

# The Effects of Business Image on Customer Retention in Hotels in Eldoret, Kenya

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## ABSTRACT

The hotel industry cannot be successful without having loyal customers. Thus business image is an essential factor to help in retaining customer. The purpose of the study was: to find out roles played by employees in retaining customers, to explore the technology utilization used to retaining customer in hotels, to find out how image management enhances customer retention and to establish challenges faced by hoteliers in customer retention in hotels. The study was conducted using explanatory design. Simple random sampling and stratified random sampling were conducted. Questionnaires and interview schedules were used for data collection. Data was analyzed using descriptive statistics and SPSS software. Data was presented by using bar graphs, pie charts and in frequency tables. The findings showed that top management and staff are involved in creating a positive image, use of technology provided quality services and quality services by the personnel improved the image of the establishment.

**Key words:** Business image, Customer loyalty, Customer retention

## 1.0 Introduction

As Kenya intends to be industrialized by the year 2030 the research foresees a case where hotel industry is to be one of the sectors that will contribute much to the industrialization. In most hotels business image is not considered as key factor to help retain customers, thus this has lead to many hotels starting –up and closing up due lack of customers. Many customers leave the hotel unsatisfied due to lack of customer recognition and lack of brand image and unpleasant experience. According to Zeithaml, et al (2006), confirms that the customers approval of the firms quality of service can outcome into better business image of the hotel industries, thus leading to growth in its sales and profits. This research sought to provide measures to be put in hotels in order to shift their strategy from customer acquisition to customer retention.

Stauss et al, (2001), quotes that amicably retaining loyal customers for hoteliers is essential and a core factor in keeping the industry in shape and competitive enough to level up the changing trends of globalization that has impacted such business and economic activities of the hotel markets. Kotler & Keller (2006) says that hospitality organizations are becoming more aware of the benefits of the technological applications; customers have also become increasingly driven by technological and are therefore demanding higher level of services associated with technology. It is therefore imperative that hotels identify ways in which they can utilize new technologies to create services that contribute to increased value for their customers.

In recent research by Sharma & Patterson (1999), it's suggested that the face recognition and name recall helps create a sense of belonging to the organization. The sense of belonging in turn fosters closer customer-hotel relationship and leads to improved quality. Simple customer friendly facilities such as non-smoking rooms upon request and flexible check-in and check-out times further contribute to customer loyalty. Reichheld (1996), quotes that “for hoteliers to be in control of business image and be able to manage it properly. It implies that the hoteliers require and must keep atop propriety in order for them to retain loyal customers and increase the size of customers.” The hotel

business must have to secure and update its business image to loyal customers and to the potential customers in the future.

Zeithaml & Bitner (1996) states that, in the past decades the hospitality industry has witnessed exponential growth resulting in increased competition on the global scale. Thus loyal customers critically assess the standard of services provided by other hotels and customers approval of firms quality of services can outcome into better business image of the hotel industries thus, leading to growth in its sales and profits. According to Patterson et al (1997), he state that in determining customer loyalty the management is required to develop a framework of assessing the value of customer satisfaction. The framework enables managers to find out which customer variables have the greatest impact and how much should be spent to improve satisfaction variables. According to Richards (1996), hotels are shifting their marketing strategy away from customer acquisition and towards customer retention and loyalty. In addition he says that “factors that make a customer become loyal and keep patronizing the same hotel are: quality service, brand image, service performance, customer recognition, pleasant experiences, flexibility and technology advancement”.

According to Armstrong & Kotler (2008), they believed that as specific and important relation between corporate and managing performance would influence the organization profit. That customers are assets to hotels and retaining customers in the hotels and retaining customers in the hotel will boost high profits in return. Therefore he continues that good business image in hotels will lead to customer retention and in turn will yield high profits. This is because a hotel having more loyal customers will definitely have many customers and thus increase the hotels revenue.

