Facilitating customer retention in hotels in the Garden Route

By

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Faculty of Business and Economic Sciences
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DECLARATION

I hereby declare that this dissertation submitted towards partial fulfilment of the requirements for the degree of Magister in Business Administration in the faculty of Business and Economic Sciences of the Nelson Mandela Metropolitan University is my own work and all sources used or quoted have been indicated and acknowledged by means of complete references. I have not previously submitted this thesis for a degree at another University or Technikon.

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November 2010
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ABSTRACT

Over the past few decades, customer satisfaction, customer retention and policies and procedures to sustain the above mentioned, have earned great amount of lip service. The importance of satisfied customer percentage have been emphasized by theories even longer before the best advised companies have done so. It is only recently, on the eve of the Soccer World cup 2010 that the issue has been narrowed down to truly hard relationships and one hard question: “Will the guest visiting the hospitality establishment frequent the hotel?”

Two vital financial catalysts were used as basis for customer retention. The first is that of old customer’s costs much less than acquisition of new ones and the profit generated from the retained customer must therefore handsomely exceed the harvest reaped from the new clientele. Retaining customers have become an intangible asset in the sense that their value demonstrates the return that is won by successful efforts to satisfy the customers so greatly that they and their custom literally and figuratively stays with you. South Africa has lured even the loneliest traveller to the scenic beauty that is cradled by the country and its surroundings. When taking the former into consideration, South African businesses have enjoyed an increased appreciation and application of Business Management and its accompanying principles. The hospitality industry should therefore embrace the business management principles with specific emphasis on Total Quality Management (TQM); providing managers with the capacity to think strategically about the organisation, its business position, how it can gain sustainable competitive advantage and how its business management strategy can be implemented and executed successfully. The latter forms the basis for ensuring the smooth running of operations and ultimately, ensuring guests have a wonderful experience at the particular establishment.
There is a strong belief that lodging facilities in the Garden Route area has experienced low customer retention due to a lack of comprehensive implementation of Total Quality Management principles which impedes on the establishments to reach their optimum profit levels. It is for this reason that this thesis will argue the importance of the systematic client retention as a strategic mandate in today’s service markets. Commercial reality demand long and lasting relationships that are beneficial to both the hospitality related establishment and their customers.

The hypothesis used is the application of Total Quality Management as a Business Management Strategy which will facilitate customer retention in hospitality related industries such as hotels situated in the Garden Route area.

Research shows that service expectations of customers and potential customers have escalated. Hospitality businesses found that implementation of quality processes to be a vital competitive component. However, many hotels are still struggling to reach a real understanding of what is meant by TQM.

The research data indicates that 93 percent of hotels in the Garden Route do not follow a TQM program although all the hotels were familiar with the concept. This might be the reason why most hotels neglect customer retention activities.

The literature reviewed in chapter two considers the customer retention activities evaluated in the questionnaire as important to retain guests. Hotels in the Garden Route do not perform these activities to the extent of success. Hotel managers thus know what to do in order to retain guests but the problem is quite simple, they do not always implement the necessary strategies.
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CHAPTER ONE

PROBLEM INTRODUCTION AND SETTING OF THE STUDY

1.1 BACKGROUND AND MOTIVATION FOR THE STUDY

A large number of overseas guests frequent hotels and other forms of accommodation and for this reason the need for business management and its ability to facilitate customer retention in hotels, especially situated in the Garden Route area have increased.

When taking the former into consideration, South African businesses have enjoyed an increased appreciation and application for Business Management and its accompanying principles. The hospitality industry does not stand yawning at the above mentioned as the implementation of business management principles with the emphasis on Total Quality Management (TQM), provides managers with the capacity to think strategically about the organisation, its business position, how it can gain sustainable competitive advantage and how its business management strategy can be implemented and executed successfully. The latter forms the basis for ensuring the smooth running of operations and ultimately, ensuring guests have a memorable experience at the particular establishment.

Albert Szent-Gyorgyi (1986), states that the act of research is to see what everybody else has seen and to think what nobody else has thought. This study will adopt a dynamic approach, considering the importance of customer retention through the implementation of Total Quality Management principles. Data will be gathered using qualitative research methods as discussed later in chapter four.

This research project is concerned with providing relevant background information about the study, including the problem statement and hypothesis, the
purpose of the study, the delimitation of the study, clarification of certain concepts that will be used throughout the project, the literature reviewed in order to successfully complete the study, limitations of the study, the research methods used by the researcher and an overview of what is to follow in subsequent sections.

In order to provide background to the research a brief literature overview from the following fields of theory will be given; firstly theory relating to and in particular retention management, secondly, resource allocation that informs considering set formulation; the application of mainly consumer-based literature on retention and a proposed study to examine and revise current Total Quality Management principles and systems implemented in hotels situated in the Garden Route area.

1.2 PROBLEM STATEMENT AND HYPOTHESIS

Welman, Kruger and Mitchell (2005), identify a research problem or problem statement rather as some difficulty the researcher experiences in the context of either a theoretical or practical situation and to which he or she wants to obtain a solution. Welman et al. (2005) continue to define a research hypothesis as a statement or proposition that can be tested by reference to empirical study.

1.2.1 Main problem statement

Would the application of TQM as a business management strategy facilitate the retention of customers in hotels situated in the Garden Route area?

1.2.2 Sub – Problems

- What are the critical success factors of TQM?
- How does TQM relate to the hospitality industry?
- What is the relationship between TQM and customer retention?
To what extent are hotels in the Garden Route using TQM as a strategy for customer retention?

1.2.3 Hypothesis

The application of Total Quality Management as a Business Management Strategy will facilitate customer retention in hospitality related industries such as hotels situated in the Garden Route area.

1.3 PURPOSE OF THE STUDY

Welman et al. (2005), states that the purpose of research is to describe how things are the way they are, why things are the way they are and to predict a phenomena. The proposed study will linger on customer and firm relationships in competitive markets that have their origin in a choice, usually driven by preference, and generally based on a perception of a differential value that the customer thinks can be obtained through the act of purchase and consumption.

Retention is seen as the decision to continue business with a supplier compared to loyalty that constitutes both cognitive and behavioural actions. Although customer retention is seen as a prerequisite for loyalty, loyalty is not a prerequisite for retention.

Companies thus need to understand the nature of their consumers’ reasons for staying and must not assume that it is a positive, conscious choice (Colgate, Steward & Kinsella 1996). The resulting effect on long-term profit and growth can be enormous (Reichheld 1996). The hospitality industry is characterised by increasing competitive pressures, rapid technological changes and shorter product lifecycles that in turn necessitates for more interactive, collaborative and long-lasting approaches to supplier-customer relationships.
The reasons for the importance of retention are varied. Information about alternatives has become much more available (for example via the Internet), empowering consumers even more. This suggests that consumers have become much more powerful than they were before and much more willing to switch suppliers and experiment and lead to the identification of “disloyal” customers.

The consequences of customer retention compound over time, and in ways that are sometimes surprising and non-intuitive (Heskett, Jones, Loveman, Sasser & Schlesinger 1994). The researcher believes this to be a major issue for hospitality businesses as the costs of the retention process involved are great and seldom budgeted for.

The aim of this study is to establish why customers become loyal to certain hospitality related establishments, with the focus on hotels situated in the Garden Route. Contributing to the former, this research project will further investigate the implementation and application of TQM principles in order to increase customer retention in hospitality related establishments.

1.4 DELIMITATION OF THE STUDY

One of the requirements for a research topic is that it should be practically feasible. In order to achieve this, boundaries have to be set to narrow down the area in which the study will be conducted. The boundaries of this study are kept within the Garden Route district. There are a few reasons the researcher chose the Garden Route as the population for this study.

The Garden Route is a very tourism rich area within the Western Cape province of South Africa. Many people visit this area throughout the year. The time when it is most busy is usually from November until end of March (known as the summer months in South Africa).
Due to most visiting guests being of international nature, the methods of customer relationship management (CRM) used by the accommodation establishments should be chosen carefully. Establishments should do careful strategic planning and determine where their market lies and how they need to go about to attract this particular market. When visiting the Garden Route, guests have no shortage of accommodation options from which they can choose. All over the Garden Route there is a vast amount of exceptional hotels and guest houses.

This particular study centres on the application of TQM principles to augment increased customer retention in hotels situated in the Garden Route area. The latter areas were selected by the researcher as it is a tourist mecca. The researcher believes that the Garden Route to be one of the top tourist locations in the Western Cape and even in the country. Tourists visit the area for its historical saga, beautiful beaches, cultural heritage and much more.

For the amount of travellers and the vast accommodation options available, the Garden Route should be a great area to perform this particular study. This thesis will therefore consider evaluative and relational factors that represent the interrelated effects that engender customer retention in order to understand business relationships from a consumer’s and manager’s perspective.

The literature review highlights the need for such models, as studies that focus on customer retention, tend to use subsets of factors that are theoretically related but rarely examined together. The researcher implies that because of the area’s popularity, it is vital that hospitality businesses offer excellent service and commitment from management through to all staff members in order to harvest the advantageous of a successful business.

The author of this study is of the belief that service excellence delivery may be achieved by implementing TQM principles in order to increase customer retention
through improved management expertise, having well trained staff members which will then result in staff members giving guaranteed dedication and being motivated to providing service of a desired quality. The researcher will explain this point of view to managers of hospitality businesses in the Garden Route area, which should encourage them to participate in the study.

1.5 CLARIFICATION OF CONCEPTS

1.5.1 Business management

“Management” (from Old French ménagement "the art of conducting, directing", from Latin manu agere "to lead by the hand") characterises the process of leading and directing all or part of an organisation, often a business, through the deployment and manipulation of resources (human, financial, material, intellectual or intangible), (Bates et al 2005).

1.5.2 Total Quality Management

Total Quality Management (TQM) can be described as a comprehensive, planned and organised approach towards organisational management. The approach attempts to improve or enhance the quality of products and services through ongoing modification and alteration of products and services in response to continuous feedback. TQM can be applied to any type of organisation as it has been adapted for use in almost every type of organisation imaginable including hotel management. TQM is based on quality management from the customer's point of view.

1.5.3 Hospitality

The concept hospitality refers to the quality or disposition of receiving and treating guests and strangers in a warm, friendly, generous way. (Harper, D.
Harper (2001) identifies hospitality as the act of being hospitable and friendly towards guests.

### 1.5.4 Employees

The concept, employee, refers to an individual working for another person or a business firm for pay (Harper, D. 2009). The researcher views employees as the working force of a business and believes the success of the business is greatly dependent on these people as they determine the satisfaction of customers.

### 1.5.5 Customer retention

Blattberg et al. (2001) state that customer retention occurs when a customer keeps on buying the same market offering over a long period of time. For products with short purchase cycles, they define customer retention as occurring when the customer continues to purchase the product or service over a specified period of time. For products with long purchase cycles, they define customer retention as taking place when the customer indicates the intention to purchase the product or service at the next purchase occasion.

### 1.5.6 Relationship marketing

Relationship marketing serves as a foundation for building and improving relationships with customer (Claycomb & Martin, 2001) and stronger relationships with customers result in competitive advantage over competitors. Retaining customers and building loyalty have become the key factors in the implementation of relationship marketing for many organisations (Nasir & Nasir, 2005).
1.5.7 Compatibility management

A hotel can use several strategies to manage compatibility. When a hotel wants customer to interact, it should design the environment to encourage interaction. The environment can also be planned to reduce interaction between customers (Harris, Baron & Ratcliffe, 1995).

1.5.8 Customer defection management

Pearson and Gessner (1999) suggest that a monitoring process be put in place to detect customer defection since time is of the essence to stop the customer from defecting. Dove and Robinson (2002) also advocate that businesses put devices in place to alert them when customer gets ‘turned off’. If the business follows up with instant action, it can reduce customer defection.

1.5.9 Service failure and recovery

Service failure can be defined as the incapacity of a service to meet the expectations of customers about the standard of the service delivery. From the customers perspective it can be formulated as any situation where something regarding received service has gone wrong (Palmer, 2001).

The need for a systematic approach in dealing with customer dissatisfaction and complaints is implied in the definition of Zemke and Bell (1990) on planned service recovery: “A thought-out, planned process of returning aggrieved customers to a state of satisfaction with the organisation after a service or product has failed to live up to expectations”.

1.5.10 Customer relationship marketing

The concept Customer Relationship Management (CRM) describes methodologies and usually Internet capabilities that assist organisations in managing customer relationships in an organised and efficient manner through establishing a database for customers and maintaining an affinitive relationship with the customer.

1.6 LITERATURE REVIEWED

Many related resources are currently available which may be consulted for research purposes. The researcher will consult several resources for the purpose of successfully completing this report. These resources will include books, journals, articles and related websites. The resources mentioned will mainly be relevant to the hospitality industry. Where the researcher does make use of resources which are not directly applicable to the hospitality industry, the particular issue will be discussed with relevance to the hospitality industry.

Variety is always a key element when collecting literature for any study. This is no exception with this particular one. The researcher has used various sources to ensure that the problem statement and hypothesis are widely explored.

As Total Quality Management is an important business approach and a vast repertoire of variations exists, it is no surprise to find little shortages of resources and relevant information available. The researcher will mostly make use of books, e-journals as well as online articles. Books prove to be a valid form of resource as researchers and authors of different studies tend to make use of other authors’ work to verify and motivate statements and theories made.

The World Wide Web is truly a great source of information when used wisely; only accredited and peer reviewed sources will be chosen. The journals and
articles which are being used as literature can be found on the Internet. Some of the journals are published by companies that review the economy of the world in terms of marketing elements. They perform surveys and assess marketing trends to compile accurate information for the consumer.

1.7 LIMITATIONS TO THE STUDY

The researcher believes that certain limitations or barriers rather, arose as this study is conducted. Welman et al. (2005) identified three major problems that researchers may encounter when conducting their research. This includes practical problems brought about by political, social, and economical changes, as well as previous research that may present shortcomings or contradictions. The last problem includes theories that have to be associated with the research, which may prove to be difficult.

The researcher believes that one barrier which may be encountered is the reluctance of hospitality businesses to cooperate. Managers may be hesitant to provide the researcher with information needed to successfully conduct the study. In addition, managers of hospitality businesses who do cooperate may not provide accurate information which will have a significant affect on the study. Another barrier the researcher predicts which may become problematic is the insufficient time available. During seasonal activities, hotel managers might not participate actively in the study due to the strict schedules which can prolong the duration of this research. Careful planning and time management will have to be implemented from the start.

