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

*A thesis presented in partial fulfilment of the
requirements for the degree of*

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Management
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You were all instrumental in this journey and I couldn't have done it without you.

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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Chapter 1

Introduction

1.1 Background to the Study

Developing and implementing strategies which encourage customer retention is not as easy as it sounds. The service management literature is filled with theoretical and empirical articles which explain the importance of retention and how it leads to greater profitability. Alongside this is a plethora of literature which focuses on the links between employee satisfaction, retention and productivity and customer satisfaction, loyalty and retention. However, there were very few articles identified which focused on implementing and managing retention strategies and none that were undertaken in the New Zealand accommodation sector. How retention is managed in the New Zealand accommodation sector is the focus of this thesis.

1.1.1 Synopsis of the Services Literature

Service activities are the engine of modern developed economies. They constitute over 80% of all employment, account for the fastest growing sector, and are a major contributor to many countries' balance of payments (Drew Rosen, Karwan & Scribner, 2003; Fitzsimmons & Fitzsimmons, 2004; Gummesson, 1994; Van Looy, Gemmeil & Van Dierdonck, 2003). There are a number of forces driving the growth in service activities. For example, increasing disposable incomes; sociological changes leading to greater demand for a variety of services like lawn mowing and child care; increasing technology; increasing numbers of professionals; and the creation of new services such as computer programmers (Fitzsimmons & Fitzsimmons, 2004; Lovelock & Wright, 1999; Van Looy et al., 2003).

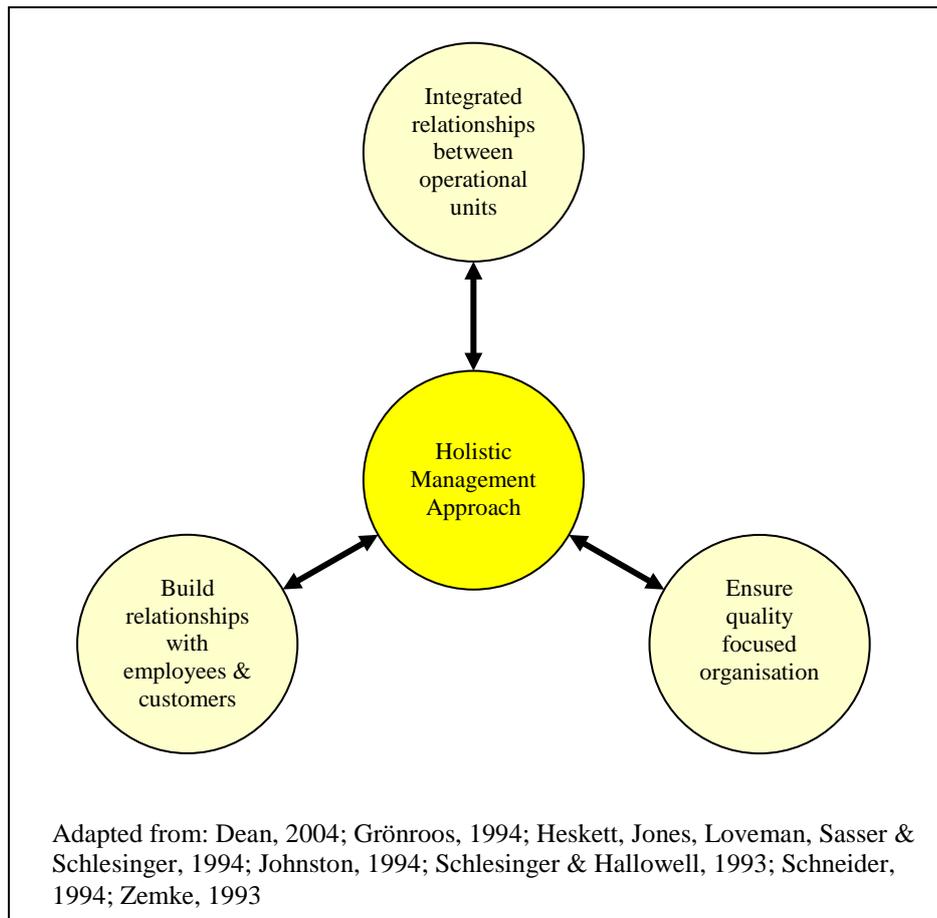
The continued growth in service-based economies has seen the emergence of service organisations where managers face different challenges from

those encountered in manufacturing organisations. Services display several unique characteristics which create the need for different approaches to management. These include intangibility, perishability, heterogeneity, simultaneity and degree of customer contact (Hope & Mühlemann, 1997; Fitzsimmons & Fitzsimmons, 2004; Van Looy et al., 2003; Wright, 1995). Managers of service organisations must also face the more common challenges of satisfying employees and reducing turnover whilst providing quality service, satisfying customers and increasing retention.

A “... veritable explosion of academic literature...” (Glynn & Barnes, 1995, p. xix) has followed this economic growth, and service management is now a recognised academic field to which new ideas and concepts are being contributed from both theoretical and empirical research. The service management field first emerged in the early 20th Century from a range of disciplines including those of general management, behavioural management, quality management (both TQM and service quality), and marketing (Grönroos, 1994).

Researchers in the field of service management argue that service managers should adopt a holistic management approach (see Figure 1.1) in order to deliver quality service, encourage integration between operational units, and satisfy both employees and customers (Dean, 2004; Grönroos, 1994; Heskett, Jones, Loveman, Sasser & Schlesinger, 1994; Johnston, 1994; Katz & Kahn, 1978 in Schneider, 1994; Schlesinger & Hallowell, 1993; Schneider, 1994; Zemke, 1993). Empirical studies confirm that if a holistic management approach is implemented and relationships with employees and customers are successfully managed, customer satisfaction is likely to increase leading to improved retention rates and ultimately higher profits (Reichheld, 1996; Reichheld & Sasser, 1990; Rust & Zahorik, 1993, in Ennew & Binks, 1999).

Figure 1.1: A model of holistic management in service organisations



The Service Profit Chain (SPC) developed in 1994 by Heskett, Jones, Loveman, Sasser and Schlesinger proposes an integrated approach to managing services. This chain suggests that an internal relationship between the operating strategy and the service delivery system promotes satisfied employees leading to lower employee turnover. Employee satisfaction, in turn, leads to more satisfied customers who display stronger feelings of loyalty and reuse the service, ultimately leading to increased revenue growth and profits.

An integrated management approach leading to increased customer retention and profits is particularly important in industries where competition is high and barriers to entry are low (Fitzsimmons & Fitzsimmons, 2004). This is typical of the situation in the New Zealand accommodation sector. Increasing consumer incomes have also led to greater demand for tourist services and products to be developed and

provided. Accommodation plays a functional role by providing the facilities that make travel easier and more comfortable (Presbury, Fitzgerald & Chapman, 2005). On the supply side there has been an increase in the numbers of accommodation establishments providing the same products and similar levels of service. In order for accommodation establishments to retain or increase their average occupancy rates owners and managers will need to focus on retention rather than acquisition of guests.

1.1.2 Outlining the Empirical Context

Based predominantly on the provision of services, the global travel and tourist industry is growing at an average annual rate of 6.5%, currently representing nearly 30% of all service exports worldwide (www.world-tourism.org). With an estimated 691 million international visitors spending US\$523 billion annually (www.world-tourism.org) the travel and tourist industry is now one of the largest global industries (Kandampully, 2000).

Making up less than 1% of this industry New Zealand is a very small player in global terms. However, within New Zealand the travel and tourist industry plays a substantial role in export earning and job creation, it is a demand-driven, service oriented industry experiencing rapid growth and innovation (www.tourism.govt.nz). The travel and tourist industry (both international and domestic) is also a major contributor to the New Zealand economy. In the year ended March 2005 just over 2.3 million international travellers visited New Zealand contributing 9.0% (\$12.3 billion) of total GDP (Key Tourism Statistics, 2006). International travellers' also generated 18.7% of total export earnings; spending \$8.1 billion and \$1.3 billion government income in the form of GST (Key Tourism Statistics; www.tourismresearch.govt.nz). Domestic traveller figures indicate there were 14.4 million overnight trips in the year ended March 2006 with these travellers spending \$9.4 billion (Key Tourism Statistics; www.trcnz.govt.nz/topics).

The industry is made up of 10 major public-listed companies and between 13,500 and 18,000 small to medium enterprises (www.tourism.govt.nz). In terms of employment, an estimated 102,700 full-time equivalent employees (5.9% of total employment in New Zealand) are directly engaged in producing goods and services purchased by travellers and tourists in 2004 (www.stats.govt.nz; www.trcnz.govt.nz/topics). The accommodation sector is part of this industry and accounts for 10% of total traveller and tourist expenditure (Tourism Satellite Account), amounting to \$1.7 billion in 2004.

The New Zealand travel and tourist industry, particularly the accommodation sector, is characterised by high levels of competition with average occupancy rates of hotel and motels reported as just over 50% (Key Tourism Statistics, 2006; www.trcnz.govt.nz). Barriers to entry in the sector are also relatively low and this could account for the growth in the sector of 26% between 1997 and 2005 (www.trcnz.govt.nz/surveys). An increasing diversity of accommodation establishments are being built in New Zealand (e.g. lodges, apartments, backpackers) and these offer a range of different services and experiences to guests. If the more traditional accommodation establishments, such as hotels and motels, are to compete in this changing sector they will need to focus on encouraging guests to return. This will lead to higher occupancy rates and, in turn, increased profits.

1.1.3 Identifying the Gaps

While there has been a steady increase in the numbers of travellers and tourists in New Zealand and this trend is forecast to continue, there have also been increases in the number of accommodation establishments available. It is evident from the statistics collected that many accommodation establishments are operating at less than 50% occupancy particularly outside the summer period. This leads to the proposition that implementing guest retention strategies could help to increase occupancy during the off-peak times and increase profitability. The context for this study is the travel and tourist industry in New Zealand, specifically the accommodation sector. No studies were identified which focused on the

management of guest retention in New Zealand accommodation establishments.