### **1.1 Objectives of the study**

1. To find out how image enhances customer retention in hotels in Eldoret, Kenya.
2. To explore how technology utilization ensures retention of customers in hotels in Eldoret, Kenya.
3. To establish challenges faced by hoteliers in customer retention in hotels in Eldoret, Kenya.
4. To find out roles of employees in ensuring customer retention in hotels in Eldoret, Kenya.

## **2.0 LITERATURE REVIEW**

### *2.1 The concept of customer retention*

Jobber (2001) states that for many years marketing activities in hospitality organization aimed to acquire as many new customers as possible. As the hotel industry matures and competitions intensify, this conquest marketing fails to suffice. Thus hotels shift their marketing strategy away from customer acquisition and towards customer retention and loyalty. According to Richards (1996), competition intensifies in the hotel industry; hoteliers shift their strategy from customer acquisition to customer retention and at the same time, information technology continues to make inroads into increasing customer retention and loyalty. Loyalty programmes common to the industry, are important tools for hotels to win and retain customer's loyalty. According to Kotler & Armstrong (2006), hospitality industry recognizes that superior quality of service is one of the crucial factors within its control that can add value to its image and amicably will lead into customer retention and loyalty, then good image as well as the quality of service have become the key to hoteliers ability to differentiate itself from its competitors and retain its loyal customers and gain their loyalty.

1)

#### 2) 2.1.1 Factors influencing customer retention

According to Bolton et al (2000), getting customers is important, but keeping and satisfying customers is more important. What is changing is the pace at which companies must improve their products or services if they hope to maintain or retain customers. Loyalty is won through the delivery of a consistently superior customer services. Reichheld (1996) suggested that a 5 percent increase in customer loyalty could produce a profit increase of 25-80 percent. They further argued that the profitability derived from an individual customer grows during business relationship. They found that up to 60 percent of increased sales to new customers could be attributed to customer recommendations, in form of customer loyalty. Reichheld (1996) argues that five percent increase in customer retention yields seventy five percent increase in net present value. He states that in most business, loyal customer are

willing to pay premium price. It is therefore evident that the long-term benefits of loyal customer –supplier relationship can be significant to any hospitality firm.

Kotler & Keller (2006), says that technological application have increasingly lead to customer retention, since customers have become increasingly driven by technology and are therefore demanding higher levels of services associated with technology. It is therefore imperative that hotels identify ways in which they can utilize new technologies to create services that contribute to increased value for their customers. Ranaweera & Prabhu (2003) states that customer satisfaction and quality services are pre-requisites of customer retention and have significant effects on purchase intentions. Factors that make a customer to be retained or become loyal and keep patronizing the hotel include: satisfaction, quality services, brand image, service performance, customer recognition, pleasant experiences, flexibility and technology. Gronroos (1994), states that paying attention to complains is one of the good tips to retaining customers. One should keep in mind the concept that-the customer is always right- and that customer complaints and compliments helps to discover more about the product. Gronroos (1990), states that event marketing is an expensive option to retain customers but it works a lot. The event can be through seminars, discussion groups and conference. Customers can be invited to take active part on those events too. The activities make a good reputation of the business and people like to trust reputed organization. Service with a smile makes the customer feel respectable and calm and helps to control any unpleasant situation that may happen.

According to Bolton et al (2000), loyalty programs help the organization to retain the customers as the customer is going to be loyal to them. The common loyalty programmes include points, discount and customer membership, which reward customers for reaching certain points or spending certain amounts at participating hotels. Hoteliers use technology related loyalty programmes. To help foster loyalty, the hotel provides regular guest with a WAP enabled device to access reservations and other information. The use of internet allows hoteliers to create personalized website, email coupons and email marketing to develop online loyalty.