There are a number of other research limitations that will have an impact on the success of the research project including the following:
1.7.1 The responsiveness of managers

Certain hospitality owners that specialise in lodging facilities perceive the implementation of strategic management and effective marketing strategies as ‘a waste of time’ since the risk of slowing down everyday operational activities is high. The latter pertains that thorough time consuming research has to be done to support the vital importance of strategic management and effective marketing within the tourist attraction.

Managers of these lodging facilities expect physical and historical evidence of other tourist destinations that implemented strategic management and experienced a higher level of profitability.

1.7.2 Cultural characteristics

Language, culture, and value systems differ among certain hotel owners/managers, and this may create communication barriers and problem identification within the current management structures.

1.7.3 Geographical distance

Associated with the above limitation, geographical distance, cultural and national differences and variations in business practices often make communication between the researcher and the tourist destination manager difficult. Strategy implementation in this regard can be complex, because different cultures have different norms, values and very importantly different work ethics.

1.7.4 The business management of the particular hospitality establishment

The business management of the particular hospitality establishment of the attraction or the hotel is essential and can be defined as a set of decisions and
actions that create the opportunity for the formulation and implementation of certain strategic plans that are designed to achieve and accomplish the hotel’s objectives and targets.

The business management of the destination involves the setting of achievable goals and objectives, reviewing the strengths, weaknesses, opportunities and threats of the hotel, defining effective strategies to achieve the objectives, releasing the necessary resources to implement the strategies and then to manage the process of implementation through management activities such as planning, directing, organising, and controlling the hotel’s strategy-related decisions and actions.

1.7.5 Highly rated establishment

It may occur that the four and five star hotels being used as the population for this study, are too small. For this reason the researcher might find it necessary to take a sample and conduct the research study on this. The fact that some establishments have no star grading could also be perceived as an issue. The former may create a consistency problem when the researcher comes to a conclusion later in this study.

1.8 RESEARCH METHODS

Welman et al. (2005) identified three different research methods that may be implemented including historical research, case study research and action research. The researcher will make use of historical as well as action research.

Historical research is defined by Welman et al. (2005) as the process of locating and evaluating sources, which have recorded past happenings, with the purpose of interpreting these sources with a view to suggesting casual explanations. Historical research is therefore not concerned with the collection of new
information, but with finding new explanations for existing information. The researcher will locate and examine studies that have been conducted in the past regarding total quality management, business strategy and customer retention.

Welman et al. (2005) defined action research as the research process conducted with a view to finding a solution for a particular practical problem situation in a specific applied setting. The emphasis is placed on finding a solution and not on simply describing the case involved. The researcher will apply research with features that include using a topic which results from an organisational problem, i.e. customer turnover, and conduct research with the goal to improve the effectiveness of an organisation. Other features are the participation of hospitality business managers, the obtaining of results and encouraging the implementation of solutions.

Structural interviews will be conducted with several managers of four and five star hotels to gain a better understanding of managerial activities implemented and performed on the different tourist attractions.

1.9 CONCLUSION

In view of the information presented in this part of the project, it is evident that background information on the study was required in order to develop a meaningful final report. The problem statement, sub-problems and hypothesis included in this chapter indicated the direction of this research and overall purpose the researcher aimed to achieve. Mention of the purpose of this study illustrates the researcher’s drive force behind conducting this research and may be an indication of the likelihood of success. The setting of boundaries by addressing the delimitation of the study makes the study realistic and practically feasible. Clarification of concepts eliminates confusion among those who will be reading the report afterwards.
Mention of the literature reviewed indicated the range of resources used. Limitations to the study were addressed so that a conscious decision may be made as to continue the study as such action confronts the researcher with the reality that there will be certain difficulties to overcome. The research methods described in detail in the chapter on methodology were identified which made the reader aware of how the researcher conducted the study and reached conclusions.

The orientation and background to the study have now been discussed. Chapter two addresses the literature review with the focus on TQM. It follows with a framework of the study which aims to prove the hypothesis and provide the reader with a better understanding of the problem statement.
CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter will give an overview of literature which is related to the research problem and sub-problems presented in the previous chapter. It starts with an overview of the hospitality industry focusing mainly on the hotel industry. Business strategy will be explained and how it relates to Total Quality Management. Thereafter, an introduction to the concepts, definitions of Total quality management and the TQM critical success factors which different researchers have already determined follows. A short explanation of the importance of Customer Relationship Management as a strategic necessity for attracting and increasing guest patronage will be given. Finally, this chapter concludes with defining customer retention, the importance of customer retention to the hotel industry and how a service business such as a hotel retains customers.

2.2 THE HOSPITALITY INDUSTRY

When most people think of the hospitality industry, hotels and restaurants first come to mind. However, the true meaning of hospitality is much broader in scope. According to the Oxford English Dictionary, hospitality means 'the reception and entertainment of guests, visitors or strangers with liberality and good will'. The word hospitality is derived from hospice, the term for medieval of rest for travellers and pilgrims.

The hotel sector, as one part of the hospitality industry, has evolved from the very modest beginning of families and landowners who opened their homes to travellers, to the high rise of properties today which contain thousands of guest
rooms. These Lodging facilities can be classified by location, room rate and by the number of rooms which they contain.

The World Tourism Organisation defines hotels as follows:

“These are typified as being arranged in rooms, in number exceeding a specified minimum; as coming under a common management; as providing certain services, including room service, daily bed making and cleaning of sanitary facilities; as grouped in classes and categories according to the facilities and services provided.”

According to the Tourism Grading Council of South Africa, hotels are defined as: “Hotels provide accommodation to the travelling public, has a reception area, and offers at least a “breakfast room” or communal eating area. In general, a hotel makes food and beverage services available to guests; these may be outsourced or provided by the hotel.”

According to Buttle (1996), the term “hotel” covers boarding-houses, inns, guesthouses, bed and breakfast establishments, unclassified hotels, in addition to 1, 2, 3, 4 and 5 star hotels. Hotels may vary by:

- **Location:** coastal, countryside, small towns, large towns, cities.
- **Demand:** business, holiday.
- **Size:** 4 bedrooms to several hundred bedrooms.
- **Standard:** unclassified to 5 star.
- **Ownership:** independent, franchised or group operated; and
- **Atmosphere:** busy, efficient or relaxed, homely.

The hotel industry is particularly complex for a number of reasons. Firstly, the industry is structurally complex with there being a large number of categories. These categories encompass hotel quality (e.g. Luxury, first class, mid-range and
economy), hotel location (e.g. city centre, rural, seaside, hotel style (e.g. traditional hotel, resort hotel, all-suite hotel, limited service hotel, motel) and hotel usage (e.g. business, leisure, convention) (Jones, 2002; Chon & Sparrowe, 2000; Powers & Barrows, 1999).

Secondly, the industry is made complex by both the affiliation and management structures. In terms of affiliation hotels can be operated as independent properties, franchised to a branded hotel company, or as members of a marketing consortium. In addition, hotels can be owner-managed, managed by independent hotel management companies or managed by a national or international branded hotel company (Chon & Sparrowe, 2000).

Thirdly, the industry is highly fragmented with most hotels independently owned and operated, (Olsen, 1996; Powers & Barrows, 1999) although there is a higher level of concentration in certain key quality sectors such as the luxury and first class sectors and the limited service sector (Jones, 2002). The perceived level of fragmentation is also lower when measured by the number of bedrooms rather than the number of properties (Olsen, 1996).

The increased online price/product transparency and the new e-business models (e.g. online auctions) enhance tourists’ purchasing powers, who are becoming more price sensitive, less brand loyal, more sophisticated and experience seekers (Gilmore and Pine, 1997; Sigala and Christou, 2002; Sigala, 2003; Christou, 2003; Christou and Kassianidis, 2003).

The hotel industry is also experiencing increased globalization, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations, meaning that hotels’ performance and competitiveness is significantly dependent on their ability to satisfy customers efficiently and effectively (Gilmore and Pine, 1997).
2.3 BUSINESS STRATEGY

A company’s strategy is management’s action plan for running the business and conducting operations. The crafting of a strategy represents a managerial commitment to pursue a particular set of action in growing the business, attracting and pleasing customers, competing successfully, conducting operations, and improving the company’s financial and market performance (Hough et al., 2008). According to Mintzberg & Quinn (1991) a strategy could be defined as the pattern or plan that integrates an organisation’s major goals, policies and action sequences into a cohesive whole. A well-formulated strategy help to marshal and allocate an organisation’s resources into a unique and viable posture based in ties relative internal competencies and shortcoming, anticipated changes in the environment and contingent moves by intelligent opponents.

Generally, the definitions of business strategy focus on how to better deal with competition (Tse & Olsen, 1999) by means of creating competitive advantages (Hannel & Prahalad, 1989), that provide organisations with the benefits that will sustain them when attracting customers and defending themselves against competitive forces (Thompson & Strickland, 1995).

Over the years, the importance of business strategy in both large and small firms has been continuously emphasized in the strategic management literature (David, 2001; Wheelen and Hunger, 2002; and Reu and Holland, 1989). According to the literature, firms adopt business strategy to outline the fundamental steps they need to follow in order to accomplish their organisational objectives. The literature further indicates that organisations can have a single strategy or many strategies and that these strategies are likely to exist at three levels: corporate level strategies; business level strategies; and functional level strategies. Although the literature suggests that strategies are developed at the three different levels, theoretical and empirical studies of the relationship
between strategy and organisational performance have mainly emphasized on business strategy (Lee, 1988).

The heart and soul of any strategy are the actions and moves in the marketplace that managers are taking to improve the company’s financial performance, strengthen its long-term competitive position, and gain a competitive edge over rivals. A creative, distinctive strategy that sets a company apart from rivals and yields a competitive advantage is a company’s most reliable ticket for earning above-average profits (Hough et al., 2008).

Hill & Jones (1995) state that efficiency, quality, innovation and customer responsiveness can be regarded as the four main building blocks of competitive advantage. Companies that have achieved a competitive advantage typically excel on at least one of these four main dimensions. In turn, these dimensions are the product of an organisation’s competencies, resources, and capabilities.

The main management concept utilized to enhance quality is total quality management (TQM). TQM is a management philosophy that focuses on improving the quality of a company’s products and services and stresses that all company operations should be oriented toward this goal (Hill & Jones, 1995).

2.4 TOTAL QUALITY MANAGEMENT

Different authors have given various definitions of TQM. Quality gurus have many descriptions of the concept of TQM, but not many clear definitions. Kanji (1990) defines TQM as follow: “The way of life of an organisation committed to customer satisfaction through continuous improvement. This way of life varies from organisation to organisation and from one country to another but has certain principles which can be implemented to secure market share, increase profits and reduce costs”. Deming (1982) defines it as: “Total quality management refers to management methods used to enhance quality and productivity in
organisations, particularly businesses”. TQM is a comprehensive system approach that works horizontally across an organisation, involving all departments and employees and extending backward and forward to include both suppliers and customers.

Total Quality Management can be defined as a management philosophy whose goal is not only to meet, but exceed the needs and requirements of internal and external customers by creating an organisational culture in which every individual at every stage of creating a product or service and every level of management is committed to quality and clearly understands its strategic importance (Youssef et al., 1996; Koc 2006).

Wilkinson & Witcher (1993) and Nwabueze (2001) summarise TQM as having three major requirements, as outlined in the following:

- **Total**: Participation of everyone, an institution-wide process: “TQM requires continuing improvement and getting things right first time. Since most quality solutions are outside the control of any one individual or function, this needs team work and the maintenance of good relationships.”
- **Quality**: Meeting Customer Requirements Exactly: “TQM requires customer-agreed specifications which allow the supplier to measure performance and customer satisfaction. Individuals and teams need to use quality tools and systems to facilitate measurements and problem solving.”
- **Management**: Enabling Conditions for total Quality: “TQM requires leadership and total commitment from senior management to quality goals. They must ensure that an appropriate infrastructure exists to support a holistic and not a compartmentalised approach to institutional management.”
Implementing Total Quality Management involves defining and deploying several key elements or factors (Thiagaragan & Zairi & Dale et al. 2001). One of the problems of critical success (CSF’s) factors of TQM is how to define them and what should be the measure of their impact before they become critical (Zairi & Youssef 1995). CSF’s of TQM are latent variables, which means they cannot be measured directly (Ahire et al., 1996). A strategy for TQM in an organisation must be built on the management’s continuous commitment to questions concerning quality. According to Bergman & Klefsjö (2003), management must establish a quality policy and support quality activities economically, morally and by managing resources. Successful work towards TQM must be built with management’s continuous involvement as a basis. The core values are important parts of this work. However, the use of core values for managing an organisational change is not unquestioned.

TQM effectiveness and organisational performance can be measured by using the self assessment framework of quality management, such as European Quality Award (EQA), Deming Prize (Japan), and Malcolm Baldrige National Quality Award (MBNQA) (Zairi 2002). Awards are indeed strongly based on the foundation of TQM and successful implementation of TQM is determined by the successful implementation of CSF’s as proposed by award criteria (Zairi 2002).

Two of the most frequently used self assessment models are the MBNQA and the European Excellence Model 2000. The MBNQA and European Excellence Model are now in widespread use in many organisations.

An analysis of the literature relating to the award examinations criteria of both the MBNQA and the EQA, identifies the critical success factors covering the seven key areas, are presented in table 2.1.
Table 2.1 Critical success factors

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<tr>
<th>Winners</th>
<th>MBNQA/EQA Criteria</th>
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<td>Critical factors of success</td>
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<td>Leadership</td>
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<td>Passion for excellence</td>
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<td>Inspire, guide, coach and support</td>
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2.5.1 Top management commitment

For TQM to be successfully introduced, top management commitment is required and this is to be demonstrated through active involvement, setting clear goals and visions for the organisation and integrating TQM into the strategic quality planning process. Everything starts with a committed and passionate leader of the business organisation, a leader who is really committed to making fundamental changes (Thiagarajan & Zairi 1997). Working with TQM and keeping up the quality improvements demands total commitment of the management (Dale et al., 1997; Abraham et al., 1999; Reed et al., 2000). The importance of the role of senior managers as advocated, teachers and leaders cannot be overstated (Tenner & DeTorro, 1992). These leaders must serve as role models throughout the organisation, thus reinforcing the quality values at all levels in the organisation by choosing and applying appropriate techniques and tools.