Since Heskett et al. published their study explaining and examining the Service Profit Chain in 1994 there have been numerous contributions to the individual concepts and links within the chain. Many theorists have examined these concepts and links and empirical studies have been conducted. For example; Schlesinger and Hallowell, 1993 – internal service quality; Donovan, Brown and Mowen, 2004; Heskett et al., 1994; Koys, 2001 – employee satisfaction, retention and productivity; Schlesinger and Heskett, 1992 – link between employees and customer satisfaction; Gundersen, Heide and Olsson, 1996; Jones and Sasser, 1990; Lau, 2000; Reichheld, 2003 – customer satisfaction; Bolton, 1998; Colgate and Stewart, 1998; Parasuraman, Zeithaml and Berry, 1985; Farrell, Souchon and Durden, 2001 – service quality; Anderson and Fornell, 1994; Dabholkar, Shepherd and Thorpe, 2000; Johnston, 1994; Rust and Oliver, 1994 – links between service quality and customer satisfaction; Bolton, 1998; Oliver, 1999; Yu and Dean, 2001 – link between customer satisfaction and loyalty; Curasi and Kennedy, 2002; Gremler and Brown, 1999; Jones and Sasser, 1995; Wetzels and Bloemer, 1998, Yu and Dean, 2001 – customer loyalty; Ennew and Binks, 1996; Ranaweera and Prabhu, 2003; Reichheld, 2003; Zemke, 2000 – customer retention; Anderson and Mittal, 2000; Dick and Basu, 1994; Jones and Sasser, 1995 – link between customer loyalty and retention; Ahmad and Buttle, 2001; Reichheld and Kenny, 1990; Reichheld and Sasser, 1990; Zemke, 2000 – leading to revenue growth and profitability.

One concept in the SPC not comprehensively discussed in the literature was customer retention and Zemke summed up this gap when he stated that: “customer retention is crucial to the success of every business, yet retention is often addressed only in passing, if at all” (2000, p. 33). Further examination of the field revealed a dearth of literature relating specifically to customer retention and the strategies managers have in place to manage retention.

1.1.4 Research Question and Objectives

The research question which frames this study was developed based on the gap identified by Zemke and the scarcity of theoretical and empirical studies about customer retention in the service management literature. The New Zealand accommodation sector was chosen as the empirical context for this study because no retention studies were identified in this sector and because of the a priori knowledge and experience of the researcher. It is intended that the findings from this study will add to the theory surrounding customer retention generally and provide evidence of how guest retention is managed within New Zealand accommodation establishments specifically. The research question developed for this study is:

What strategies are used in New Zealand accommodation establishments to manage guest retention?

In order to answer this research question two objectives were advanced.

1. To learn what owners and managers of New Zealand accommodation establishments understand about guest retention.
2. To investigate what guest retention strategies are used in three New Zealand accommodation establishments.

1.2 The Research Process

Once the research question was clear a plan needed to be developed to guide the research process. In conjunction with identifying the gaps in the literature and developing the research question and objectives, various epistemologies, philosophies and research approaches were being explored to ascertain the best approach for this study. Epistemology is defined as "... the science of knowing" (Babbie, 2001, p. 8) and it deals with knowledge and "how we know what we know" (Crotty, 1998, p. 8).

According to Crotty (1998) there are three main epistemological stances:

- Objectivism is the belief that things exist outside our consciousness, that objects themselves have truth and meaning embedded in them. The researcher and the phenomenon being studied are viewed as being independent and observations are value free.
- Constructionism is the belief that knowledge and reality are constructed based on the interaction between humans and the world. As researchers we construct truth and meaning from our interaction with the phenomenon being studied and, therefore, our observations are value laden.
- Subjectivism is the belief that truth and meaning do not come from the interaction between subject and object: researchers impose meaning on the object "... the object as such makes no contribution to the generation of meaning" (Crotty, p. 9).

Positivism, which sits within an objective epistemology, was founded by August Comte in the 19th Century and the basic tenets of this philosophy are that all knowledge is based on observable facts (Neumann, 2000; Tashakkori & Teddlie, 1998), "... on principles of verification, objectivity, and reproducibility..." (Avis, 2003, p. 995). Inquiry is, therefore, confined to what can be observed and measured, and what cannot be observed or measured is considered to be impossible (at that time). However, if the "... ontological assumption that the world is a concrete structure..." is challenged and we admit that "... human beings ... may actively contribute to its creation ..." (Morgan & Smircich, 1980, p. 498) philosophies like positivism become increasingly questionable.

1.2.1 Undertaking This Study

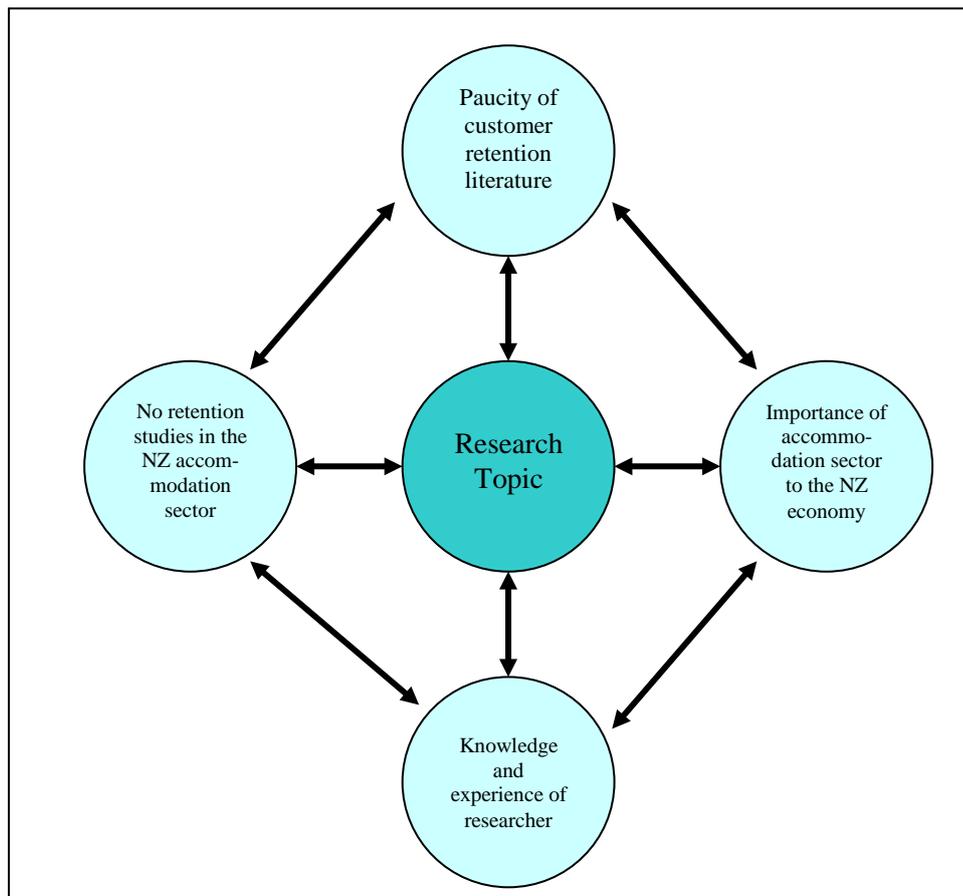
While still strong in some disciplines, the basic tenets of positivism were challenged after World War II (e.g., Howe, 1988 in Tashakkori and Teddlie,

1998; Phillips, 1990 in Tashakkori and Teddlie; Reichardt and Rallis, 1994) and the rise of the social and behavioural sciences during the mid 20th Century gave rise to post-positivism (Tashakkori & Teddlie). Works by post-positivist researchers like Hanson and Popper appeared in the late 1950s and they “quickly gained credibility throughout the social scientific community” (Tashakkori & Teddlie, p. 8).

Although predominantly objectivist, post-positivist researchers reject the idea that inquiry is value free, that the researcher is totally objective, and that the knower and known are independent. According to Tashakkori and Teddlie (1998), post-positivist researchers construct their view of the world based on individual perceptions and understandings; they believe that all observations are theory-laden; and that everyone is inherently biased by their cultural experiences and world views (Trochim, 2004).

The epistemology underpinning this study is objectivism and the philosophy is positivist, although the researcher acknowledges that understandings of reality are constructed based on what we see and know, that there is an interaction between the person undertaking the research and what is being researched, and that the findings will be influenced by the values, knowledge and past experiences of the researcher. It is, therefore, important to consider and acknowledge the person undertaking the research and the role they play in the research process. In this study the choice of research topic was influenced by four main factors. First, the paucity of literature about customer retention and second the lack of any empirical studies about guest retention in the New Zealand accommodation sector. Third is the importance of the accommodation sector to the New Zealand economy. The final factor is three-fold and includes the a priori knowledge and experience of the researcher. This includes previous employment as a hotel manager, actual experience as a customer, and current employment as a university lecturer in services management and tourism, see Figure 1.2.

Figure 1.2: Impacts on research topic choice



1.2.2 Methodology and Methods

Methodology is the strategy underpinning the use of particular methods for gathering and analysing data and it outlines the way that the research should proceed (Belsky, 2004; Crotty, 1998). It is concerned with “... the reciprocal relationship between data and theory” (Burawoy, 1991, p. 271 cited in Belsky, p. 274) and according to Crotty (1998) “...every piece of research is unique and calls for a unique methodology...” (pp 13-14).

The philosophical stance that underpins this study is a positivist perspective although the researcher believes that our understandings of reality are constructed; therefore, perfect understanding is not possible. According to Tashakkori & Teddlie (1998) all research reflects the philosophical stance of the researcher and there are no longer preconceived ideas in the social sciences about which stance is more appropriate and “... many active

theorists and researchers have adopted the tenets of paradigm relativism, or the use of whatever philosophical and/or methodological approach works for the particular research ...” (p. 5).