## *2.2 The concept of business image*

Loyal customers critically assess the standards of service provided by competing hotel and this confirms that the customers approval of the firm quality of service can outcome into better business image of the hotel industries thus leading to growth in its profits. Richards (1996) states that hospitality industry recognizes that superior quality of service is one of the crucial factors within its control that can add value and amicably will lead into customer retention and loyalty then, good image as well as the quality of service have become the key to hoteliers ability to differentiate itself from its competitors and retain its loyal customers and gain their loyalty. Gronroos (1994), states that loyalty of firm’s customer has been recognized as the dominant factor in a business organizations success. He also indicate that hotel image and customer satisfaction with the performance of housekeeping, reception, food and beverage and price are positively correlated to customer loyalty. Corporate image is influenced both by service quality and customer satisfaction which in turn influences customer loyalty.

3)

### 4) 2.2.1 Implication of business image

Winer, (2001) highlights that the implication of being customer oriented is the most important component of image management. Customer focus not only compels management to realize the firms’ primary responsibility to serve the customer, but also to recognize that customer knowledge is paramount to achieving market orientation. According to Richards (1996), improving business image and retaining customers is done through developing customer loyalty and also depends on food and beverage quality and price. Customers tend to repurchase and recommend a business with a favorable brand image in the belief that it assures high quality goods and services, such as excellent employee attitude and facilities.

Gronroos, (1994), quotes that “hoteliers have to control business image and be able to manage it properly in order for them to retain loyal customer and increase the size of customer. The hotel business images to loyal customers and to the people who can be away become potential customers in the future”. Kotler & Keller (2006), states that as hospitality transforms from a traditional and local industry into a global industry, technology becomes more important to customers and improves the business image. The hotels leverage the internet to give customers

multi-lingual websites, online queries and online reservation and thus customers can have round the clock bookings from the convenience of their home.

Sharma & Patterson (1999) suggests that face recognition and name recall help create a sense of belonging to the organization. The sense of belonging in turn fosters closer customer hotel relationship and leads to improved business image and improved loyalty. The provision of simple customer friendly facilities such as non-smoking rooms upon request and flexibility check-in and check-out times, further contribute much to customer loyalty. Thus through delivery of superior or quality service has a great impact on the business image.

### *2.3 The relationship between business image and customer retention*

The control of business image and to be able to manage it properly implies strong assumption that hoteliers require and must keep a top propriety in order for them to retain loyal customers. The possibly increase of the size of the customers gives the fact that the business must have to secure and update its business image to loyal customers and to people who can be in a way become potential customers in the hotels. Customer retention is therefore sustaining the customers in an organization and through this, customer loyalty is experienced. Customer retention is paramount for the success of the hospitality industry on increased profitability. The retention of customers depends on the business image of the hotel or organization. The hotels need to portray a positive business image in order to retain customers or to have loyal customers. This entails provision of quality services, recognition of customer needs, and utilization of technology in providing the products and services to the customers.

In addition to that business image is also concentrating on being pleasant, attractive and knowledgeable. This will help to create and maintain the kind of business image that creates first impression, gets good word-of-mouth and builds credibility. This thus has a great impact on customer satisfaction and thus influences customer retention. Customer retention in hotels is a major factor to be considered because lack of customers in the hotels will lead to lower sales thus closing up of the establishment. Retaining loyal customers for hoteliers is essential and a core factor in keeping the hospitality (hotels) in shape and competitive enough to level up the changing trends that has impacted such business and economic activities of the hotel markets. Therefore to retain customers in the hotels there should be customer recognition for example recalling the guest name; this makes the customers feel recognized and respected; flexibility of the products provided and services; trained personnel who will offer standardized services and by using loyalty programmes like: points, discounts and customer membership cards. All this are aspects of a business image that enhances customer retention in the hotels.

## **3.0 Methodology**

The study was carried out in Eldoret town; Kenya. This study employed an explanatory design. The target population comprised of: the top management (assistant managers, the supervisors,) and the service personnel. The target population was 240 staff in the three hotels and a sample of 182 respondents was used. Purposive sampling technique was used to select the hotels while stratified random sampling technique was used to select the respondents. Data was collected using questionnaires and interview schedules then analyzed using a statistical package for social scientist software. The results were presented using tables, bar graphs and pie charts.

