreed that customer needs and concerns are handled well in their hotels hence their loyalty and 81.9% agreed that five star hotels in NCBD comprehend well what customer needs were.

To establish how managerial effect affected customer relationships hence customer loyalty, the regression results showed that managerial commitment to enhance customer relationship increases when a hotel increases its offering of quality services to customers compared to competitors by 0.134; when the hotel's managers' good relationship with customers increases by 0.130; when the hotel has 0.423 times contact points for customer-employee interactions, and when employees courtesy and professionalism when handling customers increases by 0.157.

Additionally, the study found that managers were in constant interaction with customers at different points like using constant check backs and evaluation on customer experience at different points of the day on random customers where the evaluations identified customer needs and requirements that need address. Managers also reviewed feedback from customers and addressed the concerns customers had. Managers also engaged in on-the-job training to equip their employees on how to handle customers professionally to give them a high guest experience.

#### **5.2.4 Trust and Commitment**

The fourth objective investigated the mediating effect of trust and commitment on the relationship between revenue management practice and customer relationship. Findings show that majority (84.8%) agreed that the positive relationship they had with their hotels had influenced their trust and commitment to those hotels. Majority of 76.9% agreed that the trust and commitment they had in their hotels had enhanced their loyalty to those hotels. Majority (74.1%) of the customers agreed that the satisfactory relationships they had with their hotels had increased their trust and loyalty to the hotels and majority of

69.6% agreed that increased points of contact and professionalism among employees had made them trust the hotel more while 30.4% disagreed.

Results from the interviews also show that five star hotels had new and repeat clients though most of their businesses came from repeat clients. Hotels use loyalty programs to keep loyal customers even as they seek new customers. Through the loyalty programs, the hotels are able to create trust and commitment from customers. Hotels have created systems that ensure customers' smooth booking, arrival stay, and departure from their facilities as a way of enhancing trust and commitment. The systems also ensure smooth communication between different departments to eliminate delays or inconveniences hence create the desired satisfaction, trust and commitment.

## **5.3 Conclusions**

### **5.3.1 Effect of price Dynamism on Customer Relationship**

Five star hotels in the NCBD charge prices that are slightly varying from competitor prices. Some charge slightly higher than competitors while others charge slightly lower than competitors. The quality of services or products on offer is a great determinant of the price charged for that product/service.

The motivation of a customer to come back to a hotel a second time is dependent on the hotel reducing offering prices that are justified to products/services on offer. The motivation of a customer to come back during low season is negative since low season prices do not meet value expectation of customers. Additionally, a customer's comeback is motivated when there is an increase in discounts on low season prices, when the high

season prices meet value expectations, when the hotel increases its attractive packages to enhance relationship and loyalty of customers, and when the prices charged increases customer purchasing power. Offering better and professional services and affordable prices also enhances chances of customers relating to a hotel. Hotels that charge expensively and those that offer poor or unprofessional services risk losing customers.

Hotels use intensive research and constant monitoring of the Average Daily Rate (ADR) and index ratings of competitors to inform the pricing that is suitable and accurate on their products/services. Hotels also use technology to track price so as to avoid misrepresentation of price. Hotel managers measure value for money in their products/services based on the quality of services/products offered against the quality and price offered by competitors. Customer purchase behaviour and customer feedback on a given product or service give useful information concerning whether the value of a product/service matches the price.

### **5.3.2 Credit Facility and Customer Relationship**

The study concludes that many five star hotel customers access credit services from their hotels, whether permanent or temporary. Accessibility to credit in five star hotels depends on ones creditworthiness, the agreement they have with the hotel and the amount of business they bring to the hotel. Customers who do not like credit prefer paying using cash. It is also concluded that five star hotels only offer partial financing through credit; the customer is expected to pay the rest by cash. Most of the customers who accessed credit in five star hotels only used it to pay up to a maximum of 80% of their spending in



that hotel. Customers preferred credit because it offered them convenience of paying later while hotels preferred credit because it gave them competitive advantage over competitors by enhancing loyalty among customers. The study also concludes that when the time within which a customer is expected to payback credit is increased and when the credit is used to pay a larger amount of a customer's then the credit facility enhances loyalty.