Patrick Mene, Ritz- Carlton’s corporate director of quality believes that “The quality culture has got to be there, and a top leader needs to position that. It’s also important to understand the criteria before starting, because it may seem irrelevant to the typical hotel.” An application committee should be formed to
assess the current situation and implement the TQM process and I believe you ought to challenge your organisation with an extraordinary goal. The goal to improve by using the application as a guide for self-assessment and develop a quality program should outweigh the goal of wanting to win” (Partlow 1993).

2.5.2 Policy and strategy

A critical success factor in the management of quality would appear to be attention to policy development and goal setting and planning, and the effective deployment of goals (Thiagarajan & Zairi 1997). It is clearly evident that successfully implementing TQM in any organisation requires the alignment of every member's efforts with the aim of the organisation (Olian and Rynes, 1991). Chang, Lin, Yang & Sheu (2003) states that each institution which renders services must have a service strategy. A service strategy provides a focus point for all in the institution according to which they can direct their efforts to render a customer-orientated service that will satisfy the customer. Such a strategy must emphasize the fact that the customer is important. Organisations must therefore clearly determine what the customer needs and what he or she expects of them. The aim of a service strategy must be to develop a method according to which the institution can give to the customer exactly what he or she needs and what he or she expects to receive (Chang, Lin, Yang & Sheu 2003).

Management of best organisations are using the process of policy development and deployment to make sure that employees understand the objectives of the company, and how they will contribute to meeting the objectives (Olian and Rynes, 1991).

Quality gurus and writers of TQM are also unanimous in stressing the importance of a strategic planning process based on total quality (Thiagarajan & Zairi 1997). The process determines customer and other stakeholders’ requirements, competitor’s position and process capability, and then deploys them within the
organisation where they are translated into specific activities (Thiagarajan & Zairi 1997). This is not surprising as policy deployment and implementation are generally acknowledged as difficult processes (Thiagarajan & Zairi, 1997). A study of strategy development and implementation found that 73 percent of manager believed that implementation is more difficult than development (Zairi 1996).

2.5.3 Customer focus

A central core value in TQM is that all products and processes should always have a customer focus. Quality should be valued by the customers and should always be put in relation to their needs and expectations (Oakland, 1989; Tenner & De Toro, 1992; Shiba et al., 1993; Dahlgaard et al., 1994; Bergman & Klefsjö, 2003). Satisfying customer requirements better that the competition can be widely recognised today as a key to success in the marketplace (Peters, 1989). Peters and Waterman (1982) emphasize that best organisations align their corporate strategies to their customer requirements (Thiagarajan & Zairi 1997).

Focusing on the customer does not only apply to the external customers. Every employee is a customer within the organisation (internal customers) and in order to do a good job, their needs also have to be fulfilled. In order to satisfy external customer, the internal customers also need to be satisfied (Oakland, 1989; Tenner & DeToro, 1992; Shiba et al., 1993; Dahlgaard et al., 1994; Bergman & Klefsjö, 2003). An external customer service program should include providing customers with timely information and quick responsiveness to complaints, and maintaining a corporate goal to reduce the quantity of questions or complaints while recognizing all successful efforts by employees in providing outstanding service (Motwani 2001).

The power now enjoyed by customers has raised expectations and these expectations often determine whether customers will stay at a particular hotel.
According to Cooper et al. (1996), customers are travelling more widely, returning with new ideas and new standards regarding accommodation provision.

This means that the hotel customers are becoming much more discerning and demanding. Competition has thus increased in the hotel industry around the globe and this has forced hotels to offer better amenities, superior service and loyalty programs at a price that reflects value (Presbury et al., 2005).

It has been suggested that customer satisfaction is one of the most valuable resources that a firm can possess in a saturated and competitive market such as the accommodation sector (Gundersen et al., 1996), and service quality is a strong determinant of customer retention and future patronage (Parasuraman et al., 1994; Gunderson et al., 1996; Kandampully and Suhartanto, 2003). Hotels that provide distinctive levels of superior service quality can thus create a sustainable competitive advantage over their competitors (Presbury et al., 2005).

Organisations need to be dedicated to satisfying customers. This effort must be long-term and continuous since the quality of a product can be experienced as strongly weakened if competitive products with better characteristics enter the market. To focus on the customer means that one tries to find out the customer’s needs and values by conducting market analyses and then trying to fulfil the market expectations while systematically developing the product.

2.5.4 Human resource focus

Human resource management is a necessary subtext of this entire discussion of TQM practices, but it is also important to focus on the role of human resources management in moving a company toward TQM. Human resources play four important roles in TQM hotels: strategic partner, quality manager, change agent, and employee advocate (Partlow 1996).
The hotel industry is undoubtedly a labour-intensive industry. Its success depends “on the social and technical skills of its personnel, their ingenuity and hard work, their commitment and attitude” (Mohinder & Katou 2007).

Thus, the success of the hotel industry depends on the quality of its employees and their effective management in order to assist the organisation to achieve its objectives (Berger & Ghei, 1995).

However, the usual criticism of the human resource management departments of hospitality organisations is that they constitute a cost centre. This is because although the investment on employees is directly measurable, in contrast, the outcomes of the investment are very difficult to measure. These “outcomes are generally measured with intangible factors such as employee satisfaction, customer satisfaction, customer complaints, etc” (Cho et al., 2006).

Anastassova and Purcell (1995), Watson and D’Annunzio-Green (1996), and Buick and Muthu (1997) support the view that “best HRM practices” in the hospitality industry should include appraisal systems, training and development, empowerment, team work and a more consultative management style (Mohinder & Katou 2007).

2.5.4.1 Employee involvement

TQM succeeds only with employees’ involvement in the TQM process and their commitment to its goals (Thiagarajan & Zairi 1997).

Crosby (1989) talks about the need for every individual in the organisation to understand his or her role in making quality happen. Without employee participation, the TQM process cannot be successful and organisational objectives cannot be reached. It is important that every employee understands his or her own role in making total quality management work. There is a need for
transforming an organisation’s culture and to utilize the creative energies of all employees for problem solving and making improvements (Arasli 2002).

Formal communication from the top-level keeps employees abreast of their company’s quality initiatives. However, top-down communication represents only one direction for information flow. TQM hotels encourage bottom-up communication to ensure that employees’ voices are heard by management. These hotels facilitate upward communication through focus groups, employee committees, open-door policies and suggestion systems (Partlow 1996).

The critical importance of employees’ involvement in the quality process of an organisation is based on the belief that the best process innovation ideas come from the people actually doing the job (Bank 1992; Thiagarajan & Zairi 1997).

Greater employee involvement in quality efforts can only come about when the employees know that the organisation cares for them (Thiagarajan & Zairi 1997).

2.5.4.2 Employee commitment

One of the precepts of TQM is employees’ greater involvement and commitment to the process and its goal. It is through the actions and behavior of the management that employees identify with the goals of the company and extend their commitment towards its success (Olien & Rynes, 1991).

Employees must be orientated to a company’s philosophy of commitment to never-ending improvement, be informed of company goals, and be made to feel a part of the team (Motwani 2001). Anderson et al. (1994) observe that employee commitment can be measured by job satisfaction and price in their work. Sureshchandar et al. (2001a) suggest that firms must focus on employee job satisfaction because there is a high association between employee perceptions of well-being and the customers’ perception of service quality.
Increased employee relations and satisfaction will lead to successful quality implementations in the service sector (Gupta et al, 2005).

### 2.5.4.3 Empowerment

Empowerment is based on a Theory which assumes that all of the employees of the firm have an underlying desire, if appropriately tapped, to produce good quality work and take pride in that service delivery to customers. Empowerment strategies thus seek to motivate employees by appropriately authorising them with the autonomy to accomplish important organisational tasks. This is an essential decentralisation strategy, which frees managers by relying heavily on the skills and decision-making abilities of their subordinates to get essential work done, without a lot of excessive monitoring by management (Gupta et al, 2005).

Deming (1986) also stresses the importance of empowerment or giving employees the authority and autonomy to do their job when they talk about “pride of workmanship”, “self-improvement”, “self-control” and “self inspection” respectively.

### 2.5.4.4 Teamwork

Teamwork is a critical element if TQM is to succeed (Crosby 1989). Teamwork promotes a bottom-up thrust for quality improvement and delivers synergistic enhancement of quality effort (Thiagarajan & Zairi 1997).

Successful organisations are run with teams – for solving problems, for improving quality and for introducing new processes and products. Compared to employees who work individually, effective teams tend to have higher morale and productivity and take pride in the job and the company. Employees who involve themselves in quality group activities are also better convinced of the benefits of the quality process (Thiagarajan & Zairi 1997).
Getting employees together in groups does not guarantee a successful outcome. Members need to work effectively as a team. Organisations keen to promote integration through teams create and enable a system which promotes teamwork and eliminates barriers to successful performance (Thiagarajan & Zairi 1997). This fundamental component of TQM culture ties the employee physical and mental efforts, brings trust and delivers a synergistic augmentation of the total quality management process. (Kanji & Asher, 1993, Arasli 2002).

2.5.4.5 Training

The role of training in TQM implementation is crucial to any change effort according the literature (Sullivan-Taylor & Wilson 1996). Introducing new systems such as TQM when people do not have the fundamental skills to work in the new system is a prescription for disaster (Thiagarajan & Zairi 1997). There should be no doubt that for TQM to succeed, the entire workforce must acquire new knowledge, skills and abilities. Training and education based on total quality must be planned and provided if this is to be realised (Thiagarajan & Zairi 1997). Top management of best organisations recognizing the link between education and successful TQM also focus their implementation process around it (Thiagarajan & Zairi 1997).

The best method for ensuring employees can understand and apply the TQM principles have been the experimental methods. “Gradually through training from the top down and through layers of people, change can be brought out through experience and experiential learning” (Sullivan-Taylor & Wilson 1996).

2.5.4.6 Employee satisfaction

Customers often equate employees with the service they are delivering. As employees are treated as valuable resources by their employers they will in turn, treat their customers as valuable and evolve into a committed workforce who is
prepared to give their best toward accomplishing organisational goals (Gupta et al, 2005).

Customers are recognised as a warrant of the organisation’s continued existence and focusing on them is the foundation of the total quality approach to management. An unsatisfied employee cannot be expected to serve his or her customers in the best way or to give his or her full contribution to the organisation’s plans, programs, policies or objectives. If a company moves to become more competitive, its employees’ mental and psychological states including recognition, achievement, belonging affiliation to a group, cannot be neglected. To recognise achievement, management needs to provide necessary performance appraisal systems effectively of how the employees perform their jobs (Arasli, 2002).

2.5.4.7 Rewards and recognition

Recognising employee contributions is a key element of quality management. Crosby (1989) considers recognition as one of the most important steps of the quality improvement process. In best organisations, rewards and recognition are linked to sustaining the appropriate behavior (Thiagarajan & Zairi 1997). Rewards and recognition systems need to help emphasize the customer responsive behavior required (Sullivan-Taylor & Wilson 1996).

Maintaining a TQM culture requires recognizing and rewarding quality improvement and quality customer service. Examinations of TQM hotels reveals a variety of formal and informal financial as well as non-financial rewards for individuals, teams and in one case at least, the entire property for making a contribution to the total quality effort (Partlow 1996). Rewards do not have to be monetary. Employees are motivated by different things or organisations needs to ascertain in each case what these are (Thiagarajan & Zairi 1997).
2.5.5 Process management

Much of the work within an organisation can be looked upon as a process, which means a repetitive sequence of activities (Bergman & Klefsjö, 2003). This factor emphasizes the adding of value to processes, increasing quality levels, and raising productivity per employee (Motwani 2001). The goal of the process is to produce products or services, which should satisfy the customer. The corollary of focusing on processes is that the focus is not on results. Instead the result is the dependant variable. The result comes from whatever process is followed; process drives result (Shiba et al., 1993). The process generates data that indicates how well the process is satisfying its customers. This means that we should not focus upon every single piece of data, for instance a customer complaint, as something unique, but instead as a part of the statistics which can give information about how well the process is working and how it can be improved (Bergman & Klefsjö, 2003).

2.5.6 Managing suppliers

No total quality process is complete if it does not address the issues related to the process of managing suppliers (Elshennawy et al., 1991). This notion stems from the quality management philosophy of “prevention rather than detection”. Total quality organisations aim for “design and purchase” quality, rather than “inspecting” quality to produce services and products that meet customer requirements (Thiagarajan & Zairi 1997).

2.5.7 Communication for quality

Kanji and Asher (1993) are most forthright about the need for effective communication for the development of awareness of, and commitment to, quality in an organisation environment: Communication is part of the cement that holds
together the bricks of the total quality process supporting the principle of people-based management.

Best organisations also recognise that communication could make the difference between success and failure. They see effective communication as a means of maintaining enthusiasm for quality initiatives within the organisation (Thiagarajan & Zairi 1997). Open, two-way communication also helps foster good relationships between management and employees, which is vital if quality is to be an integral part of “business as usual” (Thiagarajan & Zairi 1997). Communication is vital in the empowerment process. If employees are to share the decision making in the company, they must know and understand company objectives and values, and have access to the information relevant to their area of responsibility (Thiagarajan & Zairi 1997).

2.5.8 Benchmarking

According to Furey (1987), the main goal of benchmarking are to: Identify key performance measures for each function of a business operation, measure one’s own internal performance levels as well as those of the leading competitors, compare performance levels and identify areas of comparative advantages and disadvantages and implement programs to close a performance gap between internal operation and the leading competitors. Moreover, benchmarking involves researching for the best way to achieve the objectives of service quality impartment by establishing a firm’s performance relative to its competitors to obtain long-term superiority.

The primary objective of benchmarking is performance improvement. Identifying opportunities for performance improvement by comparing one organisation’s performance with that of another is a reflex of TQM (Bank, 1992; Zairi, 1996).
2.6 CUSTOMER RELATIONSHIP MANAGEMENT

As travellers are becoming more price sensitive, less brand loyal and more sophisticated, Customer Relationship Management (CRM) becomes a strategic necessity for attracting and increasing guests’ patronage so in this way to enhance profitability and guest loyalty, hotels must nowadays focus on implementing Customer Relationship Management (CRM) strategies that aim to seek, gather and store the right information, validate and share it throughout the entire organisation and then use it throughout all organisational levels for creating personalised, unique guests’ experiences (Siguaw and Enz, 1999). The hyper competitive global economy has intensified the importance of identifying factors that will provide firms with long-term competitive advantages. Indeed, the importance of CRM has become a common agenda in board rooms and management meetings in an effort to gain competitive advantage.