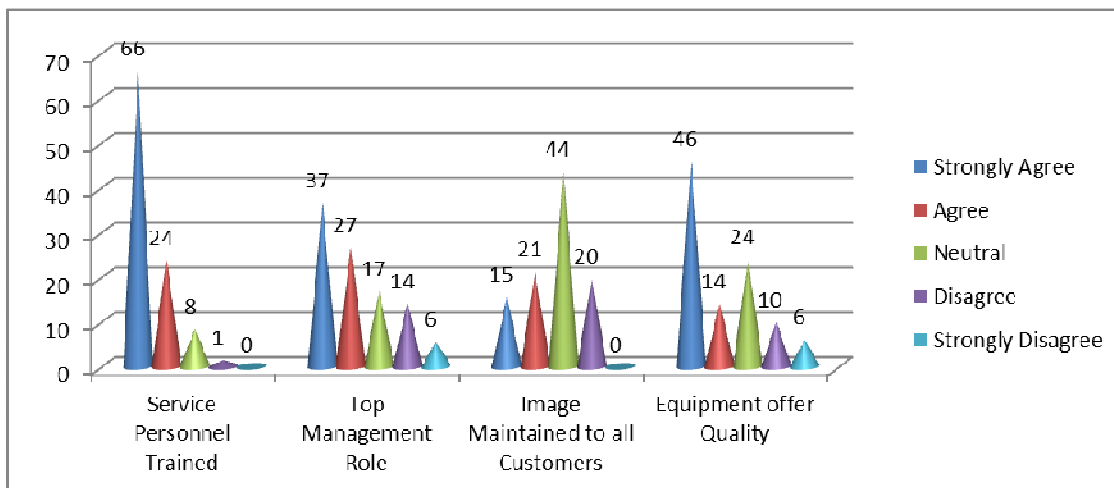
## **4.0 Results**

### *4.1 General information*

From the findings, 46.5% of the employees were male while 53.3% were female. 46.5% of the employees aged between 18-25, 40.8% aged between 26-35 years, 9.9% were between 36-45 years and 2.8% were 46-55. Most establishments employed individuals aged 18-25 years basically due to their performance in the services; they tend to offer services faster as compared to individual aged 46-55 years. 38% of the employees had worked in the organization for less than 2 years, 38% said 2-3 years, and 21.1% had worked for 3-5 years, 2.8% said they had worked for 5-10 years. This indicates that three quarters of the employees in the establishment had worked for less than 3 years. This was because of high employee turnover experienced in the establishments.

#### 4.2 How Image Enhances Customer Retention

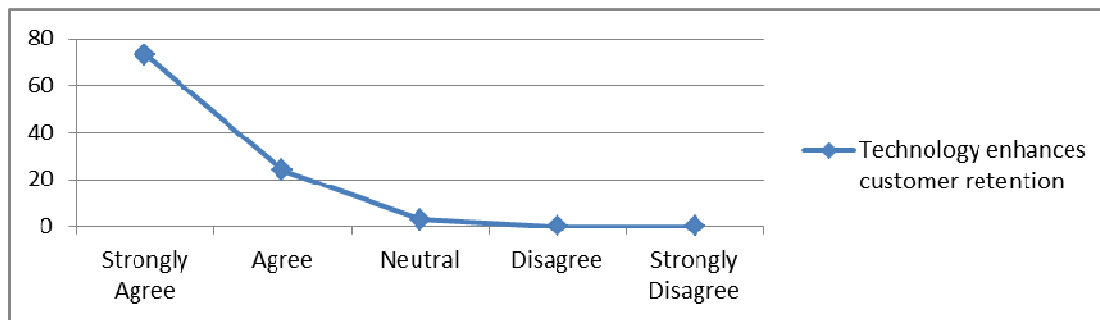
Majority (66%) of the employees strongly agreed that training of the employees enhances customer retention, 24% agreed to this question, 8% were neutral and only 1% disagreed. This indicates that majority of the respondents strongly agreed that most of the service personnel are trained and it was a major aspect that influences a positive business image of the establishment. This clearly shows that most of the service personnel are trained thus offering quality and standardized service which promotes a good image. 37% respondents strongly agreed that top management roles were required in building business image. 27% agreed, 17% were neutral, 14% disagreed while 6% strongly disagreed on the same. 15% strongly agreed that if image is maintained to all customers, then it enhances customer retention, 21% agreed, 44% were neutral while 20% disagreed on the same. This can be done by advertising, offering quality services and having qualified and competent staff. 46% of the respondents strongly agreed that equipment offer quality services thus enhancing retention of customers, 14% agreed, and 10% disagreed while 6% strongly disagreed. Most of the respondent agreed that equipment influenced quality services; this is because tasks could be done accurately and faster thus minimized complaints from customers thus ensuring customer retention. The equipment also offered efficient and effective in the work processes being carried out in the hotels. Summary is as shown in figure 1.