In order to better understand reality Bourgeois (1979) proposed that organisational researchers focus on “... the formation of *theories of the middle range* ...” which according to Merton (1968) are those “... that lie between the minor but necessary working hypotheses that evolve ... in... day-to-day research and the all-inclusive systematic efforts to develop a unified theory” (p. 39, cited in Bourgeois, p. 443). Bourgeois stated that researchers who do not use middle-range theorising face two main problems with their research. First, “...theories cast at too high a level of abstraction...” (p. 443) can be so far removed from reality they run the risk of rendering “...empirical studies noncomparable, or failing to generate empirical studies altogether” (p. 443). Second, empirical studies undertaken without middle-range theorising can result in “... mere description, [studies] that count things for the sake of counting...” (p. 443). Bourgeois further commented that most researchers use empirical studies to “... extend or verify extant theory ...” however, few “... undertake an exercise in theory construction” (p. 443).

Many researchers develop constructs of reality based on a priori assumptions, extant literature and empirical studies and gather data using multiple measures and observations to answer research questions (Trochim, 2004). According to Denzin & Lincoln (2003) these researchers rely “... on multiple methods as a way of capturing as much of reality as possible” (p. 14). A point corroborated by Flick (1998) who stated that the use of various methods “... in a single study is best understood, then, as a strategy that adds rigor, breadth, complexity, richness, and depth to any inquiry” (p. 231, cited in Denzin & Lincoln, 2000, p. 5). This approach is further supported by Babbie (2001) who commented that “... researchers are on the safest ground when they can employ several research methods in studying a given topic” (p. 269).

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.

- Developing the research question
- Partitioning the topic under investigation
- Review of the theoretical and empirical literature
- Extension of theory—deduction into propositions
- Construction of theory—induction from empirical base
- Metaphysical elaboration
- Conclusion

The research process included both theory testing (using a deductive method) and theory construction (using an inductive method) which nullifies the two main research problems raised previously by Bourgeois (1979). Deduction begins with general knowledge gathered from the literature review “... and predicts a specific observation” (p. 446) which is often framed in the form of a null hypothesis or a research statement. Induction, on the other hand, is the process of understanding and creating general conclusions from observations or facts which are often discovered from case studies.

The use of both quantitative and qualitative methods in this study necessitates a brief discussion before the actual research process is discussed. Since the 1980s the debate surrounding the use of a nomothetic¹ or idiographic² methodology (Larsson, 1993) has, to some extent, been silenced as researchers have increasingly adopted *both* quantitative and qualitative methods in the same study. This approach is typified by Guba (1987) who stated that “one can use both quantitative and qualitative techniques in combination ...” (1987, p 31, cited in Merriam, 1988, p 2). In later research Guba & Lincoln (2004) asserted that both methods may be used appropriately with any theoretical perspective. The use of both

¹ Emphasising quantitative analysis of a few variables across large samples (Larsson, 1993)

² Focus on qualitative, multiaspect, in-depth study of one or more cases (Larsson, 1993)

quantitative and qualitative methods in the same study has also been called “...triangulation, micro-macro link or mixed-methods approach” (Erzberger & Prein, 1997, p. 142).

Quantitative methods refer to those which are often closely associated with positivist research and often researchers

... have sought to abstract the phenomenon that is being studied from the rest of the social world and to fix meaning within what might be described as a contextual vacuum (Goodson & Phillimore, 2004, p. 31).

In a more general definition Leedy & Ormrod (2001) stated that quantitative methods are “... used to answer questions about relationships among measured variables with the purpose of explaining, predicting, and controlling phenomena...” (p. 101).

On the other hand qualitative methods are “... used to answer questions about the complex nature of phenomena, often with the purpose of describing and understanding the phenomena from the participants’ point of view...” (Leedy & Ormrod, 2001, p. 101). Cresswell defines qualitative research as:

... an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyses works, reports detailed views of informants, and conducts the study in a natural setting (1998, p. 15).

This study uses both quantitative and qualitative methods serially. First, in conjunction with a deductive method used to test theory and second, with an inductive method employed to further explain the initial findings and lead to the development of new knowledge.

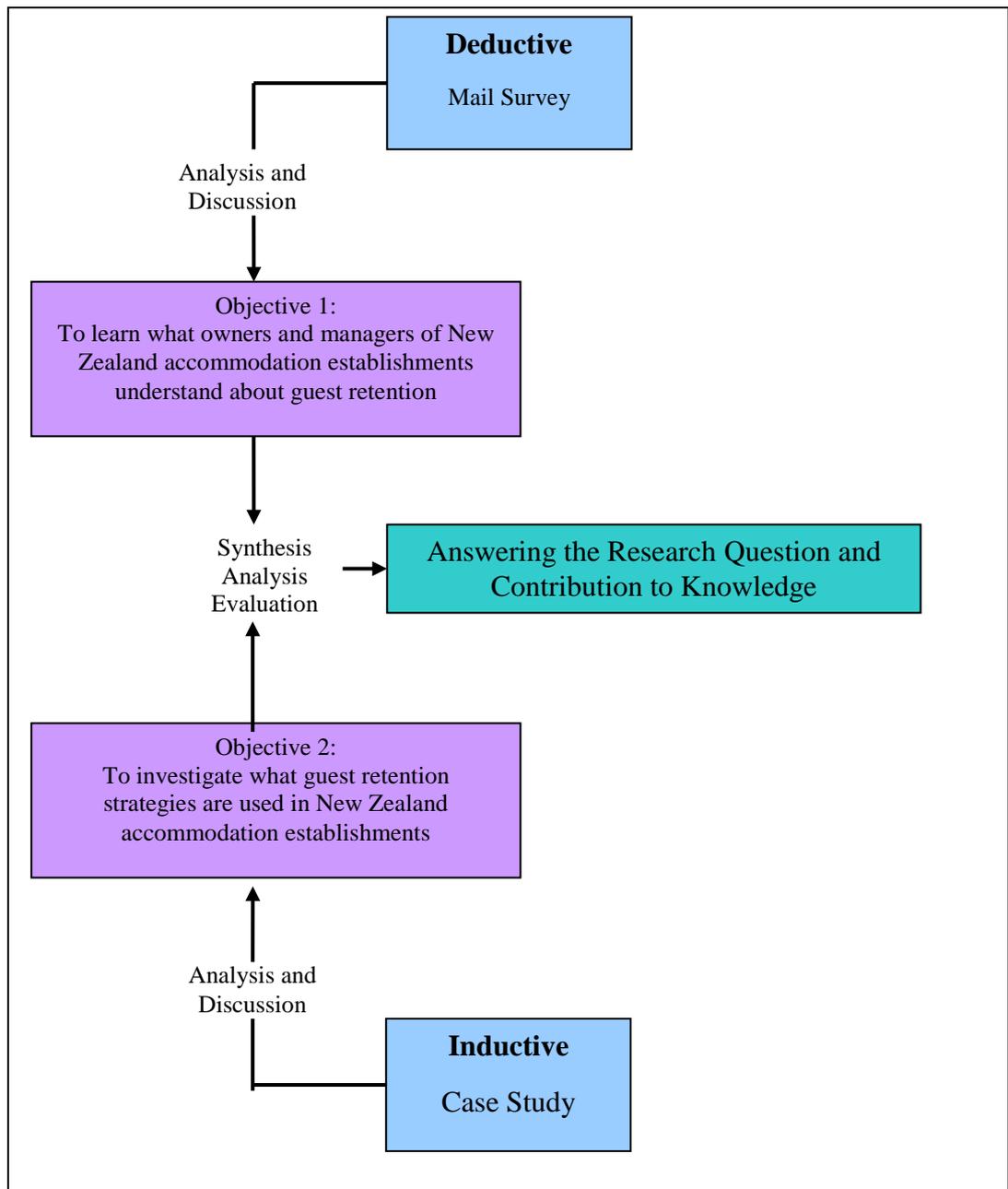
1.3 The Actual Research

This study is based on an integrated approach to management which presupposes that elements in the service system need to be coordinated and integrated to: guarantee employee satisfaction and retention; ensure service excellence for external customers; encourage customer retention; and lead to enhanced organisational effectiveness (Dean, 2004; Duboff & Heaton, 1999; Grönroos, 1994; Heskett et al., 1994; Koys, 2001; Schlesinger & Hallowell, 1993; Schneider, 1994; Zemke, 1993). The New Zealand accommodation sector provides the empirical context in which this integrated approach is studied with a particular focus on guest retention strategies.

This study implemented a sequential mixed-method design involving two phases which allowed results, although distinct, to be linked back to the objectives of the study and ultimately to the research question. Management researchers and theorists support the use of different methods in a single study and according to Easterby-Smith, Thorpe and Lowe (1991, p. 22) many “researchers adopt a pragmatic view by deliberately combining research methods from both the positivist and the phenomenological perspective”, and they further argue that a range of methods provides more perspectives on the phenomenon or phenomena being studied.

Two methods of data collection were used each relating directly to one of the two research objectives (see Figure 1.3).

Figure 1.3: The relationship between methods, study objectives and the research question



First, six research statements were developed from the reviewed literature and used as the basis for a survey instrument mailed to owners and managers of New Zealand accommodation establishments. The data was analysed and findings reported using both quantitative and qualitative analysis and discussion. These findings answered the first research objective and provided a broad understanding of what is currently

happening in relation to guest retention in New Zealand accommodation establishments.

Second, a case study including three accommodation establishments was undertaken and data were collected in each establishment through management interviews and employee surveys. Findings were analysed and reported using qualitative discussion. The focus of the discussion was how guest retention is managed within specific New Zealand accommodation establishments. The case study findings allowed for further elaboration of the survey data and answered the second research objective.

The cumulative results from these two phases of data collection are subsequently used to answer the research question which frames this study. The findings added to the body of knowledge surrounding customer retention generally and guest retention in New Zealand accommodation establishments in particular.

1.3.1 Clarifying Terminology

The terms discussed and clarified in this section are based on a review of the relevant literature some of which is included in Chapter Three. The definitions provided will enable the reader to understand the terms as they have been used in this study.

Service Management

The integrated approach to service management (Fisk, Brown & Bitner, 1993) has meant that it is difficult to develop a definition which is universally accepted and "...most authors seem to avoid in-depth discussion of the definition issue" (Grönroos, 1994, p. 6). While there is a plethora of definitions relating to service quality, service marketing and service operations there are very few service management definitions. Indeed, despite extensive mining of the literature there were no definitions located after 1992.