### **5.3.3 Managerial Implication on Customer Relationship**

On the third objective, the study concludes that five star hotels have skilled managers who are able to facilitate the offering of best quality services/products to customers. The hotels also have managers who have established good relationships with customers and ensure that their employees have good relationship with their customers. The managers have also ensured the creation of many contact points between customers and employees to enhance employee-customer relationships. Additionally, the study concludes that managers in five star hotels encourage employees to be more courteous and professional when handling customers. The managers also comprehended customer needs well and had instituted feedback systems that attended to customer concerns adequately. Managers review these feedbacks to address the important issues of concern presented by customers.

The study also concludes that managerial commitment to enhance customer relationship increases when a hotel increases its offering of quality services to customers compared to competitors; when the hotel's managers' good relationship with customers increases;

when the hotel increases contact points for customer-employee interactions, and when employees courtesy and professionalism when handling customers is increased.

#### **5.3.4 Trust and Commitment**

On the fourth objective, the study concludes that positive relationship between customers and their hotels influence the trust and commitment they have towards those hotels. The trust and commitment customers have in their hotels enhanced their loyalty to those hotels. Satisfactory relationships customers have with their hotels increase trust and loyalty to the hotels and increased points of contact and professionalism among employees increases customer's trust in the hotel.

The study also concludes that five star hotels use loyalty programs to enhance the trust customers have towards them. Hotels also have systems that ensure customers' smooth booking, arrival stay, and departure from their facilities as a way of enhancing trust and commitment. The systems also ensure smooth communication between different departments to eliminate delays or inconveniences hence create the desired satisfaction, trust and commitment.

### **5.4 Recommendations**

#### **5.4.1 Price Dynamism**

Managers of five star should strictly offer products and services whose quality match the price attached to them. This is informed by the fact that customers significantly associate price with the quality of service/product on offer. However, managers should avoid blind justification of every price to the quality of a product/service but rather read the customer

purchase behaviour to determine the best price that will motivate sells. Managers should raise the value of products and services sold during low season to match their prices so as to encourage customer purchase of these products. Additionally, to enhance the relationship and loyalty of a customer to a hotel, managers should ensure they increase the discounts they give on low season prices, charge high season prices that meet the value of the products on sale, increase the attractiveness of packages that enhance relationship and loyalty and charge prices that increase customer's purchasing power.

Managers should also ensure their hotels offer professional services that are also affordable to customers since failure to do so creates the risk of reduced relationships and loyalty by some customers. Hotels should continue applying technology in their pricing policies as it enables them monitor prices and present accurate prices to customers. As much as managers study competitors product value and prices to set theirs, this should not be the major consideration of determining value and price of a product. Managers should also devise a system of measuring value based on customer needs and expectations and let that value inform the price to be charged. As such, this will position a hotel as a market leader and will give it higher competitive advantage. This means that customer feedback should be the greatest informer of the quality of products and services and their respective prices.

#### **5.4.2 Credit Facility**

Managers should offer credit facility that gives customers longer time of payment so as to allow enhanced trust, relationship and loyalty to the hotel. Managers should also increase

the amount of credit financing they offer to their customers to enhance relationship their loyalty. However, in doing this managers ought to take caution so as not to jeopardize the hotels resources in terms of incurring losses attributed to large unpaid debts. As such, offering increased time of pay and increased credit facility should be accompanied by a relevant credit policy.

### **5.4.3 Managerial Implication**

Managers of five star hotels should be active in their management as well as responsive to all happenings in the hotel environment. They should be able to make good strategies that will affect the quality of the hotels products and services to outdo competitors, should have good relationship with customers, should ensure employees recruited are professional, and demonstrate that professionalism by desired service to customers, and should be able to create adequate contact points where employees and customers can interact and build relationships. The managers should also be responsible enough to create adequate and elaborate feedback mechanisms, be able to comprehend customer needs adequately and address customer concerns whenever called to so as to increase customer-hotel relationships hence loyalty.

### **5.4.4 Trust and Commitment**

Hotel managers should strive to enhance positive relationship between customers and hotels since they enhance trust, commitment, and loyalty. To enhance trust, commitment, and satisfaction, hotels ought to offer products and services whose prices match their quality. However, the quality ought to match the description of the hotel's target market

for the customers to be satisfied. Managers should also design more loyalty programs that will increase commitment from loyal customers who benefit.