2.7 CUSTOMER RETENTION

In the past decades the hospitality industry has witnessed exponential growth resulting in increased competition on such global scale. Thus, loyal customers critically assess the standards of service provided by competing hotel and confirmed that the customers’ approval of firm’s quality of service can outcome into better business image of the hotel industries thus, leading to growth in its sales and profits (Zeithaml, 2000). Indeed, the hospitality industry recognises 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. Good image as well as the quality of service has become the key to hoteliers’ ability to differentiate itself from its competitors and retain its loyal customers and gain their loyalty (Kandampully and Suhartanto, 2003).

Faced with intense competition in the marketplace, it cannot be assumed that there is an unlimited customer base prepared to maintain patronage. It is
imperative for hotels to tailor hotel services to the changing needs and lifestyles of customers with the view to increasing customer loyalty and retention. On the other hand, research conducted by Reichheld and Sasser (1990) suggested that a 5 percent increase in customer loyalty could produce a profit increase of 25-85 percent. Furthermore, they argued that profitability derived from an individual customer grows during business relationship. They also found that up to 60 percent of increased sales to new customers could be attributed to customer recommendations from customer loyalty.

Reichheld (2003) argued that 5 percent increase in customer retention yields 75 percent increase in net present value. Similarly, Grönroos (2000) indicated that in most businesses, loyal customers are willing to pay a premium price. It is therefore evident that the long-term benefits of loyal customer-supplier relationship can be significant to any hospitality firm as the "return on relationship" reflects directly on the firm's long-term financial outcome (Gummesson, 1999). In addition to hospitality organisations becoming more aware of the benefits of technological applications, customers have also 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 utilise new technologies to create services that contribute to increased value for their customers.

Christopher et al. (1991) offers a checklist of how companies can become customer centric:

- Focus on customer retention
- Offer superior products services benefits
- Pursue long-term vision
- Emphasize exemplary customer service
- Engender customer commitment
- Ensure that quality is the concern of all
Meanwhile, there is a directed emphasis away from transaction strategy and a move towards that of attraction and retention. Duddy and Kandampully (1999) point out that "This shift in focus manifests acknowledgement of the lifetime value of customer, as opposed to the one time sale". In support of this paradigm shift, Zineldin (1999) further concedes: "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/services if they hope to keep customers loyal. Reichheld and Schefter (2000) maintain: "Loyalty is not won with technology" and insist that "It is won through the delivery of a consistently superior customer experience".

2.7.1 Importance of Customer retention

Blattberg et al. (2001) stated that customer retention takes place when a customer keeps on buying the same market offering over a long period of time. For products with short purchase cycles, they define customer retention as occurring when the customer continues to purchase the product or service over a specified time period. For products with long purchase cycles, they define customer retention as taking place when the customer indicates the intention to purchase the product or service at the next purchase occasion. Customer retention has been shown to be a primary goal in firms that practice relationship marketing (Grönroos, 1991; Coviello et al. 2002). While the precise meaning and measurement of customer retention can vary between industries and firms (Aspinall et al., 2001) there appears to be a general consensus which focuses on customer retention that can yield several economic benefits (Dawkins and Reicheld, 1990; Reicheld, 1996; Buttle, 2004). As customer tenure lengthens, the volumes purchased grow and customer referrals increase. Simultaneously, relationship maintenance costs decreases as both the customer and the supplier learn more about each other. Because fewer customers churn, customer replacement cost reduces. Finally, retained customers may pay higher prices than newly acquired customer and are less likely to receive discounted offers that
are often made to acquire new customers. All these conditions are combined to increase the net present value of retained customers. Keeping customers satisfied is cost effective, since it costs more to lure a customer away from the competition than to keep an existing one (Kotler, 2000). Acquiring new customers can cost five times more than the costs involved in satisfying and retaining current customers (Reicheld, 1996).

Reicheld and Sasser (1990) found that profit in service industries increased in direct proportion to the length of a customer’s relationship. Reicheld (1996) showed that even a 5 percent reduction in the customer defection rate can increase profit from 25 percent to 85 percent, depending on the industry. Gupta, Lehmann, and Stuart (2004) argued that 1 percent improvement in retention can increase firm value by 5 percent. A survey of more than 900 executives across different industries revealed that companies that set goals for improving customer loyalty are 60 percent more profitable than those that lack such a strategy (Saunders, 1999).

To sum up, there are several benefits attached to improvements in customer retention (Reicheld & Sasser, 1990; Reicheld & Teal, 1996). Villanueva and Hanssens (2007) expressed these benefits in five propositions:

- It is cheaper to retain customer than to acquire them.
- The costs of serving long-life customers are less than those of serving new customers.
- Long-life customers improve the reputation of the company and attract new customer through word-of-mouth advertising.
- Long-life customers are less price sensitive than new customers and are therefore more willing to pay higher prices in some cases.
- Long-life customers are more likely to buy more from the company, so that the company can increase their share-of-wallet through up-selling and cross-selling.
2.7.2 Determinants of customer retention

There are several determinants shown to have an impact on customer retention. The different determinants to be discussed are essential to managing customer retention in a service business such as a hotel. (Blattberg, Getz & Thomas, 2001; Payne 2000; Rowley, 2000, 1996 & 1995; Eccles & Durand, 1998; Kurtz & Clow, 1998; Martin, 1996; Reicheld, 1996; Stum & Thiry, 1991).

2.7.2.1 Customer retention measurement

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

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

DeSouza (1992) states that the customer retention rate can be calculated in two ways: a crude customer retention rate, or a weighted customer retention rate. A crude customer retention rate measures the total percentage of customers the business retains which is based on the decline or escalation of customers over a specific period of time. The weighted retention rate, on the other hand, is calculated by weighting customers according to the volume of their purchases. Thus, if a customer who purchases high volumes defects, the impact on the
defection rate will be larger than the impact of customer purchasing small volumes. Ahmed and Buttle (2004) state that when it comes to a service business like an hotel, a suitable measures of retention should involve measuring the crude rate, or the absolute number of customers who have been retained – or who have defected. The authors go on to state that a service business such as a hotel should also use a weighted rate, which takes into account the “share of wallet” and life-time value of a customer.

2.7.2.2 Relationship marketing

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

Ryals (2002) states that relationship marketing focuses on customer retention as well as on the management of customer relationships over the lifetime of the customer. Relationship marketing serves as a foundation for building and improving relationships with customer (Claycomb & Martin, 2001) and stronger relationships with customers result in competitive advantage over competitors. Retaining customers and building loyalty have become the key factors in the implementation of relationship marketing for many organisations (Nasir & Nasir, 2005). Gilpin (1996) is of the opinion that the ability of an organisation to build positive relationships leads to success in the long run and that relationship marketing is becoming a key issue in hospitality marketing theory and practice.

Gilbert et al. (1999) argue that relationship marketing is highly suitable for the hotel industry: hotels already possess a lot of information about customers gleaned from the guest registration process. Palmer (2001) enumerates the components of relationship marketing as being: tracing identifiable buyers; distinguishing different levels of relationship between the buyer and the seller;
high levels of customer dedication; and service quality as being the responsibility of every employee.

2.7.2.3 Customer satisfaction

Parasuraman et al. (1988) gave findings which suggest that customers' service expectations have two levels of service, namely desired service and adequate service. The desired service level is the service the customer hopes to receive. It is the blend of what the customer believes “can be” and “should be”. The adequate service level is what the customer finds acceptable. It is in part based on the customer’s assessment of what the service “will be”, that the customer’s predict service. Satisfaction is a response to perceived discrepancy between prior expectations and perceived performance after consumption. Consequently, managers need to understand how expectations are created and how these expectations are influenced by people’s consumption experiences.

Lewis (1993), states that customer needs and expectations are, naturally, subject to change as a function of circumstances and experience. Also experience with one service provider may influence expectations of other. In addition, consumers are increasingly aware of the alternatives on offer and rising standards of service. Their expectations of service and quality are elevating and they are increasingly critical of the quality of service they experience. Higher levels of performance lead to higher expectations and so companies can never be complacent about levels of service (Lewis, 1993).

Improving the quality of service attributes as well as improving the emotional and psychological reactions that visitors obtain from service experiences is considered important to commercial and public tourism businesses.
2.7.2.4 Compatibility management

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

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

A hotel can use several strategies to manage compatibility. When a hotel wants customer to interact, it should design the environment to encourage interaction. The environment can also be planned to reduce interaction between customers (Harris, Baron & Ratcliffe, 1995).

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

2.7.2.5 Customer defection management

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

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

A well designed and accomplished study of customers who defected can provide information that will identify the underlying core reasons for customer defection. Investigating employee attitudes toward service quality, developing a better understanding of the customers’ process for ending the business relationship and discovering whether or not there is and identifiable profile for customers who defected may be used for the early discovery of customers at risk (Corner, 1996).

It has been shown that customer defection must be monitored and actively managed in order to reduce defections. The core reason of customer defection must be identified. Customer defection management requires the service business to identify defectors and defection rates, to determine the impact of defection, to select strategies, and to allocate resources in an effort to reduce defection. Fewer defections, it stands to reason, lead to the retention of a greater number of customers.

2.7.2.6 Service failure and recovery

Service failure can be defined as the incapacity of a service to meet the expectations of customers about the standard of the service delivery. From the customer’s perspective it can be formulated as any situation where something
regarding received service has gone wrong (Palmer, 2001). The nature of business in the hotel industry involves interactions between customers and employees of a particular hotel – a situation which, quite obviously, provides plenty opportunity for service failures to occur. Frontline staff has a pivotal role in ensuring the quality of service encountered. Service failures occur at the point of consumption – which leaves a small likelihood for recovery without bothering guests. Hotels are also typified by round-the-clock operations, as well as highly fluctuating demand. These factors all conspire to make the hotel industry highly susceptible to service failures (Lewis & McCann, 2004). All service organisations, however quality driven, will find them in a situation in which failures occur. The actions that a service provider takes to respond to service failures are termed service recovery.

The need for a systematic approach in dealing with customer dissatisfaction and complaints is implied in the definition of Zemeke and Bell (1990) on planned service recovery: “A thought-out, planned process of returning aggrieved customers to a state of satisfaction with the organisation after a service or product has failed to live up to expectations”. This recognizes that the response from an organisation to service failures needs to be the result of a conscious co-ordinated effort of the firm to anticipate that service flaws will occur and to develop procedures, policies and human competencies to deal with them.

The need for service recovery systems has emerged from elements in the business environment and factors related to patterns of customer complaining and business response. The business environment is characterized by increasing consumer awareness and sophistication, customers who want more in terms of quality service and do more about it when they do not receive it. Meeting both initial service expectations and service recovery expectations becomes an element of differentiation and competitiveness (Mitchell & Critchlow, 1993).
The most important or effective service recovery is the prevention of customer defection to other providers. Customer retention is a significant business aim since it is not widely accepted that gaining new customers is more costly than keeping existing ones, so that a customer is more profitable the longer he/she stays with the company (Reichheld & Sasser, 1990).

2.8 CONCLUSION

This chapter gives an overview of literature which is related to the research problem and sub-problems presented in the previous chapter. The hotel industry is experiencing increased globalization, competition, higher customer turnover and rising customer expectations. This means that a hotel's performance and competitiveness is significantly dependent on its ability to satisfy customers efficiently and effectively.

The four main dimension of a competitive advantage is efficiency, quality, innovation and customer responsiveness. Companies that have achieved a competitive advantage typically excel on at least one of these four main dimensions. In turn, these dimensions are the product of an organisation’s competencies, resources, and capabilities.

The main management concept utilized to enhance quality is total quality management (TQM). TQM is a management philosophy that focuses on improving the quality of a company’s products and services and stresses that all company operations should be oriented toward this goal.

TQM effectiveness and organisational performance can be measured by using the self assessment framework of quality management, such as European Quality Award (EQA), Deming Prize (Japan), and Malcolm Baldrige National Quality Award (MBNQA). Awards are indeed strongly based on the foundation of TQM and the successful implementation thereof. TQM is thus determined by the
successful implementation of critical success factors as proposed by award criteria.

The hospitality industry recognises 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. Keeping customers satisfied is cost effective, since it costs more to lure a customer away from the competition than to keep an existing one. Acquiring new customers can cost five times more than the costs involved in satisfying and retaining current customers.

Faced with intense competition in the marketplace, it cannot be assumed that there is an unlimited customer base prepared to maintain patronage. It is imperative for hotels to tailor hotel services to the changing needs and lifestyles of customers with the view to increasing customer loyalty and retention.
3.1 INTRODUCTION

Chapter one introduced the main problem and its sub-problems that were to be resolved by the research study. The literature study was presented in chapter two to put the research in proper perspective. In this chapter, aspects related to the research process of this thesis are described and discussed. A general description of available research methods is presented, underpinning a discussion of why some of these have been considered suitable for this specific research project.

3.2 DEFINITION OF RESEARCH DESIGN

3.2.1 The definition of research

Hussey & Hussey (1997) define research as a process of enquiry and investigation, together with a systematic and methodological process using appropriate methods to collect and analyse data. Hawkins (1994) defines research as the systematic investigation into sources in order to establish facts and reach new conclusions or collate old facts by the scientific study of the subject or by a course of critical investigation. A variety of definitions can be given of the thought research. A summary of definitions and descriptions of research is shown in table 3.1.
Table 3.1 Selected definitions and descriptions of research

- Social science research is a collaborative human activity in which social reality is studied objectively with the aim of gaining a valid understanding of it (Mouton & Marais, 1992).

- A studious inquiry or examination, especially a critical and exhaustive investigation or experimentation having for its aim the discovery of new facts and their correct interpretation, the revision of accepted conclusions, theories, or laws in the light of newly discovered facts or the practical application of such conclusion, theories, or laws (Webster’s Dictionary of the English language, 1971).

- Research can be seen as a process of expanding the boundaries of one’s ignorance (Melville & Goddard, 1996).

- Investigation, scientific study to discover facts (Collins English Dictionary, 1998)

- A studious inquiry of examination, having for its aim the discovery of new facts and their correct interpretation (Leedy, 1993).