**Figure 1:** How Image Enhances Customer Retention

#### 4.3 How Technology Utilization Ensures Retention of Customers

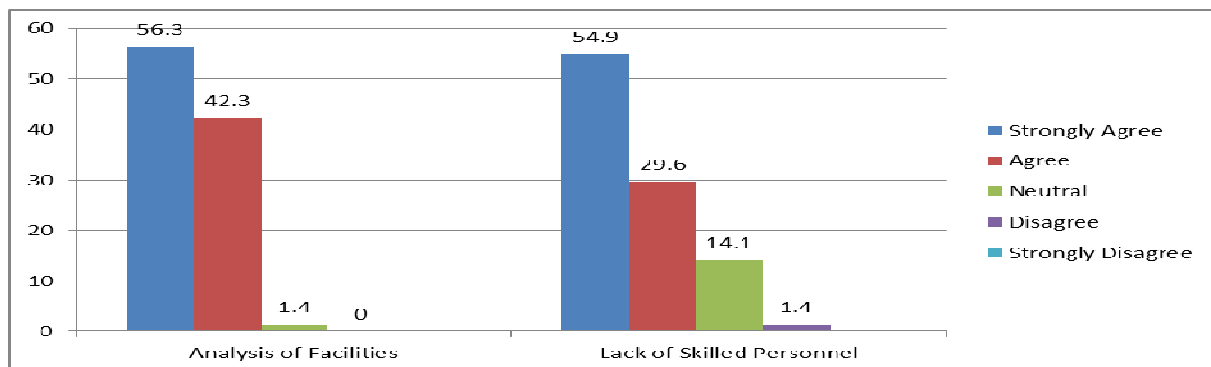
73% of the respondents strongly agreed that use of technology utilization of technology enhanced customer retention, 24% agreed and 3% were neutral. The respondents were on agreement that use of technology really had a great influence in improving the image of the hotel thus leading to customer retention. It was realized that no respondents disagreed with the aspect.