### **5.5 Area for Further Study**

The study had established that basically hotels design their pricing policy based on market statistics offered by KTB and competitor pricing. This pricing system is not significantly customer based hence is motivated by fear of offering prices that are significantly high or low from competitors. As such, this study proposes a study that will excavate the other possible strategies of pricing hotel products that is not informed by competitor prices. Specifically, this study proposes a study into the possibility of a customer needs-based pricing strategy and how it will affect customer loyalty.

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## APPENDICES

### Appendix I: Introduction Letter

I am a Masters student at Kenyatta University pursuing an MBA. As part of my course work, I am required to complete a study that will add value to the knowledge available as well as will affect our society positively. I am therefore pursuing a study on “**EFFECT OF REVENUE MANAGEMENT PRACTICE ON CUSTOMER RELATIONSHIP IN 5- STAR HOTELS IN NAIROBI’S CENTRAL BUSINESS DISTRICT (CBD)**”. To complete the study I must collect data concerning this topic. The study targeted you as a person better placed to respond to questions concerning the said topic. I request you to help me address the questions in that questionnaire to the best of your knowledge to help me meet this study’s requirements. Be informed that any information you give shall be treated with confidentiality and will only be used for academic purposes. Your identity will not be required in this study. Thank you in advance for your cooperation.

Signed.

**BICHAGE MAROKO RICHARD**



## Appendix II: Questionnaire

### Background Information

How long have you used the services of this hotel?

Less than 5 years	<input type="text"/>	5-10 years	<input type="text"/>
11-15 years	<input type="text"/>	16-20 years	<input type="text"/>
21-25 years	<input type="text"/>	26-30 years	<input type="text"/>
Others (please specify)			

.....

What is your highest education level?

None	<input type="text"/>	Primary	<input type="text"/>	Secondary	<input type="text"/>
Certificate	<input type="text"/>	Diploma	<input type="text"/>	Degree	<input type="text"/>
Postgraduate	<input type="text"/>				

What is your average annual spending in hotels? (Please Specify)

.....

.....

Anytime you want to seek the services of a five star hotel within the CBD, do you always seek them from this hotel?

Yes	<input type="text"/>
No, 50/50 (half the times I do and half the times I don't)	<input type="text"/>
No, Most of the times I don't (I seek them on very few occasions)	<input type="text"/>

### Main questions

- i. Effect of price dynamism on customer relationship in Five star hotels

1. How do the prices charged by this hotel compare with those offered by competitor of the same rating?

This hotel's prices are slightly high than competitors'

This hotel's prices are high than competitors'

This hotels prices are slightly low than competitors'

This hotels prices are low than competitors'

I don't know

Others (please specify)


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

2. The following are some of the factors in price dynamism that affect customer relationship in hotels. To what extent to you agree or disagree with them to be affecting you?

	Strong Agree	Agree	Disagree	Strongly Disagree	Not Applicable
The hotel offers justifiable prices based on the quality of services/products offered					
According to your opinion, is the price your hotel offers during low season highly discounted?					
The low season prices on the hotel's products and services meet my value expectations.					
The high season prices on the hotel's products and services meet my value expectations.					
My hotel offers attractive price packages to its customers to					

enhance relationship and loyalty					
High prices reduce my purchasing probabilities in this hotel					

a. Based on the price(s) you have been charged would you come back to this hotel?

Yes  No

b. Explain reason for answer above?

.....

.....

.....

**ii. Effect of credit facility on customer relationship in five star hotels**

3. Credit facility:

c. Does your hotel offer you credit facility?

Yes  No

d. If 'NO', explain why?

.....

.....

e. If 'yes,' what are some of the considerations to offering credit to customers (what are the requirements for a customer to get credit)? List and explain.

.....

.....

.....