- Research is the formal, systematic and intensive process of carrying on a scientific method of analysis (Best, 1981).

- The assumptions, techniques, methods and procedures used to create knowledge by empirical and rational means (Sax, 1979).
According to Frankfort-Nachmias (1992), the scientific methodology explains the logical foundations of reasoned knowledge and is the essential tool of the scientific approach, along with factual observations. The scientific methodology is also a system of valid reasoning about factual observations that permits reliable inferences to be drawn from the factual observations. This research project adheres to the above mentioned, as it aims to solve the stated research problem through a well defined methodical process of investigation, analysis and factual observations, controlled and managed by the researcher.

3.2.2 The definition of research design

Hawkins (1994) states that design is a preliminary plan, concept or purpose. In support of this statement, Yin (1994) defines design as the preparation of a working plan aimed at systematically assembling, organising and integrating data, in order to solve the research problem.

According to Mouton & Marais (1992) the aim of research design is to plan and structure a given research project in such a manner that the eventual validity of the research findings is maximized. Yin (1994) defines research design as a logical sequence that connects the empirical data to a study’s initial research question and ultimately, to its conclusions. Validity and reliability are therefore significant design variables in the overall research strategy.

3.3 VALIDITY AND RELIABILITY CONSIDERATIONS

When analyzing the obtained data, the validity and reliability of the information must always be kept in mind. Validity deals with the gathered information actually showing what it seems to be showing, and reliability deals with the concern that different methods might produce different results (Saunders et al., 2007). Leedy and Ormrod (2005) are of the opinion that validity and reliability reflect the degree to which one may make mistakes in one’s measurement.
Reliability is the consistency with which a measuring instrument yields a certain result when the entity being measured has not changed. Reliability is concerned with accuracy. It is the extent to which, on repeated measures, an indicator yields similar results (Leedy, 1993; Bless & Higson-Smith, 1995; Jackson, 1995). Jackson (1995) states that reliability in quantitative research projects can be assessed by repeating a question in a question schedule or by repeating and experiment. It is, however, more difficult to perform replication qualitative projects, because the circumstances and individuals can never be the same at some later time. Reliability in qualitative projects can be assured by using amongst others multiple researchers, peer examination and mechanical recording devices.

Validity is concerned with the effectiveness of the measuring instrument (Leedy, 1993). Questions to be asked include: Does the instrument measure what it is supposed to measure? How accurately does it measure? There are several types of validity to consider. Jackson (1995), Cassell and Symon (1994) and Kretting (1990) suggest, in contrast with other authors (Leedy, 1993; Neuman, 1994; Dooley, 1995; Bless & Higson-Smith, 1995) that validity has a different meaning in qualitative research projects than in quantitative ones. Jackson (1995) is of the opinion that in qualitative research projects, the issue of validity should rather be thought of as credibility. He cited various authors and concluded that a qualitative research project is credible when it presents such faithful descriptions or interpretations of a human experience that the people having that experience would immediately recognise it from those descriptions or interpretations as their own. A project is also credible when other researchers or readers can recognise the experience when confronted with it after having read about it (Jackson, 1995).

The designed questionnaire (Annexure A) was finalised before any interviews were undertaken. A number of experts, such as academic scholars in the field of
tourism and hospitality management as well as hotel managers, were asked to confirm the validity of the questionnaire.

3.4 RESEARCH APPROACH

3.4.1 Deductive versus inductive research approach

According to Zikmund (2000) there are two different approaches to consider when conducting research, the deductive approach and the inductive approach. The deductive approach implies that a conclusion is derived from a known premise or something known to be true. In contrast, the inductive approach implies that general propositions are established on the observation of particular facts.

In this study, an inductive approach was chosen, since the research starts with a literature overview which is later compared with the empirical findings.

3.4.2 Primary and secondary data

Leedy and Ormrod (2001) define data as manifestation or reality. According to the definition data are not reality itself or “naked truths”. When conducting research there are several ways of retrieving information. This can be found in mainly two types of sources, primary and secondary (Saunders Lewis & Thornhill, 2007). Wegner (2001) points out that primary data sources are data that are captured at a point where they are being generated for the fist time with a specific purpose. Secondary data are data collected and processed by others for a purpose other than the problem at hand. Leedy and Ormrod (2001), state that primary data are closest to the truth and are truth-manifesting. Contrary to this, secondary data are derived from primary data and not from the truth itself.
The author has chosen to collect primary data from hotels, in the form of interviews, to collect data that is relevant for the purpose of the study. Saunders et al. (2007) state that primary information is often the preferred option for research studies, as it is more likely to be reliable because there is very low risk of it having been misquoted by later publications. Primary research can be found by performing studies, which is the best option as it allows for a completely adapted study (Saunders et al., 2007).

The author has also included secondary information in the form of previous theories and research, which helps to validate and analyse the findings of interviews with the hotels and to help to provide a theoretical framework (Saunders et al., 2007). The main source of secondary information in this study is from journals and books, which have the advantage of being readily available without the researcher actually having to perform the study themselves (Saunders et al., 2007). However, the researcher considered that the information may not be entirely relevant to the research, or that it may have been diluted or misquoted (Saunders et al., 2007).

### 3.4.3 Sampling

A sample is made up of some members of a population, also referred to as the target population. The target population refers to a body of people or to any other collection of items under consideration for the purpose of the research (Hussey & Hussey, 1997).

The target population selected for this study is defined in terms of elements and sample units. An element refers to the object from which the information is to be obtained (hotel manager). The sample unit is selected as part of the sample (hotel).
Veal (1997) states that it is the absolute size of the sample that is important, not its size relative to the population. Therefore, this research study selected fifteen hotels of four and five star hotels in the Garden Route.

A sampling frame refers to a list or any other record of the population from which all the sampling units are drawn. For the purpose of this study a list of hotels located in the Garden Route was obtained from the Tourism Grading Council. A list of thirty six hotels was received in the four and five star rating. Hotels were selected based on the geographical area and with an approach to TQM. Fifteen of the thirty six hotels were selected to act as the sampling frame representing the target population.

The hotel manager from each hotel was selected to participate.

3.4.4 Quantitative and qualitative research

The research approach is often either quantitative or qualitative (Patel & Tebelius, 1987). It is best to visualize the distinction between quantitative and qualitative research as a continuum. All research methods could be placed somewhere between extremes of pure quantitative and pure qualitative research (Jackson 1995).

It is however, plausible to indicate whether research projects have a more qualitative or more quantitative nature. This in turn, would play an important role in decisions on process to follow and measuring instruments to select (Van Biljon 1999). A summary of the main differences between qualitative and quantitative research is given in Table 3.1.
Table 3.2: Differences between qualitative and quantitative research

<table>
<thead>
<tr>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Test hypothesis that the researcher begins with. Hypotheses are stated explicitly and formulated beforehand.</td>
<td>• Capture and discover meaning once the researcher becomes immersed in data. Hypotheses are frequently undeclared or merely stated in the form of a research goal.</td>
</tr>
<tr>
<td>• Concepts are in the form of distinct variables. Concepts have an unambiguous meaning.</td>
<td>• Concepts are in the form of themes, motifs, generalizations, taxonomies. Concepts can be interpreted in a number of ways.</td>
</tr>
<tr>
<td>• Measures are systematically created before data collection and are standardized. The researcher remains largely aloof.</td>
<td>• Measures are created in an ad hoc manner and are often specific to the individual setting or researcher. The researcher is involved with the phenomena/events.</td>
</tr>
<tr>
<td>• Data are in the form of numbers from precise measurement.</td>
<td>• Data are in the form of words from documents, observations, transcripts.</td>
</tr>
<tr>
<td>• Theory is largely causal and is deductive.</td>
<td>• Theory can be causal or non-causal and in often inductive.</td>
</tr>
<tr>
<td>• Procedures are standard and replication is assumed.</td>
<td>• Research procedures are particular and replication is very rare.</td>
</tr>
<tr>
<td>• Analysis proceeds by using statistics, tables or charts and discussing how what they show relates to hypotheses.</td>
<td>• Analysis proceeds by extracting themes or generalizations from evidence and organising data to present a coherent, consistent picture.</td>
</tr>
</tbody>
</table>


In more detail, a quantitative approach implies the search for knowledge that will measure, describe, and explain the phenomena of our reality (Patel & Tebelius, 1987). Quantitative research is often formalized and well structured.
Quantitative research is when data is obtained from samples and observations seeking for relationships and patterns that can be expressed in number rather than words (Tull & Hawkins, 1990).

Qualitative data implies “soft” data, such as “atmosphere at work”, and is often presented as words and observations. Mouton and Marais (1992) define qualitative research projects as those projects in which the procedures are not as strictly formalized, while the scope is more likely to be under defined, and a more philosophical mode of operation is adopted. Qualitative research relies on interpretative and critical approaches to social sciences. The aim of qualitative research is to study individuals and phenomena in their natural settings in order to gain a better understanding of them. It is also evident that qualitative research does not follow a fixed set of procedures. The researcher will, however, need to develop a set of strategies and tactics in order to organise, manage and evaluate the research (Newman 1994; Dooley 1995).

Scientists who wish to describe everyday life from the point of view of the phenomenological perspective prefer a qualitative research approach. Quantitative researchers manipulate figure and statistics; the data of the qualitative researcher is in the form of words, sentences, and paragraphs. Qualitative research is more at risk in terms of validity and reliability (Miles & Huberman, 1994).

Mouton and Marais (1992) define qualitative research projects as those in which the procedures are not strictly formalised, while the scope is more likely to be under defined and a more philosophical mode of operation is adopted.

To unravel the problem of which qualitative method to use can be done by considering the model developed by Yin (1994). According to Yin (1994) there are five primary research strategies in the social sciences: experiments, surveys,
archival analysis, histories, and case studies. Each strategy has its own advantages and disadvantages depending on three conditions:

- The type of research question posed.
- The extent of control and investigator has over actual behavioural events.
- The degree of focus on contemporary, as opposed to historical events.

Table 3.2 displays these conditions in each of the three columns and shows how each of the five strategies is related.

**Table 3.3 Situations for different research strategies**

<table>
<thead>
<tr>
<th>Research Strategy</th>
<th>Form of research question</th>
<th>Requires control over behavioural events</th>
<th>Focuses on contemporary events</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Experiment</strong></td>
<td>How/Why</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Survey</strong></td>
<td>Who/What/Where</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>How many/</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>How much</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Archival Analysis</strong></td>
<td>Who/What/Where</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td></td>
<td>How many/</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>How much</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>History</strong></td>
<td>How/Why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Case Study</strong></td>
<td>How/Why</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Yin (1994:6)

**3.5 THE DESIGN AND DEVELOPMENT OF THE QUESTIONNAIRE**

For this research, a questionnaire was used as a method of collecting original data from the selected sample group. Wegner (2001) contends that the design of the questionnaire is critical to ensure that the correct research questions are addressed and that accurate and appropriate data are collected.
Leedy (1993) recommends the following considerations as important during the construction of the questionnaire:

- be courteous, as a commanding approach will not be acceptable to the respondent;
- the questionnaire should be simple in content and easy to read and understand;
- consider the respondent by ensuring that arrangements will be made by the researcher to collect the completed questionnaire from the respondent;
- the questionnaire should be acceptable to the respondent in terms of unambiguous language, time and effort required to complete;
- concentrate on general problems and ideas rather than specifics;
- ensure that the questionnaire is brief and only solicits data that is essential to the research project and problem;
- the researcher must be aware of how the data will be processed;
- the covering letter should address to concerns of the respondent rather than the interest of the researcher.

The above consideration and guidelines were used in the design and development of the questionnaire (See Annexure A).

This research involved structured interviews through the use of structured questionnaires as a means of gathering data. Wegner (2001) states that interview methods elicit primary data responses through direct questioning. He further argues that there are three approaches to gather interview data: personal interviews involving face to face contact with the respondent, postal survey involving mailed questionnaires, and telephone survey where an interview is conducted telephonically.

The researcher used both face to face and postal (email) survey methods.
3.5.1 Structure of the questionnaire

A questionnaire was compiled from the literature findings and through consultation with hotel managers. The questionnaire consisted of a covering letter, explaining the purpose of the research. The structure of the questionnaire comprised of the following three sections of closed questions:

Section A: Biographical profile
Section B: Total Quality Management (TQM)
Section C: Customer Retention

The purpose of section A of the questionnaire was to obtain biographical information concerning the respondents’ gender, the department the respondents are working in and the years of service completed within the hospitality industry. Section B provided data regarding the implementation and absence of TQM programmes. Section C of the questionnaire aimed to gather data on how regular hotels in the Garden Route make us of customer retention activities.

To ensure that participants were willing and honest in answering the questions no names were requested by the researcher. To ensure the return of the information the researcher arranged to personally collect the completed questionnaires on the agreed dates.

3.6 DATA ANALYSIS

Feldman (1995) contends that the analysis of data is one stage in the process of research. Data analysis is preceded by gathering the data and succeeded by a process of relating interpretations to the question to be answered.

Robson (1997) believes that regardless of the research method used, the major task is to resolve the main problem of the research by finding answers to the
questions posed. Trustworthy answers result from unbiased, fair treatment of data. In the case of qualitative research, to order and interpret raw data Robson (1997) recommends firstly, preparing research notes from interview transcripts or a structured questionnaire; secondly, searching for categories and patterns or themes and thirdly, drawing conclusion from patterns discovered.

On completion of the data collection process, Robson (1997) contends that data should be analyzed accurately and verified in order to draw reliable conclusions.

The results of the literature study in chapter two and empirical study were analysed and integrated to develop and apply Total Quality Management as a Business Management System which facilitate customer retention in the hospitality industry.

3.7 CONCLUSION

The research design, methodology followed and the survey methods used were discussed in this chapter. The importance of sampling and the difference between qualitative and quantitative research were described. Research tools and data collection instruments and techniques were also discussed.

The method used for collecting data from selected sample groups was done by means of a questionnaire. Recommendations made by Leedy (1997) were used as a guideline in the design and development of the questionnaire. Through literature findings and consultations with hotel managers a questionnaire was compiled which consisted of a covering letter explaining the purpose of the research. The rest of the questionnaire comprised of biographical information, TQM and customer retention.
CHAPTER 4

THE RESEARCH RESULTS AND ANALYSIS

4.1 INTRODUCTION

The research design and methodology used during the study was discussed in chapter three. The results of this research study are presented and analysed in this chapter, which allows the researcher to draw conclusions that are presented in chapter five.