In an early discussion about service management Schneider and Rentsch (1987) argued that "... firms that apply service management principles consider service as *the* organizational imperative" (cited in Grönroos, 1992, p. 10). Later, Albrect developed a definition of service management which included the external customer, stating that service management is:

... a total organizational approach that makes quality of service, as perceived by the customer, the number one driving force for the operations of the business (1988, p. 20).

In a further refinement Grönroos (1990) proposed a more comprehensive definition of service management based on four shifts in management focus:

A service management perspective changes the general focus of management in service firms as well as manufacturing firms from a product-based utility to total utility in the customer relationship (cited in Johnston, 1994, p. 57).

The above quotations demonstrate the differences in definitional emphasis between Schneider and Rentsch (1987) and the two subsequent definitions. Whilst Schneider and Rentsch, and later Albrect, all expound the adoption of a service management perspective that encompasses the entire organisation Albrect's definition also espouses the importance of customer perceptions of quality. Grönroos (1990), in turn, elaborates by mentioning a change from product-based utility to total utility.

Gummesson (1994) adds to the discussion stating that the typical features of a service perspective "... are an interest in the customer and the customer's interaction with the provider's personnel in delivering the service and creating value" (p. 78). This characterisation of service management makes explicit the interaction between external and internal customers, an interaction alluded to only tacitly by Albrect and Grönroos, and apparently disregarded by Schneider and Rentsch. For example, Albrect writes about a 'total organisational approach' while Grönroos more obliquely refers to relationships without mentioning the internal/external customer relationship.

Against this background of an evolving understanding of what service management means, and accepting that such concepts are contested, the following definition has been developed and adopted in this study:

Service management is a holistic management approach that has two main foci: encouraging integrated relationships between operational units within the organisation; and building long-term relationships with both employees and customers.

Customers or Guests

The idea that definitions change with the development of a field of study is also evident in the variety of terms presented in the service management literature that relate to a person who buys goods or services. Such terms include; customer, user, client, consumer, patron, buyer, purchaser or end user. Similarly, a person who pays for meals, accommodation or other services at a restaurant or hotel is called a guest (www.dictionary.com). As this research is concerned with the accommodation sector, the terms 'customer' and 'guest' will be used interchangeably in this study. However, 'customer' is the term most often used in the literature review because it reflects the terminology used by those researchers. Later chapters, once the focus shifts from the broad generic of service management to the specific context of accommodation, more frequently feature the term 'guest'.

Accommodation Establishments

The population in this study includes all accommodation establishments that provide overnight accommodation, meals, and have a licence to sell alcohol to guests. There were five property types in the study population (hotels, luxury lodges, motor lodges, motor inns, motels). Thus the term 'accommodation establishment' has been used throughout the thesis to encompass the complete variety of different properties.

1.4 Thesis Structure

While the thesis structure presented here assumes a linear progression this has been developed to allow the literature review, methods and findings to be presented and discussed in a way that is logical and accessible to the reader. However, the actual research was undertaken in a more iterative fashion with significant overlap occurring between the different phases of the study.

Chapter Two: The New Zealand Accommodation Sector

Chapter Two outlines the empirical context for this study providing an overview of the development and growth of the travel and tourist industry and the accommodation sector both globally and in New Zealand. The chapter discusses the importance of the travel and tourism industry and the accommodation sector to the New Zealand economy. Finally, future growth and trends in the accommodation sector are discussed.

Chapter Three: Reviewing Some Service Management Literature

Chapter Three presents a comprehensive review of some service management literature. Specifically it reviews and discusses the extensive body of knowledge relating to service management, service relationships, and customer retention. The literature is reviewed and presented in three main sections: first, the evolution of service management, second the Service Profit Chain (SPC), and finally an examination of customer retention literature.

Chapter Four: Designing the Survey

The research methods used in the deductive phase of this study are outlined and discussed in Chapter Four. Initial discussion centres on identifying the population, undertaking a census and using a mail survey to collect the data.

The chapter explains how the survey instrument was constructed and tested, followed by a comprehensive discussion of reliability and validity and their impact on this study. Themes such as maximising response rates, the use of an incentive, and ethical considerations are also examined. The final section provides a brief overview of how the findings from the survey were edited and coded.

Chapter Five: Survey Findings

There are two sections in Chapter Five. First, the survey response rates are presented and discussed in relation to other comparable studies. Second, the survey findings are presented in the same order as the questionnaire.

Chapter Six: Survey Analysis and Discussion

In Chapter Six the 18 Likert Scale items developed to answer the six research statements are analysed using chi square analysis and results are presented. Findings from other Likert Scale items and the nine classification questions are also examined. The chapter then considers how survey respondents allocated points between four strategies and responses to the open-ended question are discussed. Finally, this chapter draws on the findings from the six research statements to directly address the first research objective.

Chapter Seven: Designing the Case Study

Chapter Seven presents an overview of the research methods used in the inductive phase of the study. It begins by outlining the case study research design. This is followed by a discussion of validity, reliability and objectivity as they relate to case studies. The use of triangulation to gain a more comprehensive understanding of key issues associated with each accommodation establishment is then discussed. Next, the chapter considers criteria used to select the three accommodation establishments. This is followed by a description of the data collection tools used within

each establishment – owner/manager interviews, and employee surveys. Finally, the methods used to analyse the case study findings are discussed.

Chapter Eight: Case Study Findings and Discussion

Chapter Eight examines the findings from each of the three participant accommodation establishments. The chapter opens with a brief overview of each establishment. Then a discussion of the findings from the management interviews and employee surveys is presented. Findings are then summarised and the second research objective is addressed.

Chapter Nine: Weaving the Threads Together

Chapter Nine answers the research question which frames this study. Four strategies ranked by survey respondents are discussed and compared with the case study findings and related to literature. The contribution that this study makes to knowledge is then discussed.

Chapter Ten: Final Comments

The limitations of this study and areas of further research are discussed in this chapter. Finally, an overview of the thesis using the seven steps proposed by Bourgeois (1979) is presented.

Chapter 2

The New Zealand Accommodation Sector

2.1 Introduction

The travel and tourist industry contributes an estimated \$17.5 billion annually to the New Zealand economy. The accommodation sector accounts for 10% of traveller and tourist expenditure, approximately \$1.75 billion annually (Key Tourism Statistics, 2006; www.trcnz.govt.nz/topics). The New Zealand accommodation sector forms the empirical context for this study, specifically establishments that provide a 'full service' of accommodation, dining facilities and have a licence to sell liquor for consumption on the premises.

This chapter begins with definitions of terms used in this study, followed by an explanation of how the accommodation sector fits within the travel and tourist industry. An overview of the historical development of both the travel and tourist industry and the accommodation sector follows.

In the main section of this chapter the growth and development of the New Zealand accommodation sector is outlined. The importance of the travel and tourist industry and the accommodation sector to the New Zealand economy is then discussed. This is followed by an overview of the specific impacts on the accommodation sector and forecasts about international and domestic travel and tourist numbers are presented. This chapter concludes with a short discussion about the importance of guest retention to the New Zealand accommodation sector.