4. What percentage of your spending is paid by credit?

Less than 20%	<input type="checkbox"/>	20-40%	<input type="checkbox"/>
41-60%	<input type="checkbox"/>	61-80%	<input type="checkbox"/>
Over 80%	<input type="checkbox"/>		

5. The following are some advantages of using credit over cash. To what extent do you agree or disagree with them to be affecting you? (**Do not answer this question is your answer in question 3a. was No.**)

	Strong Agree	Agree	Disagree	Strongly Disagree	Not Applicable
Credit offers me the convenience of paying later					
Credit allows me to spend more at the hotel					
Credit facility has made me become loyal (a repeat customer) to this hotel					

**iii. Effect of managerial implication on customer relationship in five star hotels**

6. The table below presents some of the managerial issues that impact on customer relationship. To what extent to you concur with them to have affected you.

	Strong Agree	Agree	Disagree	Strongly Disagree	Not Applicable
Compared to other hotels, this hotel offers the best quality services to me as a customer					
This hotel's managers have established a good relationship with customers					
Employees have good relationship with customers					
The hotel has created many contact points between customers and employees					

Employees are more courteous and professional when handling customers					
The management has instituted customer feedback system to attend to customer concerns					
Customer concerns and needs are handled well hence affecting their loyalty					
The hotel comprehends well what customers' needs are					
The effect of managerial commitment to customer service in the hotel has enhanced my loyalty.					

**iv. The mediating effect of trust and commitment on the relationship between revenue management practice and customer relationship**

7. To what extent do you agree or disagree with the following factors?

	Strong Agree	Agree	Disagree	Strongly Disagree	Not Applicable
The positive relationship I have with the hotel has led me to trust and commit to the hotel					
The trust and commitment I have in the hotel has seen me become loyal to it					
The satisfactory relationship I have with the hotel has increased my trust and loyalty to it.					
Increased points of contact and					

professionalism in the way employees handle customers has made me trust them more					
---	--	--	--	--	--

Thank you for participating

### **Appendix III: Interview schedule guide for revenue managers/ front office manager**

#### **i. Effect of price dynamism on customer relationship in five star hotels**

- f. What mechanism do you use in pricing your rooms? What strategies do you undertake when pricing your room? What policies / regulations are in place?
- g. How do you ensure accuracy in pricing decisions/ optimal pricing structure to ensure that you are either not under priced or over priced within a certain period of time?
- h. How do ensure that your front office team communicates the right prices to guest to avoid a disgruntled guest who might feel over priced? In case guests portray dissatisfaction level how do you expect your team to react.
- i. Do you have a customer relationship management program/department? How do measure value for money paid by your guests?
- j. In your own view do you think price changes/dynamism has a direct effect on your customer relationship program?

#### **ii. Effect of credit facility on customer relationship in five star hotels**

- a) Do you offer you credit facility to your clients? What is the criteria do you use to qualify a guest for credit?
- b) What percentage of revenue do you receive on credit? What magnitude in comparison to cash payment?
- c) In your view do you think credit services to guests have an effect on customer relationship?

#### **iii. Effect of managerial implication on customer relationship in five star hotels**

- a) What is your managerial role in customer relationship management? What prudent measures do you practice in relation to customer relationship management?

- b) As manager how do you ensure both revenue management culture is in line with international best practice to focus the organization to optimal revenue performance and the staff understanding how the figures affect them directly

**iv. The mediating effect of trust and commitment on the relationship between revenue management practice and customer relationship**

- a) Do have repeat patronage of clients? What is the percentage of repeat business as compared to new business? In terms of profit margin which one does your organization prefer and why?
- b) How can you rate your organization in terms of commitment to your services by guests who patronize? How do you ensure that the trust is sustainable? Where is the catch?
- c) In your view do you think price dynamism, credit services and your competence level as a manager, collectively have an effect on trust and commitment hence customer loyalty? How and why?



## **Appendix IV: NCBD Map**

**Appendix V: Work Plan**

Monthly/Activity	1st Month	2st Month	3rd Month	4nd Month	4th Month	5th Month
Proposal writing						
Correction						
Data collection						
Data analysis						
Report writing						
Submission of project						

## Appendix VI: Budget

<b>Item</b>	<b>Unit Cost</b>	<b>Total Cost (Kshs)</b>
Travelling	Item	5000
Research assistant	Item	12,000
Computer services	Item	3000
Printing/binding	150	6000
Data analysis	Item	6500
Hard binding (project 7 copies)	300	2100
Miscellaneous	Item	5000
<b>Total</b>		<b>37, 500</b>