The data will be analysed and interpreted in terms of the structure of the questionnaire which includes:

Section A: Biographical profile
Section B: Total quality management (TQM)
Section C: Customer retention

The research findings are presented in this chapter and are organised in graphic and tabular form.
4.2 ANALYSIS AND INTERPRETATION OF THE BIOGRAPHICAL INFORMATION

Figure 4.1 indicates that of the 15 respondents that participated in the study 9 were female (60 percent) and 6 male (40 percent).

Figure 4.1 Graphic representation of the gender composition

Source: Author’s own construction based on received data

Figure 4.2 gives a breakdown of the number of years that each respondent has been working in the hospitality industry. Two respondents (13 percent) have a service period of 0 to 5 years, another four respondents (27 percent) a period of 6 to 10 years, five respondents (33 percent) of 11 to 15 years, three respondents (20 percent) of 16 to 20 years, while only one (7 percent) had a service period of more than 20 years in the hospitality industry.
Figure 4.2 Graphic representation of years of service

![Years of Service Within Hospitality Industry](image)

Source: Author’s own construction based on received data

### 4.3 ANALYSIS AND INTERPRETATION OF TOTAL QUALITY MANAGEMENT

#### Table 4.1 Response based on Question B1 – B15 of Annexure A

<table>
<thead>
<tr>
<th>Responses</th>
<th>TOTAL</th>
<th>TOTAL %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of TQM concepts</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Training in TQM</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Hotel has a TQM program</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>7%</td>
<td>93%</td>
</tr>
<tr>
<td>TQM established in the vision and mission of hotel</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Training in customer – supplier relationship</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Quality customer service</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>TQM as a competitive advantage</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>73.33%</td>
<td>26.67%</td>
</tr>
<tr>
<td>Need for improvement on quality system</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Encourage to perform tasks efficiently and cost effectively  | 14 | 1 | 93% | 7% |
The above can be achieved through TQM  | 15 | 0 | 100% | 0% |
Necessity of TQM system  | 12 | 3 | 80% | 20% |
Improving customer service through TQM system  | 15 | 0 | 100% | 0% |
Rewards and recognition for best performance  | 10 | 5 | 67% | 33% |
Existence of suggestion boxes for improving quality  | 14 | 1 | 93% | 7% |
Purchases on price alone  | 0 | 15 | 0% | 100% |

Source: Author’s own construction based on received data

Table 4.1 presents responses to the TQM question. Interpretation of the respondents’ answers as presented in table 4.1 allow for the following deductions:

- all respondents are fully acquainted with the concepts of TQM;
- none of the respondents were trained in TQM by its current employer;
- only one of the hotels in the Garden Route area have a TQM program;
- only three respondents (20 percent) indicated that TQM is entrenched in the vision and mission;
- all of the respondents were trained formally or informally in customer and supplier relationship;
- all of the respondents indicated that their hotel places emphases on quality customer service;
- most of the respondents (eleven out of the fifteen respondents - 73 percent) indicated that management view TQM as a means of gaining a competitive advantage;
- all of the respondents indicated that there is a need for improvement in the hotel’s current quality system;
- fourteen of the respondents (93 percent) indicated that they are encouraged to perform existing tasks in a more efficient and cost effective manner;
• all of the respondents thought that TQM will facilitate management to perform existing tasks in a more efficient and cost effective manner;
• twelve (80 percent) of the fifteen respondents indicated that TQM is a must have;
• all of the respondents indicated that a well – structured TQM system is a must have;
• only ten respondents (67 percent) indicated that they received rewards and recognition for best performance in their job;
• fourteen respondents (93 percent) are of the opinion that employees are encouraged to make suggestions for quality improvements and that there is a system in place for employees to place their suggestions in a suggestion box;
• none of the respondents indicated that they buy products or services on price alone.

Table 4.2 Response based on Question B16 of Annexure A

<table>
<thead>
<tr>
<th>TQM COMPONENTS</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaders must create a culture of quality</td>
<td>13</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Employee participation</td>
<td>0</td>
<td>14</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Formation of quality circles</td>
<td>0</td>
<td>15</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Following a system approach</td>
<td>0</td>
<td>13</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Benchmarking and best practices</td>
<td>11</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Training and development</td>
<td>14</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total responses</td>
<td>38</td>
<td>48</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>% Responses</td>
<td>42%</td>
<td>54%</td>
<td>4%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Combined responses</td>
<td>96%</td>
<td>4%</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s own construction based on received data
Table 4.2 reflects the various components for implementing a successful TQM program. An analysis of Table 4.2 indicates that 96 percent of the combined respondents strongly agree or agree that the components are key ingredients for implementing a successful TQM program. Four per cent of the respondents remained neutral.

The results of the study of the TQM components correspond with the literature, which states the following:

- implementing Total Quality Management involves defining and deploying several key elements of factors (Thiagarajan & Zairi 1997 & Dale 2001);
- management must establish a quality policy and support quality activities economically, morally and by managing resources (Bergman & Klefsjö 2003);
- working with TQM and keeping up the quality improvements demand total commitment of management (Dale et al., 1997; Abraham et al., 1999; Reed et al., 2000);
- TQM only succeeds when employees provide dedicated involvement in the TQM process and give their commitment to its goals (Thiagarajan & Zairi 1997);
- the purpose of quality circles is to provide the powerful motivation of allowing people to take some part in deciding their own actions and functions (Oakland, 1989);
- there is a need for transforming organisation culture to utilize the creative energies of all employees for problem solving and making improvements (Arasli 2002);
- according to Furey (1987), the main goals of benchmarking are to;
  - identify key performance measures for each function of a business operation,
  - measure one’s own internal performance levels as well as those of the leading competitors, compare performance levels and
o identify areas of comparative advantages and disadvantages, and implement programs to close a performance gap between internal operation and the leading competitors;

- training and education based on total quality must be planned and provided for this is to be realized (Thiagarajan & Zairi 1997).

The analysis below presents respondents’ answers to questions B17 through to B30 of Annexure A. The questions are based on the critical factors of success in Table 2.1 in Chapter 2. The measuring instrument is a five point Likert scale that ranges from strongly disagree to strongly agree.

Question B17: Senior executives communicate the company’s policy, and values to the customers, employees, suppliers, and other groups.

Figure 4.3: Response to executive communication

![Figure 4.3: Response to executive communication](image)

67 Percent agree that executive communication is crucial for the development of awareness and commitment to quality in an organisation's environment.
Question B18: Managers of this hotel assume active roles as facilitators of continuous improvement, coaches of new methods, mentors and leaders of empowered employees.

Figure 4.4: Response to managers’ role as facilitators

80 Percent of the respondents strongly agree that managers of a hotel assume active roles as facilitators of continuous improvement, coaches of new methods, mentors and leaders of empowered employees.

Question B19: The managers of every department share their information and experiences with their workers.

Figure 4.5: Response to communication between managers and staff

87 Percent agree that managers of every department share their information and experiences with their workers.
Question B20: The entire workforce understands and is committed to the vision, values and quality goals of the organisation.

Figure 4.6: Response to workforce understanding quality goals of the hotel

87 Percent agree that the successful implementing of TQM in any organisation requires the alignment of every staff member's effort.

Question B21: Work standards are based on both quality and quantity, rather than quantity alone.

Figure 4.7: Response to quality and quantity standards

All of the respondents agree that work standards are based on quality and quantity, rather than quantity alone.
Question B22: The hotel carries out informal benchmarking to identify best practices for improvements and opportunities.

**Figure 4.8: Response to benchmarking as best practice for improvements**

93 Percent of the respondents agree on benchmarking for best practices. Benchmarking is used for identifying opportunities for improvement by comparing the hotels' performance with that of another, is a reflex of TQM.

Question B23: Different departmental managers participate in the formation of hotel policy and strategic decisions that affect their work.

**Figure 4.9: Response to participation of managers in hotel policy and strategic decisions**

87 Percent of the respondents agreed that different departmental managers participate in the formation of hotel policy and strategic decisions that affect their work.
Question B24: Management believes that the staff in close contact with the hotel customers should be able to make important decisions within their own area of responsibilities and obligations.

Figure 4.10: Response to responsibility and obligation of staff in direct contact with customers

87 Percent of the respondents agree that the staff in close contact with the hotel customers should be able to make important decisions within their own areas of responsibility and obligation.

Question B25: Management believes that staff who are in close contact with hotel customers have the capacity to action decisions without approval.

Figure 4.11: Response to capacity of staff to action decisions without approval

60 Percent of the respondents agree that employees which are in close contact with hotel customers have the capacity to action decisions without approval.
Question B26: Quality related training is given to managers, supervisors and employees.

**Figure 4.12: Response to quality training**

60 percent of the respondents agree and 40 percent strongly agree that quality training is provided. There should be no doubt that for TQM to succeed, the entire workforce must acquire new knowledge, skills and abilities. Training and education based on total quality must be planned and provided.

Question B27: Management encourages a hotel management style where teamwork is applied in each process.

**Figure 4.13: Response to teamwork as a management style**

74 percent of the respondents agree that management encourages a hotel management style where teamwork is applied in each process. Hotels that are keen to promote integration through teams, create an enabling system which promotes teamwork and eliminates barriers to successful performance.
Question B28: An effective system exists within the company to prioritize those processes identified as needing improvement.

**Figure 4.14: Response to necessity of effective system for improvement**

94 Percent of the respondents agree that the necessity of an effective system for improvement is crucial for developing a hotel to prevent mistakes from happening as opposed to discovering mistakes through inspection and then taking measures to correct them.

Question B29: Effective top-down and bottom-up communication exists in this hotel.

**Figure 4.15: Response to top–down and bottom–up communication**

All of the respondents agree that an effective top-down and bottom-up communication exists.
Question B30: Long-term relationship and working partnership exists with key suppliers.

**Figure 4.16: Response to long-term relationships with suppliers**

87 Percent agree that a long-term relationship and working partnership exists with key suppliers. Total quality organisations aim for “design and purchase”, rather than “inspecting” quality to produce services and products that meet customer requirements.

**4.4 ANALYSIS AND INTERPRETATION OF CUSTOMER RETENTION**

There are several determinants proven to impact the nature and extent of customer retention. The different determinants to be discussed form key elements to managing customer retention in a service business such as a hotel. (Blattberg, Getz & Thomas, 2001; Payne 2000; Rowley, 2000, 1996 & 1995; Eccles & Durand, 1998; Kurtz & Clow, 1998; Martin, 1996’ Reicheld, 1996; Stum & Thiry, 1991).

The results obtained from the respondents to questions C1 through to C30 of Annexure A are analysed and presented in this section.
Respondents had to indicate the frequency on a five-point scale where 1 represents “never” and 5 represents “regularly”.

**Table 4.3 Response based on Question C1 – C5 of Annexure A**

<table>
<thead>
<tr>
<th>RELATIONSHIP MARKETING</th>
<th>NEVER</th>
<th>NEUTRAL</th>
<th>REGULAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building long term relationships</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Measuring satisfaction level of service quality</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Maintain database of guests preferences</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Customize relationships with guests</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Reward guests for continued business</td>
<td></td>
<td></td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Author’s own construction based on received data

An interpretation of this table projects the following:

- all of the respondents indicated that the hotels they work for built long-term relationships with their guests;
- all the respondents indicated that they measure the satisfaction level of guests with the service experienced at their hotel;
- all the respondents maintained a database of guest preferences and guest details;
- all of the respondents customized relationships with individual guests or groups of guests and;
- all of the respondents recognised and reward guests for their business.
An interpretation of the above-mentioned responses allow the following deductions:

- all of the respondents indicated that the hotel they work for attract similar or compatible guests to the hotel;
- fourteen respondents (93 percent) indicated that they promote positive encounter between guests;
- thirteen respondents (86 percent) indicated that they manage the physical environment to facilitate the interaction between guests;
- only four respondents (27 percent) indicated that they introduce guests to each other;
- all of the respondents indicated that they encourage employees to provide information regarding the behavior of guests to management.
### Table 4.5 Response based on Question C11 – C15 of Annexure A

<table>
<thead>
<tr>
<th>CUSTOMER SATISFACTION</th>
<th>NEVER</th>
<th>NEUTRAL</th>
<th>REGULAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regularity of customer satisfaction surveys</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Comparing customer satisfaction with competitors</td>
<td>1</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Determining customer satisfaction improvements</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Identifying customer needs</td>
<td></td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Process to assess customer satisfaction</td>
<td></td>
<td></td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Author’s own construction based on received data

With regard to customer satisfaction, interpreted data reflect the following information:

- all of the respondents indicated that customer satisfaction surveys are done regularly;
- only twelve respondents (80 percent) indicated that they compare its customer satisfaction with that of competitors;
- all of the respondents determined improvements in customer satisfaction;
- fourteen respondents (93 percent) indicated that a comprehensive identification of customers and customer needs are conducted in their hotels;
- all of the respondents indicated that there is a process to gather customers suggestions, feedback and complaints in order to assess customer satisfaction.
Table 4.6 Response based on Question C16 – C20 of Annexure A

<table>
<thead>
<tr>
<th>CUSTOMER DEFECTION MANAGEMENT</th>
<th>NEVER</th>
<th>NEUTRAL</th>
<th>REGULAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measuring customer defection rate</td>
<td>6</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Comparing service quality performances with competitors</td>
<td>8</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Database for identifying non-returning guests</td>
<td>6</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Identifying why guests left</td>
<td>8</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Service dimensions leading to guest retention</td>
<td>6</td>
<td>1</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Author’s own construction based on received data

According to the above mentioned data -
- six respondents (40 percent) indicated that they measure the customer defection rate;
- only five respondents (33 percent) indicated that they compare the performance of the hotel in terms of service quality with that of other competitors;
- six respondents (40 percent) indicated that they use a database to identify guests who leave and do not come back;
- eight respondents (53 percent) indicated that they never identify why guests have left;
- eight respondents (53 percent) indicated that they identify the key service dimensions that lead to the retention of guests.
Table 4.7 Response based on Question C21 – C25 of Annexure A