2.2 Setting the Scene

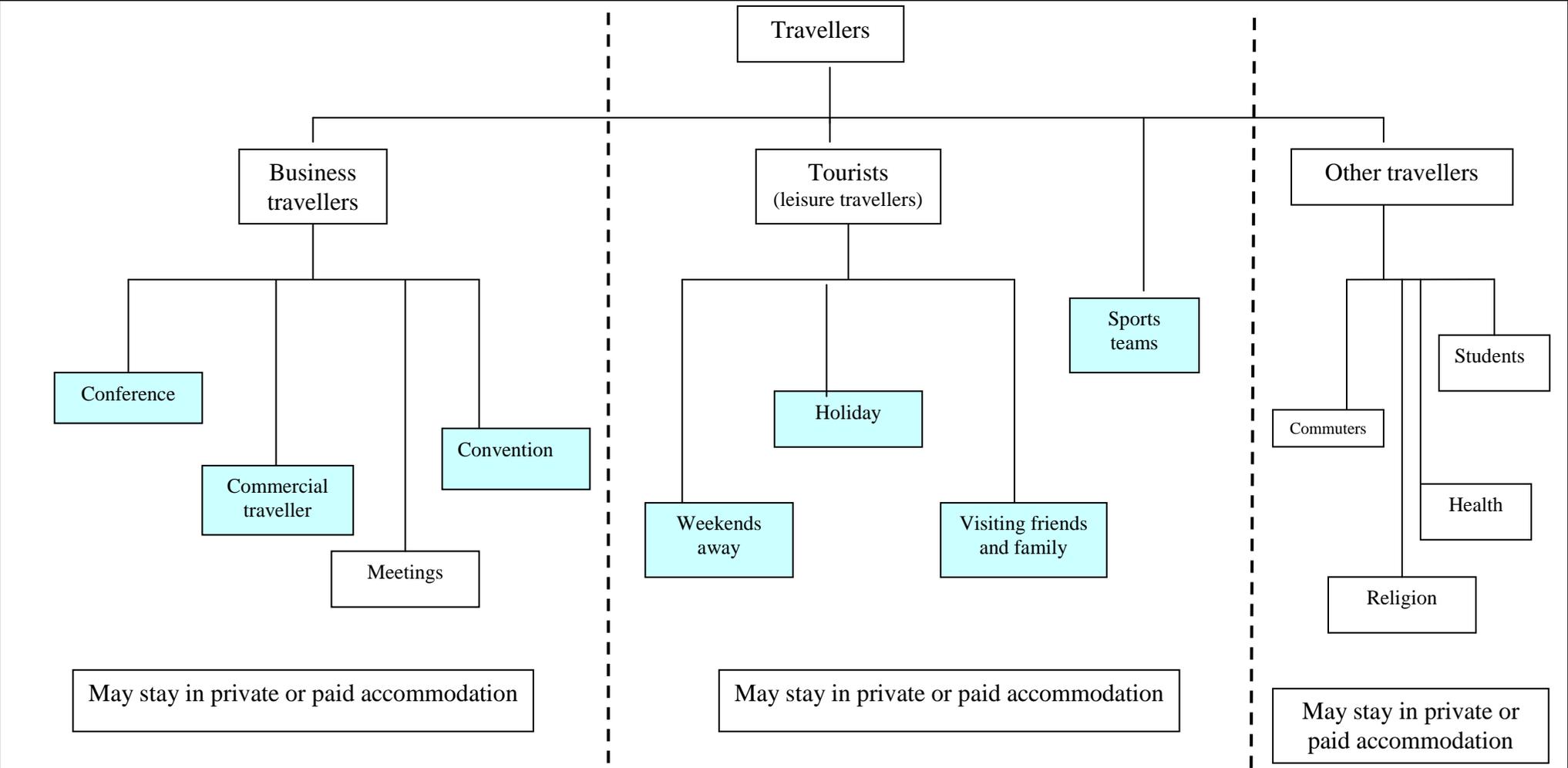
2.2.1 Defining Terms

The terms ‘traveller’, ‘tourist’, ‘travel and tourist industry’, and ‘accommodation’ are defined in this section as they are all terms integral to this study and open to various interpretations. ‘*Traveller*’ is the broad term used to describe any person who travels whether it is for business reasons (i.e., conferences, meetings); pleasure (i.e., holiday, recreation); or other reasons (i.e., sport, health) (Collier, 1997; www.reference.com/browse). There are two types of traveller: international, who travel outside their own country, and domestic, who travel within their own country. However, not all travellers stay in accommodation establishments as many stay in private homes with friends and family. The range of and classification of different types of traveller is presented in Figure 2.1.

One specific type of traveller is a ‘tourist’. Tourism researchers agree that people who travel away from their usual environment or home region for leisure purposes and stay more than 24 hours but less than 12 months are ‘*tourists*’ (Collier & Harraway, 2003; Hall & Kearsley, 2001; Jafari, 2000; Leiper, 1995; Mason, 2003; Medlik, 2003; Page, 2003). Again many tourists stay in private homes rather than accommodation establishments.

The term ‘*travel and tourist industry*’ refers to the firms and establishments providing products and services to meet the needs of travellers and tourists. Sectors within this industry include: accommodation, transportation, travel agencies, catering, tour operators, attractions, entertainment and recreation, shopping, and other merchandisers (Collier, 1997; Weaver & Lawton, 2002).

Figure 2.1: Types of travellers and tourists



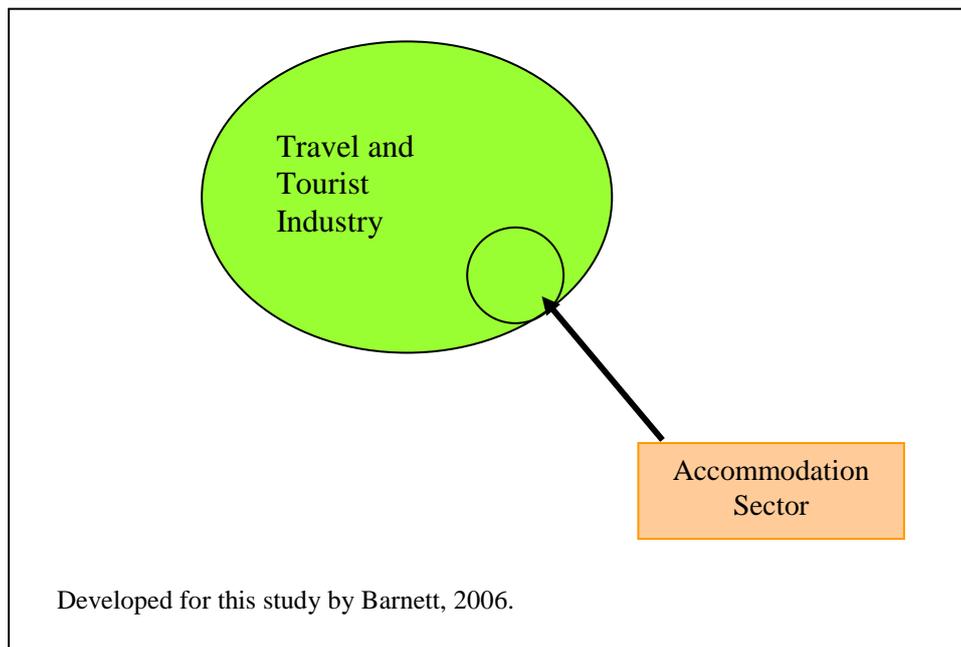
Adapted from: Hall & Kearsley, 2001; Holloway, 1998; Weaver & Lawton, 2006

According to Jafari (2000) ‘*accommodation*’ is a generic term used to describe the provision of bedrooms and facilities to paying guests within the travel and tourist industry. Medlik (2003) concurred stating that “accommodation may be regarded as any facility that regularly provides overnight accommodation” (p. 165).

2.2.2 The Relationship between the Travel and Tourist Industry and the Accommodation Sector

A variety of people stay in accommodation establishments, including both travellers and tourists, therefore, the overarching context for this study is the travel and tourist industry, but more specifically the accommodation sector – see Figure 2.2.

Figure 2.2: Relationship between the travel and tourist industry and the accommodation sector



Much of the following discussion centres on the growth and development of the travel and tourist industry as a whole, because little is reported about the accommodation sector per se. However, where possible the importance and growth of the accommodation sector has been included.

2.2.3 Historical Development

The earliest forms of travel can be traced back to the Babylonian and Egyptian empires when people travelled for religious reasons, trade, or war (Foster, 1997; Holloway, 1998) and the first travel for leisure purposes was recorded in Egypt in BC1244 (Casson, 1974 in Weaver & Lawton, 2006). Travel for cultural and sporting reasons was first recorded in ancient Greece with people travelling to the Olympic Games. During BC200 to AD200, at the height of the Roman Empire, travel was relatively safe and “travellers had a large selection of destination choices, given the size of the Empire” (Weaver & Lawton, 2006, p. 58). The needs of travellers spurred the beginning of the travel and tourist industry, including: primitive accommodation, food and drink vendors, guides, and hawkers of souvenirs. However, the accommodation facilities offered to travellers were very basic being little more than “communal rooms where sanitation or privacy were nonexistent” (Foster, p. 5).

Travel was almost non-existent during the Dark Ages (AD500 – AD1100) once the Roman Empire declined and it was the Christian pilgrimages and the Crusades during the Middle Ages (AD1100 – AD1500) which contributed to the increasing number of travellers (Weaver & Lawton, 2006). However, it was the ‘Grand Tour’³ (mid-1700s – late 1800s) which was the beginning of the modern travel and tourist industry.

Numbers travelling continued to increase but it was not until the 18th century following advances in transport infrastructure and modes of transport that people began to travel solely for leisure and holiday reasons (Walker, 1996). To accommodate these wealthy travellers, luxurious structures were built. These now had private rooms, individual sanitation, and provided lodgings as well as meals and liquor. “These elegant new

³ “A form of early modern tourism that involved a lengthy trip to the major cities of France and Italy by young adults of the leisure class, for purposes of education and culture” (Weaver & Lawton, 2006, p. 85).

establishments adopted the French word for mansion, *hôtel*” (Foster, 1997, p. 5).

The development of the travel and tourist industry has closely followed advances in transport infrastructure. For example, the development of the sprung coach meant that travel was more comfortable on the poorly surfaced, rutted roads of the time. Other major impacts on the growth of the travel and tourist industry tourism included the advent of the railway and shipping. Although railways initially served the needs of commerce new routes were established enabling people to travel for leisure and holiday purposes. The first ferries to operate in the English Channel began in the mid 18th century and by the mid 19th century regular long-distance passenger steamships were operating from Britain to the Far East and the American continent (Holloway, 1998). The cruise liner market developed as a niche product for high-end travellers who wished to make a trans-Atlantic crossing. This market has developed further with a robust cruise market for much shorter trips which now operate in the Caribbean, the Mediterranean, the Pacific, and the Arctic (Weaver & Lawton, 2006). The travel and tourist industry continued to grow in the 20th century as roads improved and private cars became the norm.

One of the major impacts on the travel and tourist industry was the development of the jet engine, which has allowed larger numbers of people to travel more quickly and to access more remote destinations. Other factors which have impacted on the increase in travel and demand for accommodation include: increased leisure time in developed countries; higher disposable incomes; smaller families holidaying together; increasing urbanization (leading to people travelling to experience nature); and the transition from an industrial to an information society (Johnson, in Pizam, 2004).

The symbiotic relationship between travel and accommodation is reflected in their concurrent development over the last century (Johnson, in Pizam, 2004). Increasing numbers of travellers and tourists demand a greater range

of accommodation, and to meet this need the sector has become much more varied. Most popular destinations now boast a range of accommodation establishments including luxury hotels, resort hotels, conference hotels, airport hotels, motels, motor inns, sporting lodges, luxury lodges, guest houses, serviced apartments, bed and breakfast, farm stays, youth hostels, motor camps, cabins, and huts (Collier & Harraway, 2003).

2.3 The Accommodation Sector in New Zealand

The development and growth of the accommodation sector comes as a result of a healthy, growing travel and tourist industry. This section looks more closely at the development and growth of the accommodation sector in New Zealand.

2.3.1 Development of the Sector

Literature on travel in New Zealand begins with the arrival of Europeans on these shores; however, Māori⁴ also travelled for health, leisure or trading purposes. There are no written accounts of this type of pre-European travel although many Māori families can relate stories of their tūpuna⁵ travelling to weddings and other family gatherings or travelling to trade with other whanau⁶, hapū⁷ and iwi⁸. Māori did not pay (as we understand payment today) for their accommodation and meals while they were travelling; however, they were expected to reciprocate with similar offerings of hospitality to other travellers (Ballara, 1998; Te Rangihiroa, 1949).