**Figure 2: Use of Technology**

*4.4 The challenges faced by hoteliers in customer retention*

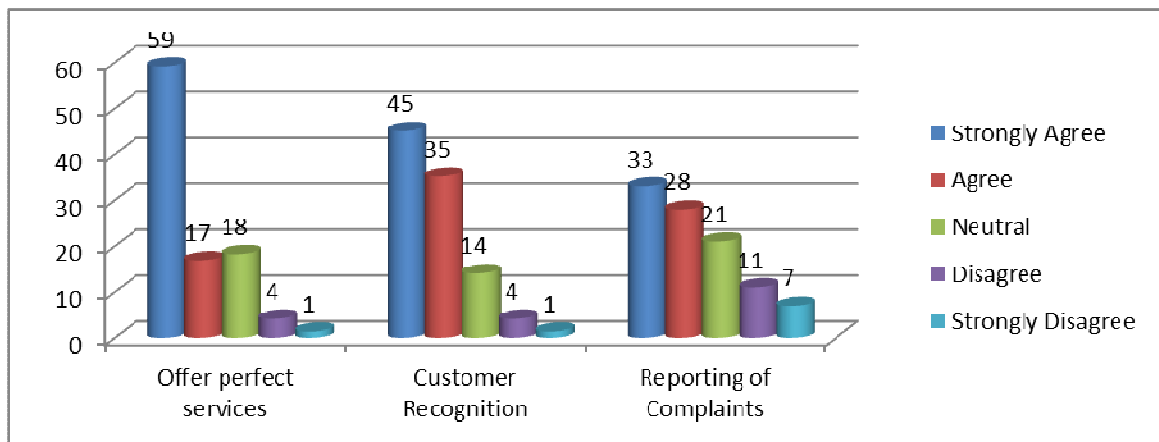
56.3% of the respondents strongly agreed that enough facilities maintained high customer retention but the facilities were lacking in the establishments, 42.3% agreed while 1.4% were neutral. This indicates that lack of enough facilities can contribute a lot in tarnishing the image of the establishment which in turn affects the customer retention in hospitality establishments. 54.9% agreed that lack of skilled personnel was a challenge faced by hoteliers, 29.6% agree, 14.1% were neutral and 1.4% disagreed. The 54.9% respondents pointed out that some staff were trained on-job and paid less as compared to skilled personnel who needed a much more pay. A part from the challenges outlined the respondents stated that competition from other organization also posed a challenge in the establishment.



**Figure 3: Challenges Faced by Hoteliers in Customer Retention**

*4.5 Roles of employees in ensuring customer retention in hotels*

59% of the respondents strongly agreed that offering of perfect services ensured retention of customers, 17% agreed, 18% were neutral while 4% disagreed and 1% of the respondents strongly disagreed. A high number of respondents accepted that they had a responsibility of offering perfect services to the clients as this enhanced customer retention and boosted the establishments' image. 45% of the respondents agreed that customer recognition by employees ensured customer retention. This shows that customers needed to be recognized because this made them feel part and parcel of the organization and secured. Reporting complaints was strongly agreed by 33% that once complaints were reported and acted on, it helped in retaining customers in the establishment thus creating a good image. 11% disagreed on the same while 21% were neutral.



**Figure 4:** Roles of employees in ensuring customer retention in hotels

### 5.0 Discussion of findings

From the findings it was evident that business image has got a great impact on customer retention and loyalty. It was clear that all the personnel working in hotels have a role to play in improving the business. In aspects of image management, trained personnel were essential as well as personnel training which could contribute much in creating a positive image of the establishment. Most establishments accepted that top management played a major role in maintaining the image of the establishment, and most of the respondents also strongly agreed with the aspect. Other aspects mentioned included facilities used in the organization, good services, staff motivation and improved service which also contributed to image management thus retaining customers. On the other hand the top management also discovered that service staff had a great impact on the image management sine they always meet directly with the customers during service delivery. This contact with the customers will therefore retain them or make them leave the establishments for good. The hospitality industry recognizes that superior quality service is one of the crucial factors within its control that can add value and amicably will lead in customer retention and loyalty then good image. This helps the establishment to differentiate itself from its competitors and retain its loyal customers.

It was also evident that the aspect of technology was very crucial when it comes to improving at the establishment's image. In the aspect of providing quality service the establishment, most of the respondents strongly agreed that technology improved the quality of service in that the services were efficiently and effectively done. It was discovered that customers became loyal to the hotels thus encouraging repeat business. On the other hand the top management agreed that use of technology and advanced equipment contributed in retaining customers and a great percentage of the respondents strongly agreed, it's because customers can be served very fast. The respondents also suggested that the advanced equipment did the following: performed tasks accurately, the service were prompt with less errors, increased productivity in form of the output and they also ensured security for example CCTV'S that reveals all the actions/ activities carried in the establishment. Technological application have increasingly lead to customer retention, since customers have become increasingly driven by technology and therefore demanding higher levels of services associated with technology. This clearly depicts that it is imperative that hotels identify ways in which they can utilize new technologies to create services that contribute to increased value for their customers