<table>
<thead>
<tr>
<th>SERVICE FAILURE MANAGEMENT</th>
<th>NEVER</th>
<th>NEUTRAL</th>
<th>REGULAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying service failure points</td>
<td></td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Determining reasons for service failures</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Developing training programs in communication for handling complaints</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Identifying staff with good communication skills in handling complaints</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Dividing tasks among employees to reduce service failures</td>
<td>4</td>
<td></td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Author’s own construction based on received data

Based on the responses of the participants, the following deductions are made:

- fourteen respondents (93 percent) indicated that they identify service failure points or areas where failure occur;
- all of the respondents determined the reason why service failure occur;
- all of the respondents indicated that they develop training programs to provide employees with good communication skills to successfully manage complaints and serve guests pro-actively;
- all of the respondents identified prospective employees with good communication skills to successfully manage complaints and serve guests pro-actively;
- only eleven respondents (73 percent) indicated that they divide service tasks into manageable parts that an employee is able to successfully manage to reduce service failures.
Table 4.8 Response based on Question C26 – C30 of Annexure A

<table>
<thead>
<tr>
<th>SERVICE RECOVERY MANAGEMENT</th>
<th>NEVER</th>
<th>NEUTRAL</th>
<th>REGULAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovery process for service failures</td>
<td>8</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Standardized strategy for service recovery process</td>
<td>6</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Varying service recovery strategies according to individual guests</td>
<td>2</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Feedback to guests on progress of service failure rectification</td>
<td></td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Offering explanation on service failure to guests</td>
<td></td>
<td></td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Author’s own construction based on received data

According to the data analysis -

- only six respondents (40 percent) indicated that they activate a specific service process in order to win back guests who experienced a service failure;
- seven respondents (49 percent) use a standardised strategy applicable to all guests for service recovery;
- only five respondent (33 percent) indicated that they vary service recovery strategies according to the importance of the individual guest of the hotel;
- twelve respondents (80 percent) provided feedback to guests regarding the progress in rectifying the service failure;
- all of the respondents offered an explanation to guests for the reason of the specific service failure.
4.5 CONCLUSION

The purpose of this chapter was to analyse and interpret the data obtained from the empirical study. Some shortfalls on TQM and customer retention in hotels in the Garden route area were identified. All of the respondents know the concept of TQM, but none were trained in TQM. Even though all of the respondents indicated that a well-structured TQM system is a must have; only one hotel in the Garden Route area have a TQM program.

Benchmarking is used for identifying opportunities for improvement by comparing the hotels’ performance with that of another is a reflex of TQM. The main goal of benchmarking is to identify key performance measures for each function of a business operation, measure ones one internal performance levels as well as those of the leading competitors, compare performance levels and identify areas of comparative advantages and disadvantages. 93 Percent of the respondents agree on benchmarking for best practices.

With regards to customer defection management, the interpreted data reflect that only five respondents (33 percent) indicated that they compare the performance of the hotel in terms of service quality with competitors.

Based on the responses of the participants to customer satisfaction, only twelve respondents indicated that they compare its customer satisfaction with competitors.

An analysis of the TQM components indicates that 96 percent of the combined respondents strongly agree or agree that the components are key ingredients for implementing a successful TQM program. Four per cent of the respondents remained neutral.
Most of the hotels in the Garden Route perform the customer retention activities, evaluated in the questionnaire regularly – except for customer defection management and service recovery management.

Chapter five will present some concluding remarks and recommendations based on the above mentioned results. Problems encountered during the research will be discussed and recommendations made.
CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The previous chapter provided an exposition of the research results with regard to TQM and Customer Retention in hotels in the Garden Route.

The literature study together with an empirical study was conducted to answer the identified sub-problems. This chapter focuses on the extent to which the results provide answers to these problems as well as recommendations made which emanated from the findings.

Problems and limitations of the study are discussed and concluded with recommendations for further research in this field.

5.2 CONCLUSIONS

The main findings of the study are based on the literature review presented in Chapter two as well as on the empirical results presented in Chapter four.

The main findings based on the literature review are as follows:

Total Quality Management (TQM) is a management philosophy that seeks to integrate all organisational functions and to focus on meeting customer needs and organisational objectives. It is clear that organisations need to adopt a TQM process and the relevant critical success factors if they are to achieve business excellence. Total quality management (TQM) has become popular in the hospitality industry. It proposes to bring forth the support and loyalty of
employees in the pursuit of corporate goals via an educational, empowering and positively rewarding relationship entered with staff and their subordinates.

The importance of total quality management in any organisation cannot be overemphasized. The research highlighted that TQM is a competitive tool in the hotel industry or any business organisation. The implications of overlooking its basic principles are severely damaging.

Hotels that strive to be world class, or at least continue to retain or even expand their market share, would by no means compromise quality in any way. Customers have bargaining power and a wide range of suppliers. The attitude of all managers should be that of acknowledging that the business is not doing a favour to customers, but customers are doing a favour to business.

The purpose of this study was to address the following main problem “Would the application of TQM as business management strategy facilitate the retention of customers in hotels situated in the Garden Route area?”

In attempting to solve the above mentioned problem, the following sub-problems were identified:

5.2.1 What are the critical success factors of TQM?

Section 2.5 of the literature study addresses each of the critical success factors of TQM. The importance and understanding of these factors were explained. The questionnaire was further used to determine what managers’ perception of the hotel was on TQM. Results and analysis are given in chapter four, section 4.3
5.2.2 How does TQM relate to the hospitality industry?

Section 2.3, 2.4 and 2.5 of the literature study addresses this sub-problem.

Over the last decade, a significant number of hospitality companies have embraced the concepts of TQM. The benefits of TQM offer higher service quality which has an influence on both the hotel sector and the customer. Some of these advantages are competitive advantages, management leadership and continued improvement, work development, reducing costs economic profits, employee satisfaction, staff empowerment and involvement, communication and teamwork, commitment from management, customer satisfaction, customer loyalty and sustainability of hotels. As service expectations of customers and potential customers have escalated, hospitality businesses have found the implementation of quality processes to be a vital competitive component. However, many hotels are still struggling to reach a real understanding of what is meant by total quality management.

5.2.3 What is the relationship between TQM and customer retention?

Section 2.4, 2.5 and 2.6 of the literature study addressed this sub-problem.

The effects of globalization, local economic condition and developments in the hotel industry as well as the accompanying increase in competitiveness have led to major changes in the environment in which hotels operate in South Africa and in the Garden Route particularly. These changes necessitate marketing responses from the hotels in order for them to gain and retain customers.

It has become an imperative for the hotels to develop and apply innovative and competitive marketing strategies in place to improve its ability to compete with other businesses and ultimately retain customers. A business like a hotel should firstly gain and sustain a competitive advantage. Competitive advantage is, as
been discussed, the highest value a business is able to create. This value should be of such high quality that it is continuously sought after by customers and will keep competitors at a distance as such values should not present itself to be duplicated or imitated in any form. If a business is able to hold on to this value over time, it can be said that the business has a sustainable competitive advantage. Quality, innovation, and customer responsiveness can be regarded as the four main building blocks of competitive advantage. Companies that have achieved a competitive advantage typically excel on at least one of these four main dimensions. In turn, these dimensions present the product of an organisation’s competencies, resources and capabilities.

The main management concept utilized to enhance quality is total quality management (TQM). TQM is a management philosophy that focuses on improving the quality of a company’s products and services and stresses that all company operations should be oriented toward this goal.

It is evident from the literature study that customer retention management involves several different, yet related, components. It is important to build relationships with customers. Relationship marketing is not about securing a sale, but rather about maintaining long-term relationships with customers. Relationship marketing focuses on customer retention and the management of customer relationships over the lifetime of the customer.

A hotel should manage the interaction between different customers to avoid dissatisfaction. Compatibility management involves the regulation of customer-to-customer interaction in the service environment. Unpleasant interaction between customers leads to dissatisfaction and possible customer defection.

A customer generates revenue throughout his or her lifetime. The value of a customer also increases over time. It is for this reason that service businesses strive to avoid customers to defect. All defections cannot be eliminated, but a
business such as a hotel should try to reduce defection and retain those guests who want to defect.

Service failures should also be managed. Service failure refers to the inability of the business to meet the expectation of customers regarding the standard of service delivery, or any situation where something to do with the received service has gone wrong. Service failures occur at the point of consumption. In many instances they are due to the inseparability of production and consumption. A service business should therefore plan for service recovery when a service fails. If an employee is able to bring about successful service recovery, this can lead to a high level of customer satisfaction and prevent customers from leaving.

The ability to retain customers improves and so does hotels’ chances of surviving and being profitable. As the cost of gaining customers in competitive markets is on the rise, successful customer retention circumvents the costs of seeking new and potentially risky customers. It also allows the business to focus more accurately on the needs of its existing customers by building relationships with them. Profitability, as evident from above, has more to do with retaining existing profitable customers and increasing their spending than with trying to attract new customers. When the relationship with a customer is appropriately managed, the profitability of that customer grows with the duration of the business relationship. Businesses should seek to increase profitability through customer-driven approaches to customer retention

5.2.4 To what extent are hotels in the Garden Route using TQM as a strategy for customer retention?

The main findings based on the empirical study prove to be as follows:
- Only one hotel in the Garden Route follows a TQM program although all the hotels are familiar with TQM.
• All the hotels in the Garden Route place high emphases on quality customer service although all hotels agree that a well-structured TQM system can improve there customer service.

• 93 Percent of the hotels indicated that they are encouraged to perform existing tasks in a more efficient and cost effective manner. All of the hotels agree that TQM will achieve this.

• Research data indicated that 93 percent of the hotels do not follow a TQM program. This can be the reason why most of the hotels neglect customer retention activities such as Customer Defection Management and Service Recovery Management.

• Most of the hotels in the Garden Route perform the customer retention activities evaluated in the questionnaire regularly – except for Customer Defection Management and Service Recovery Management.

• In terms of rankings assigned to the customer retention activities, the activities related to Relationship Marketing and Service Failure Management are most often performed.

• The literature reviewed considers the customer retention activities (Relationship Marketing, Compatibility Management, Customer Satisfaction, Customer Defection Management, Service Failure Management and Service Recovery Management) evaluated in the questionnaire to be important to retain guests. Hotels in the Garden Route do not perform these activities to the extent they should. Hotel managers are, thus, fully aware of the necessary strategies to be implemented in order to retain guests and the problem is quite simple, they do not always implement the necessary strategies.
5.3 PROBLEMS AND LIMITATIONS OF THE STUDY

No major problems were encountered while conducting the research except some of the selected respondents’ lack of cooperation.

Due to the nature of the information required, only hotel managers and human resource managers were able to provide the information required.

Some managers cited time constraints as a major obstacle in setting up appointments to be interviewed. In these cases, follow-up telephone calls were made and emails were sent to encourage hotel managers to participate in the study.

The survey was limited to the hotels in the Garden Route area and its results do not necessarily reflect the same situation at other hotels in South Africa.

Only thirty six hotels in the four and five star grading were identified in the Garden Route. Only fifteen of these hotels follow a total quality management approach which deemed to be suitable for this study. All of the fifteen hotels participated in this study.

5.4 RECOMMENDATIONS

The following section contains recommendations as to TQM and customer retention that derived from the empirical findings of the study.

5.4.1 Total Quality Management (TQM)

- Managers should be the foremost practitioner of leadership from top-level by designing and spreading quality policy, formulating challenging goals,
plans and routines for all parts of the hotel and then dividing up its overall responsibility within the hotel.

- Service quality has become a field for strategic development which is an important ingredient in the business idea as well as a central management task at all levels.

- Successful hotels are characterised by focusing on the guests. Hotels need to map and understand their guests’ needs and the factors impacting on guests’ desires or adequate services respectively.

- Service Quality improvement should be everyone’s responsibility. Each co-worker should have the knowledge, resources and authority to provide the right quality.

- A focus on new service development and service design is essential. It is becoming more and more apparent that it is crucial to build prerequisites for effective quality from the beginning when designing new services.

- Stress on the development of a process of continuous improvement is required. This means developing the hotel to prevent mistakes from happening as opposed to discovering mistakes through inspection and consequently implementing appropriate measures to correct them.

- Benchmarking by comparing hotels with competitors and learning from them, not copying, but accepting that with some adaptation, will support one’s own quality work. This implies a rather eclectic approach where only appropriate principles are gathered, adjusted to each hotel’s unique environment and culture and applied accordingly.
• There is a need for emphasis on complaint management as a tool for discovering customer dissatisfaction, learning how to manage problem situations effectively, compensate appropriately for the mistake and provide realistic explanations for its occurrence. In such situations, opportunity is generated incidentally to demonstrate good quality and excellence – a unique chance to convert a quality fading.

• Focus should be placed on employee commitment and customer’s involvement for customer – perceive total quality. This requires challenging and engaging tasks as well as good relations with the staff and the managers.

• The primary purpose for introducing TQM is to achieve complete customer satisfaction. Satisfying customers’ requirements better than the competition, is widely recognised today as a key to success in the marketplace.

• TQM succeeds only with employees’ involvement in the TQM process and their commitment to its goals. The need is for every individual in the organisation to understand his or her role in making quality happen. In fact, the need to maximize the involvement of all employees is one of the basic principles of change-implementation in a hotel.

• For a quality improvement program to be successful, the commitment to total quality must encompass the whole workforce which must be encouraged to participate actively in the search for continuous improvement.

• The need for effective communication for the development of awareness of and commitment to quality in an organisation’s environment.
• Members need to work effectively as a team. Organisations that are keen to promote integration through teams create an enabling system which promotes teamwork and eliminates barriers to successful performance.

• Rewards and recognition formulate important enablers which maximizes employees’ potential and involvement and, in doing so, become one of the main contributors to the company’s journey to quality.

• Another imperative is also for firms to focus on employee job satisfaction, because there is a high association between employee perceptions of well-being and the customer perception of service quality. Increased employee relations and satisfaction will lead to successful quality implementations in the service sector.

• There should be no doubt that for TQM to succeed, the entire workforce must acquire new knowledge, skills and abilities. Training and education based on total quality must be planned and provided if this is to be realised.

5.4.2 Customer retention

In order to maintain optimal customer retention, certain principles should be considered and implemented, such as the following;

• Hotels must build and maintain long term relationships with guests.

• Service failures should be identified timely which should result in effective corrective actions.