Initially travel around New Zealand was difficult and the amount and type of accommodation was limited, but as more European settlers arrived during the mid to late 19th century the number of travellers grew (i.e. coach crews,

⁴ Indigenous people of New Zealand

⁵ Ancestors

⁶ Family

⁷ Sub-tribe – usually extended family

⁸ Tribe

drovers, linesmen, road builders, commercial travellers, politicians, visiting doctors and coroners) and the demand for accommodation increased. The number of people travelling for leisure and holiday purposes (tourists) was also increasing, and by the beginning of the 20th century “the thermal regions of Rotorua, the Queenstown area [south west of Christchurch] and the Otago lakes region [southern South Island], were well established as the main resort areas” (Lloyd, 1964, p. 13) along with areas like Russell (near Whangarei), and the Waitomo caves (near Hamilton). See Map 2.1.

In many of the new resort areas the public house, ‘pub’, was often the first building to be erected and as the number of travellers increased they became much more than just public houses. They provided the first rudimentary European type of accommodation: having “stables for travellers’ horses, and often their locations marked the day’s travel from other hotels” (Somerville, 2000, p. 7). The 1900 Official NZ Yearbook provided travel anecdotes such as: “the hotels (in Tokaanu) are cleanly kept and can supply good meals, beds, horse-feeds and paddocking” (p. 517); and “the accommodation at the [Rotorua] hotels and boarding houses is excellent” (p. 495).

The Department of Tourism and Health Resorts was set up in 1901 (Tourism New Zealand, 2001), and one of its roles was to address the growing demand for adequate accommodation at resort areas. This new department was charged with running the growing chain of government-owned hotels and by the 1920s they operated hotels in Waitomo, Tongariro National Park, Milford, Te Anau, and Mt Cook National Park (McClure, 2004: Tourism New Zealand, 2001).

Map 2.1: New Zealand



Source: www.arizonaroads.com/nz/NewZealand-map

Data on the development and number of New Zealand accommodation establishments in the first half of the 20th century is imprecise. However, there are records in the Official Yearbooks of the number of ‘publicans and accommodation licences’ issued by the Government during this time. Table 2.1 shows the number of licences issued as reported in Yearbooks, reviewed at 10-yearly intervals.

Table 2.1: Number of publicans and accommodation licences issued 1919-1959

Date	No. of Licences Issued	Reference
1919	1156	NZ Official Yearbook, 1920
1928	1120	NZ Official Yearbook, 1930
1939	1224	NZ Official Yearbook, 1940
1949	1098	NZ Official Yearbook, 1950
1959	1115	NZ Official Yearbook, 1960

Many of these establishments focused on the sale of liquor. Improvements to accommodation were seldom worth making because of government regulated price controls on accommodation tariffs. The main source of profit became the sale of liquor and many establishments “relied on their bar trade to subsidise losses on accommodation” (McClure, 2004, p. 177).

According to McClure (2004, p. 162) “hoteliers in remote locations became desperate” as international traveller numbers fell after WWII was declared. The numbers of domestic travellers also fell as petrol was rationed and long distance travel was no longer practicable. The number of ‘publicans and accommodation licences’ issued between 1939 and 1949 declined (see Table 2.1) and the hotels that were operating had little money to spend on refurbishment and renovations.

Throughout the decade following WWII “... the tourist industry [in New Zealand] would struggle to solve its desperate accommodation problems and to lift the standard of hotel service to match that of the rest of the world ...” (McClure, 2004, p. 173). Hotels, although clean, were simple places which did not have the amenities international travellers, by then, took for granted (i.e., central heating, insect screens). In country hotels guests were expected to share rooms with strangers and many had primitive toilet and bathroom

facilities (McClure). The low quality of available accommodation, according to McClure was exacerbated when Lion Breweries and Dominion Breweries, along with some smaller regional breweries, (i.e., Leopard in Hawkes Bay) began to purchase and build accommodation establishments. “Hotels were becoming beer houses where the greatest qualification for a hotel manager ... was the ability to make a high profit in the bar trade” (McClure, p. 177).

Travellers in New Zealand were beset by regulations in the 1950s. “They were unable to eat what they wanted, drink in restaurants (or anywhere after six in the evening, except in their own hotel), or dance and drink on the same premises” (McClure, 2004, p. 199). In addition, there were still government restrictions in force (price controls on tariffs and taxes on hotel construction) which severely constrained growth and improvement in the accommodation sector. These restrictions needed to be removed “so that liquor was not the only source of profit” (McClure, p. 199). Only then would operators see the benefits of improving their accommodation facilities.

According to Lloyd, the hotel sector changed dramatically from 1956 when building controls “which had in the past delayed and discouraged some hotel projects were lifted and decontrol of tariffs for the higher grade hotels was begun” (1964, p. 20). These changes led to a 50% increase in hotel beds (establishments 4 Star and above) from 4508 in 1956 to 6765 by the end of 1958. “Yet, it was still considered at this time that an extra 1180 beds were required merely to remedy the existing shortages” (Lloyd, p. 21). However, efforts by the Licensing Control Commission to encourage the breweries and other hotel companies to build new hotels were not successful and one reason “was that profits from bar trade were great, whereas, the provision of accommodation was made usually at a financial loss or a small profit” (Lloyd, p. 21).

Helping to offset this shortage in accommodation was the introduction of motels, with the first one appearing in the Auckland region around 1950.

Since the mid-1950s the numbers of motels grew “so rapidly that by mid-1962 there were 166 motels, of which 96 were in the North Island” (Lloyd, 1964, p. 33). This increase added to the number of accommodation establishments available. Many motels were located at tourist resorts like Rotorua, Taupo, and Nelson, because, “unlike licensed hotels, they had to rely entirely for their revenue on the provision of comfortable accommodation in the locations where people demand it” (Lloyd, p. 35).

Motels were instrumental in the development of the informal New Zealand holiday (McClure, 2004) and were initially built to meet the increasing number of domestic travellers driving around the country. The first motels provided off-street parking and were completely self-contained with separate bedrooms, living room, kitchen and bathroom (Latham, 2005; Lloyd, 1964). The best motels also provided a higher standard of furnishing and facilities than that found in most New Zealand hotels at this time.

There were three reasons why motel numbers exceeded hotel growth in the 1950s and early 1960s. First, motels were free from government tariff controls, second, construction costs were lower, and third “the Government granted loans to four serviced motels” (Lloyd, p. 37) together providing 523 beds. The growing number of motels around New Zealand also led to the demise of the country pub. “They are not used for accommodation any more, and with the availability of bar meals, snacks and nibbles the dining rooms are barely used” (Somerville, 2000, p. 8).

In an effort to ensure that good quality accommodation was available in the resort areas, the Government, in 1956, transferred the ten⁹ hotels being run by the Department of Tourist and Health Resorts to the Tourist Hotel Corporation (THC). “Tasked with developing and marketing this network of government-owned hotels, the THC ensured the provision of international class accommodation at tourist attractions nationwide”

⁹ Hotel Waitomo, Hotel Tokaanu, Chateau Tongariro, Lake House Waikaremoana, Hotel Franz Josef, The Hermitage, Pukaki Hotel, Milford Hotel, Te Anau Hotel (Tourism New Zealand, 2001).

(Tourism New Zealand, 2001, p. 25). Between 1964 and 1968, hotels in the emerging tourist destinations of Waitangi, Wanaka, and Queenstown were added to the THC portfolio and the Franz Josef Hotel, which had been razed by fire, was replaced. In 1960 there were a total of 639 hotels in New Zealand ranging from 1 to 5 star – see Table 2.2.

Table 2.2: Breakdown of the grade of hotel in New Zealand - 1960

Grade	North Island	South Island	Total
1 star	50	62	112
2 star	103	126	229
3 star	157	116	273
4 star	7	17	24
5 star	1	–	1
Total	318	321	639

Reference: NZ Official Yearbook 1960

During the 1960s and 70s the New Zealand Government made available loans (\$3.9 million) and guaranteed finance (\$14.8 million) through the Tourist Development Accommodation Scheme “to encourage the building of new hotels and motor hotels and the extension of existing hotels in areas where there was a shortage of accommodation” (NZ Official Yearbook, 1980, p. 856). Aligned to this initiative the Government also allowed tax deductions, and an accelerated depreciation allowance for approved hotels (McClure, 2004).

The Tourist Accommodation Development Scheme “resulted in the availability of an additional 3493 first class beds” (NZ Official Yearbook, 1980, p. 856). Accommodation was built by both private and public sector enterprises while the government-owned THC “mainly concentrated its activities in isolated resort areas where private enterprise finds it uneconomic to operate” (NZ Official Yearbook, p. 855). This was due to the isolation of these establishments and the relative expense of vehicle travel which resulted in the low numbers of guests.

The 1980s saw a number of top class hotels built in New Zealand, for example, the Sheraton Hotel in Auckland. The THC also expanded by

building a new hotel in Queenstown (the earlier hotel was razed by fire) and entering into management contracts with the existing James Cook Hotel in Wellington and the new Airport Inn in Auckland. With these additional hotels “the THC channelled tourists through its own chain from one end of the country to the other” and in 1986 they returned their first dividend to the Government (McClure, 2004).

This growth in the early 1980s was followed by a “lack of new hotel development in the latter stages of the 1980s and the early 1990s and caused concern for the industry and contrasted strongly with the forecast need for an additional 7500 to 11 000 hotel rooms (over 1992 levels in order to meet growth targets” (Collier, 1997, p. 171). In 1991 as part of the move away from involvement in state owned enterprise the New Zealand Government sold part of the THC hotel chain to the South Pacific Hotel Corporation (SPHC). Three of the THC hotels were gifted to local iwi in Tokaanu, Waitomo and Waitangi. Although SPHC on-sold the hotels to other hotel companies and private enterprise all the THC hotels are still currently operating (Keith Barnett, pers comm, May 2003).

Accommodation shortages in key tourist centres were experienced during the early 1990s and “these shortages started to be identified as a key constraint on future tourism growth in New Zealand” (Collier, 1997, p. 171). This apparent lack of interest and investment in the accommodation sector was, according to Collier, linked to low profitability due to low occupancy rates and low room yields. Low profitability in the accommodation sector between the mid-1980s and mid-1990s also led to a deferral of maintenance and refurbishment in many hotels and it was reported that “a significant proportion of hotels ... require refurbishment to ensure that they continue to meet acceptable standards.” (Duncan, James, Ngan & Hamilton, 1994, p. 71).