It was also realised that lack of facilities was a great challenge that most establishments experienced which in turn jeopardized retaining customers as well as the overall image of the hospitality establishments. The owners of hospitality establishments are thus required to ensure that the right facilities are put in place for staff to carry out their duties effectively and efficiently. Employees should be provided with conducive working conditions as well as the right uniforms and protective clothing during work. This ensures that employees deliver services as required to customers hence ensuring customer satisfaction and in the long run retaining customers. All facilities required by the customers to ensure their stay in hotels should also be ensured that they are up to the required standards and functioning at all times. The respondents also stated that lack of skilled personnel was a big challenge they went

through and a large percentage of the respondents strongly agreed that most of the personnel did not have the knowledge on operating machines and other equipment. It was realized that most establishment preferred employing unskilled staff and training them on job so as to pay them less money. This shows that most hospitality establishments rarely train their employees on the use of machines. This should always be done promptly with the changing technology to ensure that image of the establishments is maintained which in turn ensures that customers are retained.

The study also determined that employees had roles or attributes that were required of them to ensure that a good business image is portrayed in the establishments. The main reason is to retain customer or have loyal clients in their hotels. It was realised that employees were required to offer perfect services and most of the respondents strongly agreed that as their major role in the hotel. In customer recognition equally majority of the respondents agreed that they needed to recognize the customers especially by calling them by their names and remembering which foods they like (in case of in house customers) as this could give a positive image of the establishment thus retaining the customers. Customer-staff relationship was an aspect that also promoted a good relationship between the staff and the staff. Employees should offer services perfectly to portray a good business image and in return retain the customers. On the hand, customer complaints should be dealt with instantly and the same should always be noted not to occur again. Other attributes suggested by the respondents were: honesty, provision of security to the customers, good communication, supporting management in decision making and employees also needed to have knowledge of the product. Service with a smile makes the customer feel appreciated, respected and calm and helps to control any unpleasant situation that may happen. Serving customers with a smile seeks the attention of the customers. This depicts clearly that employees have a responsibility of ensuring that customers feel at ease all the time and that they enjoy the services offered.

## 6.0 CONCLUSION

Image management is an important factor in retaining customers. The top management and staff must be involved in building up this positive image. Incorporating advanced technology provides quality services and in turn increased productivity. This improves the business image and influences retention of customers thus leading to repeat business and increased sales. As hotels try to maintain a positive image in their establishment they also experience some drawbacks that pose a challenge. Lack of facilities was one of the great challenges, unskilled personnel and among others were competition, employee turnover, technology advancement, change in customers' preferences and modernization. Employees have roles that they are to perform to ensure that a positive image is maintained. It was discovered that employees play a major role in ensuring that customer's needs are satisfied. The roles or duties include offering quality/perfect services, maintain customer-staff relationship and recognizing of customers. Other attributes that the respondents outlined were: honesty, knowledge of the product, good communication and assisting management in decision making.

**Image management** calls for the intervention of the directors, management, staff, and customers to come up with strategies that will develop and improve the image of the establishment. These strategies should also be incorporate when developing the policies that govern the establishment. Top management should provide a practical approach to enhance customer loyalty. Hotels should be ready to adjust to *technological advancements* to be able to gain a competitive advantage against other establishments and to ensure that they offer standardized services. The staff should also accept to the changes and adjust to the new systems being introduced to the establishment for them to be efficient and effective in their work. Establishments should set aside a percentage of the income for purchasing facilities at least twice a year in order to overcome the *challenge* of lack of facilities. Every department should have roles, attributes and responsibilities of employees outlined. The employees should have a copy so that they are conversant with their job description. The management should make a follow-up to ensure that the tasks are executed in the proper way. Training of staff should be done regularly as well to overcome these challenges.

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