• Appropriate training and enhanced employee involvement will facilitate early detecting of unhappy customers within the hotel. Proper training can
educate and empower employees with the necessary knowledge and skills in order to act effectively on customer satisfaction. This forms an important element to proper care and retention of hotels most valuable customers.

- Loyalty programs represent effective tools providing advanced knowledge and skills in order to acquire realistic knowledge about customers needs and ultimately retain customer effectively.

- A well-designed and accomplished study of customers who defected can:
  - provide valuable information that will identify the underlying dynamics and core reasons for customers’ defection;
  - investigate employee attitudes toward service quality;
  - develop a better understanding of the customers process for ending the business relationship; and
  - discover whether or not there is an identifiable profile for customers who defected which may be used for the early discovery of customers at risk.

- Interactions between guests should be facilitated and enhanced.

- It should be noted that there is a significant relationship between the concepts customers affect, customer satisfaction and customer retention. The challenge is to develop customer compatibility programs to encourage positive encounter between customers while at the same time discouraging negative encounters.

- The rate at which guests defect to other accommodation suppliers should be managed and measured after which underlying reasons be identified and investigated with the aim of pro-active strategies.
• Improving the quality of service attributes as well as improving the emotional and psychological reactions of those visitors from service experiences is considered important to hospitality businesses and organisations.

• Relationship marketing serves as a foundation for building and improving relationships with customers and stronger relationships with customers result in competitive advantage over competitors.

• When a hotel is serious about improving customer retention it should first define what customer retention means for the business and then put the necessary measures in place to do this.

5.5 RECOMMENDATION FOR FUTURE RESEARCH

This study was confined to four and five star hotels in the Garden Route and could be extended to lower star grading establishments. It would be interesting to expand the study to international hotels and compare the findings with hotels that are MBNQA or EQA certified.

This study was small as it focused on customer retention only from the literature and hotels section. In order to better understand the factors affecting customer retention and guests’ perceptions, future research showing both the hotels and guests perspective on customer retention would give a more accurate picture of the reality.

The finding of this study indicates that customer retention activities as evaluated in the questionnaire, is essential to retain guests. Hotels in the Garden Route do not perform these activities to the extent of success. Hotel managers are fully aware of the required strategies to be implemented in order to retain guests, but do not always implement these strategies. The primary purpose of introducing
TQM is to achieve and even exceed customer satisfaction. A central core value in TQM is that all products and processes should always have a customer focus. Quality should be valued by the customers and should always be put in relation to their needs and expectations.

Focussing on the customer does not only apply to the external customers. Every employee is a customer within the organisation (internal customers), and in order to do a good job, their needs also have to be fulfilled. In order to satisfy the external customers, the internal customers also need to be satisfied. TQM succeeds only with employees’ involvement in the TQM process and their commitment to its goals. The need is for every employee in the hotel to understand his or her role in ensuring quality service. In fact, the need for maximizing the involvement of all employees is one of the basic principles of change-implementation in a hotel.

Customer satisfaction is one of the most valuable resources that a hotel can possess in a saturated and competitive market such as the accommodation sector. Service quality is a strong determinant of customer retention and future patronage. Hotels that provide distinctive levels of superior service quality can thus create a sustainable competitive advantage over its competitors.

A well-designed and accomplished study of customers who defected can provide valuable information that will identify the underlying dynamics and core reasons for customers’ defection. It allows for investigating employee attitudes toward service quality and developing a better understanding of the customers’ process for ending the business relationship. This type of study also discovers whether or not there is an identifiable profile for customers who defected which may be used for the early discovery of customers at risk.
This study proves the hypothesis for the application of Total Quality Management as a Business Management Strategy which will facilitate customer retention in hospitality related industries such as hotels situated in the Garden Route area.
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ANNEXURE A

08 November 2010

A STUDY OF TOTAL QUALITY MANAGEMENT AS A BUSINESS MANAGEMENT STRATEGY TO FACILITATE THE RETENTION OF CUSTOMERS IN THE HOSPITALITY RELATED INDUSTRIES SITUATED IN THE GARDEN ROUTE.

Dear Participant

As you are an experienced professional who has knowledge and experience in the hospitality industry, I would like to ask for your help by seeking your permission to be interviewed.

I am currently engaged in a Masters in Business Administration degree at the Nelson Mandela Metropolitan University Business School. The topic of my master’s dissertation being “Would the application of Total Quality Management as a business management strategy facilitate the retention of customers in hospitality related industries situated in the Garden Route area?”

As part of my research I will be conducting interviews to obtain data on the influence of business and other factors on the practice of Total Quality Management. For this purpose, a number of respondents, including you, have been selected to participate in the survey.

As a result of your involvement in and experience of operations in the hospitality industry, your views and opinions concerning existing practices in quality management will be of major importance.
All records and collected data containing your personal information will remain strictly confidential and no information that could bring about identification of any individual will be released. Your participation is purely voluntary and you are under no obligation whatsoever to participate in this interview.

If you need any further information or have some concerns regarding this study, please do not hesitate to contact me at:

Contact Details: 044 6952 651 (Work)
                 076 1055 984 (Cell)
                 Email: nanindi@mweb.co.za

I look forward to your response and thank you in anticipating for your willingness to participate.

Yours sincerely

Gabriel Slabbert
MBA Student
TOTAL QUALITY MANAGEMENT AND CUSTOMER RETENTION
QUESTIONNAIRE

INSTRUCTIONS
• Please answer each question by making a cross (X) in the appropriate box.
• There are no right of wrong answers. Your answers will be a reflection of how you view each question.

A) BIOGRAPHICAL PROFILE

Gender
A1 Male   Female

Department
A2 Front of house   Back of house

Current Position
A3

Years of service within the hospitality industry (years completed)
A4

<table>
<thead>
<tr>
<th>Years</th>
<th>0-5 years</th>
<th>16-20 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6-10 years</td>
<td>20 + years</td>
</tr>
<tr>
<td></td>
<td>11-15 years</td>
<td></td>
</tr>
</tbody>
</table>

B) TOTAL QUALITY MANAGEMENT (TQM)
Total quality management refers to management methods used to enhance quality and productivity in organisations, particularly businesses. TQM is a comprehensive system approach that work horizontally across an organisation, involving all departments and employees and extending backward and forward to include both suppliers and customers.
<table>
<thead>
<tr>
<th>B1</th>
<th>Are you familiar with TQM?</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2</td>
<td>If you answer is yes to the above, did the hotel you currently working for train you on TQM?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B3</td>
<td>If you know TQM, does the hotel you work for have a TQM program?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B4</td>
<td>Is Total Quality well-established in the Vision and Mission of your company?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B5</td>
<td>Have you been trained, formally or informally, to understand the customer – supplier relationship?</td>
<td>YES</td>
<td>NO</td>
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<tr>
<td>B6</td>
<td>Does your hotel place emphasis on quality customer service?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B7</td>
<td>Does management view TQM as a means of gaining a competitive advantage?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B8</td>
<td>Do your think that there is a need for improvement in the hotels present quality system?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B9</td>
<td>Are you encouraged to perform existing tasks in a more efficient and cost effective manner, where possible?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B10</td>
<td>Do you think that the above can be achieved through TQM?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B11</td>
<td>Do you think a TQM system is a must have?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B12</td>
<td>Do you think a well – structured TQM system can improve your customer service?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B13</td>
<td>Do you get rewards and recognition for best performance in your job?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B14</td>
<td>Does the hotel have a system in place for employees to put their suggestions in suggestion boxes for improvements of quality?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>B15</td>
<td>Do you buy products or services on price alone?</td>
<td>YES</td>
<td>NO</td>
</tr>
</tbody>
</table>
To what extent do you view the following components as key ingredients for implementing a successful TQM program?

<table>
<thead>
<tr>
<th>TQM Principles</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Leaders are responsible to create a culture of quality.</td>
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<tr>
<td>2. Employee participation in process re-engineering and communicating their ideas to management.</td>
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<td>3. Formation of quality circles where groups of employees do similar work.</td>
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<tr>
<td>4. A systems approach is followed whereby those working on the systems must listen to feedback from those working in the system.</td>
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<td>5. Benchmarking and best practices with similar organisations.</td>
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<td>6. Training and development plays and important part of TQM.</td>
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<tr>
<td><strong>PLEASE SELECT THE RESPONSE WHICH BEST REPRESENT THE LEVEL OF AGREEMENT THAT YOUR HOTEL HAS WITH THE FOLLOWING STATEMENTS.</strong></td>
<td><strong>Strongly disagree</strong></td>
<td><strong>disagree</strong></td>
<td><strong>neutral</strong></td>
<td><strong>agree</strong></td>
<td><strong>Strongly agree</strong></td>
</tr>
<tr>
<td>B17</td>
<td>Senior executives communicate the company’s policy, and values to the customers, employees, suppliers, and other groups.</td>
<td></td>
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<tr>
<td>B18</td>
<td>Managers of this hotel assume active roles as facilitators of continuous improvement, coaches of new methods, mentors and leader of empowered employees.</td>
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<tr>
<td>B19</td>
<td>The manager of every department shares their information and experiences with their workers.</td>
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<tr>
<td>B20</td>
<td>The entire workforce understands, and is committed to the vision, values and quality goals of the organisation.</td>
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<tr>
<td>B21</td>
<td>Work standards are based on quality and quantity rather than quantity alone.</td>
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<tr>
<td>B22</td>
<td>The hotel carries out informal benchmarking to identify best practices for improvements and opportunities.</td>
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<tr>
<td>B23</td>
<td>Different department’s managers participate in the formation of hotel policy and strategic decisions that affect your work.</td>
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<td>B24</td>
<td>Management believes that the workers that are in close contact with the hotel customers should be able to make important decisions within their own areas of responsibility and obligation.</td>
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</tbody>
</table>
### PLEASE SELECT THE RESPONSE WHICH BEST REPRESENT THE LEVEL OF AGREEMENT THAT YOUR HOTEL HAS WITH THE FOLLOWING STATEMENTS.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>neutral</th>
<th>agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>B25 Management believes that workers that in close contact with hotel customers have the capacity to action decisions without approval.</td>
<td></td>
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<tr>
<td>B26 Quality related training is given to managers, supervisors and employees.</td>
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<tr>
<td>B27 Management encourages a hotel management style where teamwork is applied in each process.</td>
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<tr>
<td>B28 An effective system exists within the company to prioritize those processes identified as needing improvement.</td>
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<tr>
<td>B29 Effective top-down and bottom-up communication exists in this hotel.</td>
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<tr>
<td>B30 Long-term relationship and working partnership exists with key suppliers.</td>
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</table>

### C. CUSTOMER RETENTION

Customer retention is when a customer keeps on buying the same market offering over a long period of time. For products with short purchase cycles, customer retention is when the customer continues to purchase the product or service over a specified time period. For products or services with a long purchase cycle, customer retention takes place when the customer indicates the intention to purchase the product or service at the next purchase occasion.
Indicate on a scale of 1 to 5, where 1 represents ‘never’ and 5 represents ‘regularly’, how often the following activities are performed at the hotel.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td><strong>Relationship Marketing</strong></td>
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</tr>
<tr>
<td>C1 The hotel focuses on building long-term relationships with guests.</td>
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<tr>
<td>C2 Measure the satisfaction level of guests with the services quality experienced at the hotel.</td>
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<tr>
<td>C3 Maintain a database of guest preferences and guest details.</td>
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<tr>
<td>C4 Customize relationships with individual guests or groups of guests.</td>
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<tr>
<td>C5 Recognise and reward guests for their business.</td>
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<tr>
<td><strong>Compatibility Management</strong></td>
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<tr>
<td>C6 The hotel attract similar or compatible guest to the hotel.</td>
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<tr>
<td>C7 Promote positive encounters between guests.</td>
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<tr>
<td>C8 Manage the physical environment to facilitate the interaction between guests, for example in the lounge or dining room.</td>
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<tr>
<td>C9 Introduce guests to each other.</td>
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<td>C10 Encourage employees to provide information regarding the behavior of guests to management.</td>
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<td><strong>Customer Satisfaction</strong></td>
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<tr>
<td>C11 Customer satisfaction surveys are done regularly.</td>
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<td>C12 This hotel compares its customer satisfaction with competitors.</td>
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<td>C13 This hotel determines improvements in customer satisfaction.</td>
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<tr>
<td><strong>Indicate on a scale of 1 to 5, where 1 represents ‘never’ and 5 represents ‘regularly’, how often the following activities are performed at the hotel.</strong></td>
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<tr>
<td>C14 Comprehensive identification of customers and customer needs are conducted in the hotel.</td>
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<td>C15 There is a process to gather customers’ suggestions, feedback and complaints to assess customer satisfaction.</td>
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<td><strong>Customer Defection Management</strong></td>
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<td>C16 Measure the customer defection rate.</td>
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<tr>
<td>C17 Compare the performance of the hotel in terms of service quality with competitors.</td>
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<td>C18 Use a database to identify guests who leave and do not come back.</td>
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<td>C19 Identify why guest have left.</td>
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<td>C20 Identify the key service dimensions that lead to the retention of guest.</td>
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<td><strong>Service Failure Management</strong></td>
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<td>C21 Identify service failure points or areas where failures occur.</td>
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<td>C22 Determine the reasons why service failures occur.</td>
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<td>C23 Develop training program’s to provide employees with good communication skills to successfully handle complaints and serve guests pro-actively.</td>
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<td>C24 Identify prospective employees with good communication skills to successfully handle complaints and serve guests pro-actively.</td>
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<td>C25 Divide the service task into manageable parts that an employee is able to successfully manage to reduce service failures.</td>
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</tbody>
</table>
Indicate on a scale of 1 to 5, where 1 represents ‘never’ and 5 represents ‘regularly’, how often the following activities are performed at the hotel.

<table>
<thead>
<tr>
<th>Service Recovery Management</th>
<th>1</th>
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</thead>
<tbody>
<tr>
<td><strong>C26</strong> Put a service recovery process in place to win back guests who experienced a service failure.</td>
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<td><strong>C27</strong> Use a standardized strategy applicable to all guests for service recovery.</td>
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<td><strong>C28</strong> Vary service recovery strategies according to the importance of the individual guest to the hotel.</td>
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<td><strong>C29</strong> Provide feedback to guests regarding the progress in rectifying the service failure.</td>
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<td><strong>C30</strong> Offer an explanation to guests for the reason of the service failure.</td>
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</tbody>
</table>

Thank you for your participation.