In addition to these claims, the New Zealand Tourism Board reported that more accommodation should be built to meet the growing travel and tourist market, and expressed concern that “the type and style of accommodation

traditionally offered in some regions may no longer meet the needs of today's international and domestic travellers" (Courtney, 1995, p. 12). It was also reported that development of new accommodation establishments "is required in secondary regions as visitors venture further afield (Courtney, p. 12). By 1996 a substantial number of new hotels were under construction, with an estimated 2523 rooms, the majority (78%) of which were in Auckland, Christchurch, Queenstown and Rotorua (Collier, 1997).

Since the 1990s there has been continued growth in the number of hotel chains operating in New Zealand, for example, CDL Hotels, MCK (a combination of the Millennium, Copthorne and Kingsgate hotels), Heritage, Scenic Circle, Sheraton, Intercontinental, and Hilton hotels. The large hotels in New Zealand are still located mainly in the major cities and the established tourist destinations like Queenstown and Rotorua. Foreign investment in the New Zealand accommodation sector has also increased since the 1990s with "many large hotels are owned by overseas investors and companies" (Latham, 2005, p. 8). This investment has helped the development of the accommodation sector to keep pace with the increases in both international and domestic traveller and tourist demand. The current state of the New Zealand accommodation sector is now discussed.

2.3.2 Recent Growth in the Sector

The demand for different types of accommodation in New Zealand has increased over the last two decades (Latham, 2005) and this has resulted in the growing diversity of accommodation establishments and facilities (Hall & Kearsley, 2001; NZ Official Yearbook, 1990). This diversification of accommodation has been fuelled by traveller and tourist demand "such as backpackers [who] are seeking to have more direct contact with local people in order to have more personal and 'authentic' experiences" (Hall & Kearsley, p. 115). There has also been an increasing trend for "boutique style accommodation venues, such as serviced apartments and bed-and-breakfast options to serve the more discerning travellers" (Latham, p. 8). The accommodation sector in New Zealand now offers a wide variety of

options which range from back-packer hostels and farm-stays to roadside motels, timeshare accommodation, 5 star hotels and luxury lodges (Cooper & Hall, 2005; Hall & Kearsley; Latham; McClure, 2004).

Statistics New Zealand (Stats NZ) were charged with collecting data about the accommodation sector in June 1995 and they produce monthly reports in The Commercial Accommodation Monitor¹⁰ (CAM). Establishments are excluded from the CAM data for two reasons. First, GST turnover is less than \$30,000 per annum and second they offer accommodation for less than 1 month per year (www.trcnz.govt.nz/surveys). All other accommodation establishments must respond to the questionnaire circulated by Stats NZ.

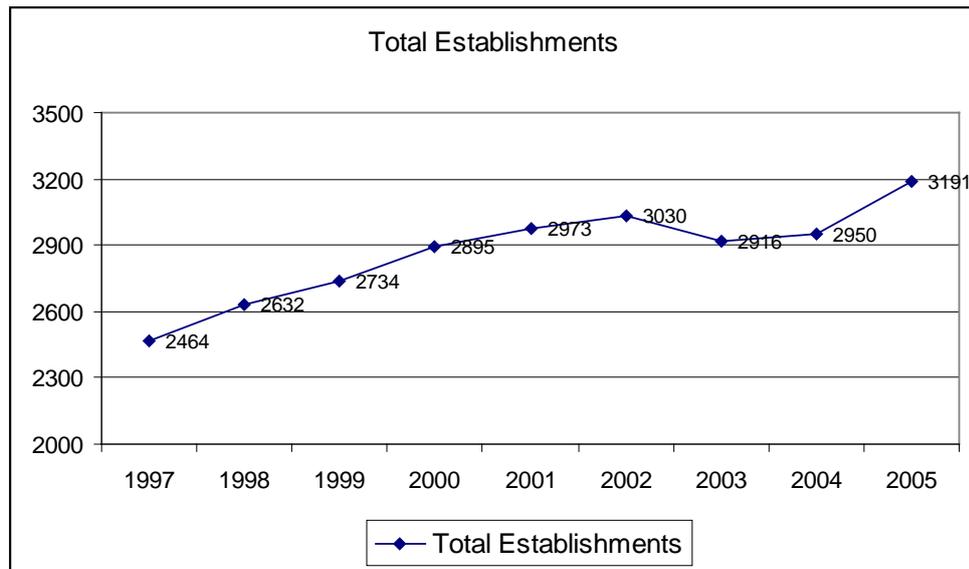
The CAM uses five main accommodation classifications:

- hotels – including hotels, resorts, and lodges;
- motels – including motor inns, apartments and motels;
- hosted – including private hotels, guesthouses, bed and breakfasts, and farm stays
- backpackers – including backpackers and hostels; and
- caravan parks – including caravan parks and camping grounds (www.trcnz.govt.nz/surveys).

Figure 2.3 shows the overall increase in the total number of accommodation establishments in New Zealand between 1997 and 2005. Although there was a slight dip in 2003 and 2004 there has been an overall increase of 23%.

¹⁰ Produced by Statistics New Zealand to provide information on available capacity, occupancy rates, turnover and employment for the accommodation sector.

Figure 2.3: Total accommodation establishments in NZ 1997–2005



Reference: www.trcnz.govt.nz/surveys

The data reported in Table 2.3 supports the claim reported earlier by the New Zealand Tourism Board that the needs of travellers and tourists have changed and more traditional types of accommodation, such as hotels, were not suited to their needs (Courtney, 1995). The greatest increase in accommodation establishments has occurred in the motel, hosted and backpacker categories; while the numbers of hotels have remained fairly static since 1997.

Table 2.3: Number of specific establishments in NZ – June 1997 to June 2005

Year Ended	Hotels	Motels	Hosted	Backpacker	Total Establishments
June 97	550	1356	327	231	2464
June 98	556	1445	381	250	2632
June 99	553	1483	439	259	2734
June 00	561	1540	512	282	2895
June 01	571	1564	543	295	2973
June 02	575	1578	577	300	3030
June 03	558	1582	480	296	2916
June 04	544	1615	456	335	2950
June 05	562	1669	563	397	3191

Reference: www.trcnz.govt.nz/surveys

It is obvious that while the numbers of accommodation establishments in New Zealand have increased the types of establishments available have changed allowing travellers and tourists a greater choice. However, this also means that the more traditional accommodation establishments (i.e. hotels) have to look at new strategies in order to maintain or to increase their occupancy rates.

2.3.3 Economic Importance of the Sector

The importance of the travel and tourism sector to the New Zealand economy cannot be disputed. In the year ended March 2005 international visitors contributed 9.0% of total GDP and 18.7% of total export earnings. International visitors also spent \$8.1 billion while domestic visitors spent \$9.4 billion in the year ended 2005 (Key Tourism Statistics, 2006; www.tourismresearch.govt.nz; www.trcnz.govt.nz/topics). Spending by both international and domestic travellers has been analysed by type of product is shown in Table 2.4.

Table 2.4: Traveller and tourist expenditure by product

Product	Expenditure
Activities, attractions, retail, souvenirs	46%
Air transport	20%
Other transport	12%
Food/Beverage	12%
Accommodation	10%

Reference: Key Tourism Statistics, 2006

Whilst the total expenditure by travellers (17.5 billion) relates to 2005 and the breakdown by various products relates to 2006 there were no comparable figures available. It has been assumed that there would be very little difference between the amount spent on accommodation in 2005 and 2006 by travellers. Based on this assumption the estimated amount generated by accommodation establishments in 2006 was \$1.7 billion – see Table 2.5.

Table 2.5: Expenditure on accommodation 2005

International expenditure	\$8.1 billion
Domestic expenditure	\$9.4 billion
Total tourist expenditure	\$17.5 billion
multiplied by 10% (expenditure on accommodation)	\$1.7 billion

As shown in the previous discussion, revenue generated by the travel and tourist industry is a major contributor to the New Zealand economy. The impacts affecting this industry and the accommodation sector in particular are now discussed.

2.3.4 Impacts on the Sector

Although the previous discussion has focused on the increase in the number of accommodation establishments and the importance of the travel and tourist industry to the New Zealand economy, many establishments struggle to make a profit. There are a number of impacts which characterise the travel and tourist industry, and therefore impact on the accommodation sector. These impacts include seasonality, and changes in international travel arrival patterns which can be caused by unfavourable exchange rates, acts of terrorism, war, and health epidemics (e.g., SARS, Bird Flu). Although international traveller arrivals may decrease because of these impacts there can also be positive benefits for accommodation establishments. These benefits occur because domestic travellers may choose to stay in New Zealand rather than travel to other countries for holidays, leisure or business reasons (Collier, 1997).

