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**Understanding Guest
Retention: An examination of
New Zealand accommodation
establishments**

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requirements for the degree of*

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Abstract

The importance of customer retention has become a major theme in the literature since the 1990s when empirical studies showed that retaining 5% of customers could lead to an increase in profits ranging from 25% to 85%. However, customer retention does not appear to have moved from the theoretical into the practical world. Specifically, there were few empirical studies which focused on customer retention and none were identified in the New Zealand accommodation sector.

The travel and tourism industry contributes approximately 9% to New Zealand's GDP, and 10% of all spending by travellers and tourists is in the accommodation sector. Impacts, such as seasonality, characterise the accommodation sector and many establishments have occupancy rates which can fluctuate from 90% to 30% in the off-season. With average annual occupancy rates for New Zealand hotels and motels hovering around 55%, retention is a strategy that owners and managers could implement in order to increase occupancy and profits.

In this study the research question was based on a review of the literature and the a priori knowledge and experience of the researcher. To ensure the research question framing this study was answered in the most exhaustive and comprehensive manner a seven step research process based on work by Bourgeois (1979) was followed. Data was gathered using both deductive and inductive methods in order to nullify the two main research problems raised by Bourgeois (1979). First, that theories are cast at a high level which is removed from reality and second that empirical studies often result in just a description of the data.

In the deductive phase of this study a survey was mailed to New Zealand accommodation establishments that provided accommodation and meals, and had a liquor licence. The main focus of this survey was to learn what owners and managers understood about guest retention and to answer the first research objective. It was discovered that New Zealand

accommodation managers: actively work to retain their guests; know the value of guest retention; understand the links between guest satisfaction, loyalty and retention; understand the specific reasons behind guest defections; understand the importance service recovery; and understand how loyalty schemes lead to guest retention.

The second phase was a case study involving three accommodation establishments. These findings added depth to the study and allowed for new knowledge to be extrapolated from the findings. It was discovered that in two establishments the focus was guest satisfaction and building relationships with customers. Whilst the resort hotel did have a strategy to encourage lapsed business to return this wasn't measured or monitored. Thus the second research objective was answered.

In the penultimate chapter an amended profit chain has been proposed which included 'Building Customer Relationships' as the link between satisfaction and profitability. This is based on the finding that the case establishments saw retention as a proxy for satisfaction and, therefore, focused on satisfying guests and building personal relationships as methods of guest retention.

The research question framing this study can be answered by saying that the strategies used by owners and managers in New Zealand accommodation establishments to manage guest retention tend to be related to guest satisfaction and building personal relationships. However, this is not because they do not understand guest retention but see it as part of the bigger picture involving the building of relationships with guests.

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