Like the rest of the travel and tourist industry, the accommodation sector tends to be demand led rather than supply driven and this can lead to a shortage of rooms at certain times and then a glut of rooms if the numbers of travellers do not meet the projected growth figures. This is illustrated by the following comment from Nick Lamber, Novotel Queenstown Manager, the “extra rooms came on line right at the time the demand was dropping” (Baird, 1997, p. 1). A downward trend in demand can have a dramatic

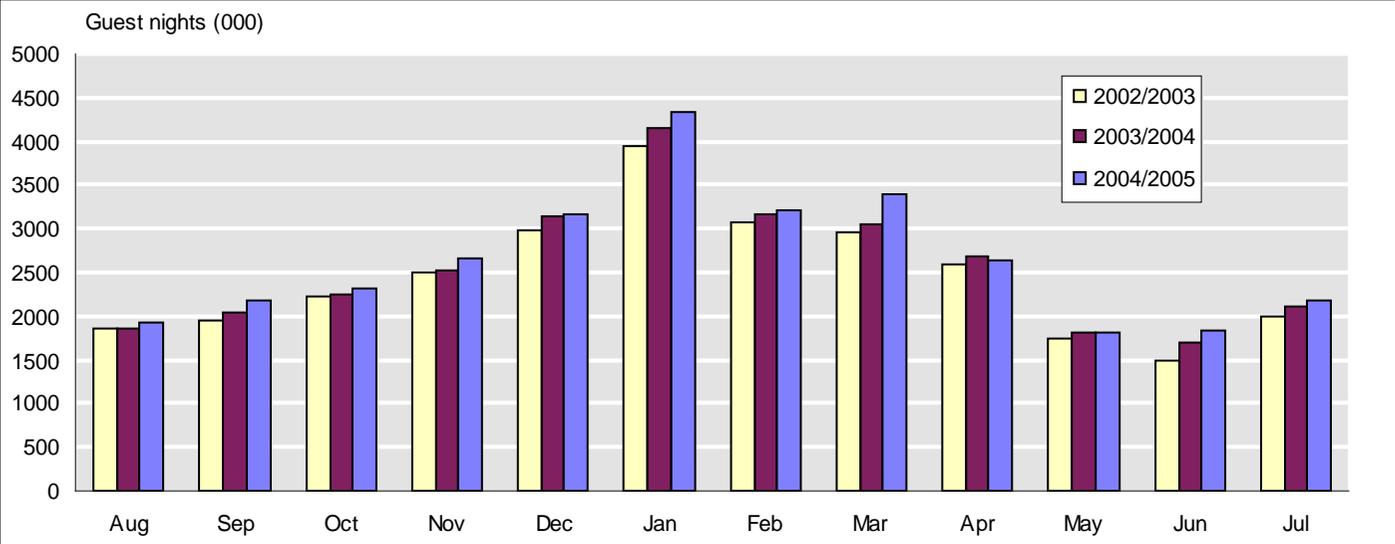
effect on all types and sizes of accommodation establishments including hotel chains, with CDL Hotels reporting an 11% decline in profit for the year ended December 2000. A spokesperson for CDL Hotels explained that “there is a glut of hotel rooms in Auckland and supply has outstripped demand” (Edlin, 2000, p. 17).

These examples show that the accommodation sector is not always the consistent economic performer often portrayed in the media. For example:

Canterbury is matching a surge in luxury boutique accommodation to meet growing domestic and international demand for five-star indulgence ... The region’s lodges and up-market small hotels have doubled to 20 in the past three years, while most existing properties have undergone extensive upgrades ... (The National Business Review, 2004, p. 50)

Seasonality has always had a major impact on the travel and tourist industry in New Zealand and the peak tourist season which occurs over late spring and summer can bring high occupancy rates and increased profits to accommodation establishments. The effect of seasonality is that many accommodation establishments report occupancy rates of 70%+ during the peak times but these can drop to as low as 30% during off-peak times. For example, Queenstown commercial occupancy rates varied from 22% in June 1987 to 80% percent in November 1987 (NZ Official Yearbook, 1990). Figure 2.4 shows guest nights in accommodation establishments for 3 years: 2002/2003; 2003/2004; 2004/2005. What is interesting about these data is they clearly illustrate the effect of seasonality, with the highest numbers of rooms occupied in the warmer months, namely, summer and early autumn.

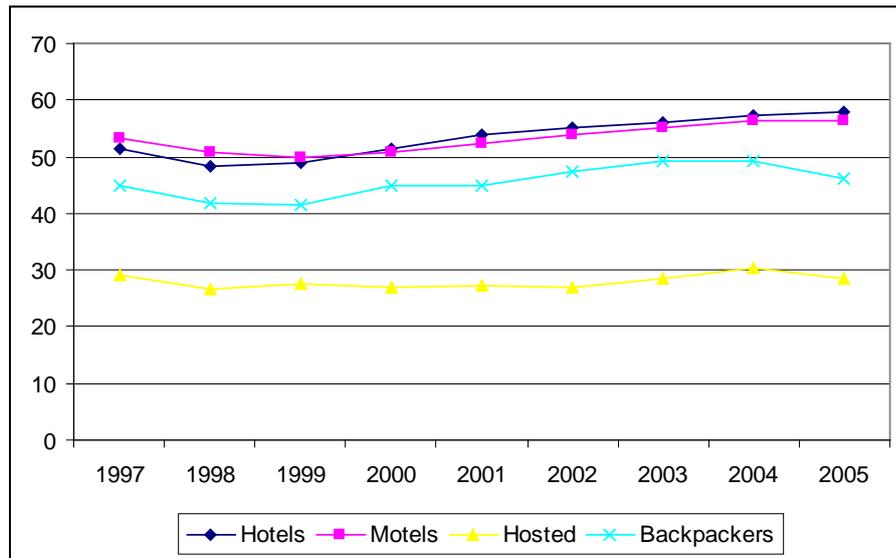
Figure 2.4: Guest nights in accommodation establishments 2002/2003, 2003/2004, 2004/2005



Reference: www.stats.govt.nz

Figure 2.5 shows the average annual occupancy rates in New Zealand hotels, motels, hosted accommodation and backpackers from 1997 until 2005. Hotels and motels have very similar average annual occupancy rates at 53.4% 53.3% respectively over the 9 years reported. Backpackers had a lower rate of 45.6% and the hosted accommodation category reported an average annual occupancy of 28%.

Figure 2.5: Average annual occupancy – 1997–2005



Reference: www.trcnz.govt.nz/surveys

2.3.5 Accommodation Forecasts

The growth in the accommodation sector in New Zealand is predicated on the growth and continued development of the travel and tourist industry and forecasts are regularly compiled by Tourism New Zealand, the Tourism Research Council and private tourism consultants. According to the Tourism Research Council, international traveller numbers are forecast at 2.8 million for 2008 and 3.2 million for 2011 (www.trcnz.govt.nz). Domestic travel is forecast to increase by 1.4% per annum until 2010 (www.trcnz.govt.nz). Based on current figures domestic travel would be in the vicinity of 18.0 million travellers by 2010.

In terms of the accommodation sector it has been reported by Horwath Asia Pacific Ltd that Melview Holdings are planning to build three 5 star hotels in the Queenstown region, boosting the number of hotel rooms by 700.

Horwath also comment that “Wellington, Christchurch and Auckland face increases in new supply of nine to 11 percent in relation to the current level of hotel rooms, serviced apartments and motels” (Coventry, 2006, p. 1).

Forecasting is not an exact science, and often the forecasts will differ depending on who has written them and the data on which they are based. However, all the trends in New Zealand show increasing traveller numbers (both international and domestic) and also increasing numbers of accommodation establishments.

2.3.6 The Importance of Guest Retention

While there is a forecasted increase in the number of both international and domestic travellers in New Zealand there is also a reported increase in the number of hotel rooms that will become available over the same period. This means that average annual occupancy rates in the New Zealand accommodation sector will not increase by a significant amount in the future. Impacts like seasonality will also continue to have an impact on occupancy rates. Therefore, accommodation establishments will need to do more than just wait for the increase in traveller numbers. If they want to increase, or in some cases maintain, their average occupancy then encouraging current guests to return to their establishment will be answer.

2.4 Conclusion

New Zealand’s economy is strongly dependent on a vibrant tourist industry with international and domestic visitors spending approximately \$22 billion annually (Key Tourism Statistics, 2006; www.trcnz.govt.nz/topics). The accommodation sector is a vital element in ensuring the success of tourism initiatives and an estimated 10% of total visitor spending is on accommodation, \$2.2 billion.

This chapter provided a close examination of the New Zealand accommodation sector and its development. This sector has been characterised by a shift from the undersupply of accommodation during the early part of the 20th century to the current situation where there is a growing diversity of accommodation available (Hall & Kearsley, 2001).

Forecasts for the New Zealand travel and tourist industry show increasing numbers of both international and domestic visitors. However, while this might look good for accommodation establishments there is also a reported increase in the variety and number of rooms becoming available for guests. Currently, New Zealand hotels and motels report an average occupancy rate of around 50% and this does not look like changing with the corresponding increase in visitor numbers and room numbers. Thus, if accommodation establishments wish to increase their average annual occupancy then guest retention is a vital concern for those in the industry and those studying it.

Against this backdrop, the discussion now moves on to look at the scholarship that informs this study.

Chapter 3

Reviewing Some Service Management Literature

3.1 Introduction

As established in the preceding chapters, service activities currently account for the fastest growing sector in developed economies and managing these activities has become the realm of service managers. Service management emerged from a range of disciplines during the early 20th century and scholars, from a range of disciplines, have found much to research around these developments. Indeed, the plethora of literature which followed helped to establish service management as a recognised academic field. Along with the development of the field attempts made to define service management emphasised a range of characteristics. Based on a discussion of these (Chapter One), the definition used in this study was distilled.

Service management is a holistic management approach that has two main foci: encouraging integrated relationships between operational units within the organisation; and building long-term relationships with both employees and customers.

However, in practical terms definitions can be of limited application to managers. One of the influential contributions to services management practices has been the development of the Service Profit Chain. This conceptual framework linking employees to customers and profits through providing a quality service is based on an integrated approach to management. Since the original publication of this chain there have been a large number of articles that have examined the various links within the chain and also investigated specific concepts. Associated with this, empirical evidence from recent academic research conducted about customer loyalty has fuelled increasing interest in the subject. Customer retention, however, is still receiving little attention in either the theoretical or empirical literature. It is this gap that this research seeks to address.

This thesis draws mainly on the service management literature to provide the theoretical foundation for the study. However, consistent with service management's multidisciplinary beginnings, relevant literature was garnered from a range of fields including management, marketing, behavioural management and psychology. Thus, an extensive body of literature was identified, which is presented, reviewed and discussed in three main sections within this chapter.

First, the chapter presents a brief, and selective, overview of the evolution of the service management field. This includes a discussion of the contributions that general management theory, behavioural management theory, quality management theory, and marketing theory have made to the development of service management.

Next Chapter Three offers a brief insight into the literature associated with service delivery. The importance of service relationships and an integrated approach to managing services is outlined using the Service Profit Chain. Literature relating to the individual concepts and links within this chain is then reviewed and analysed.

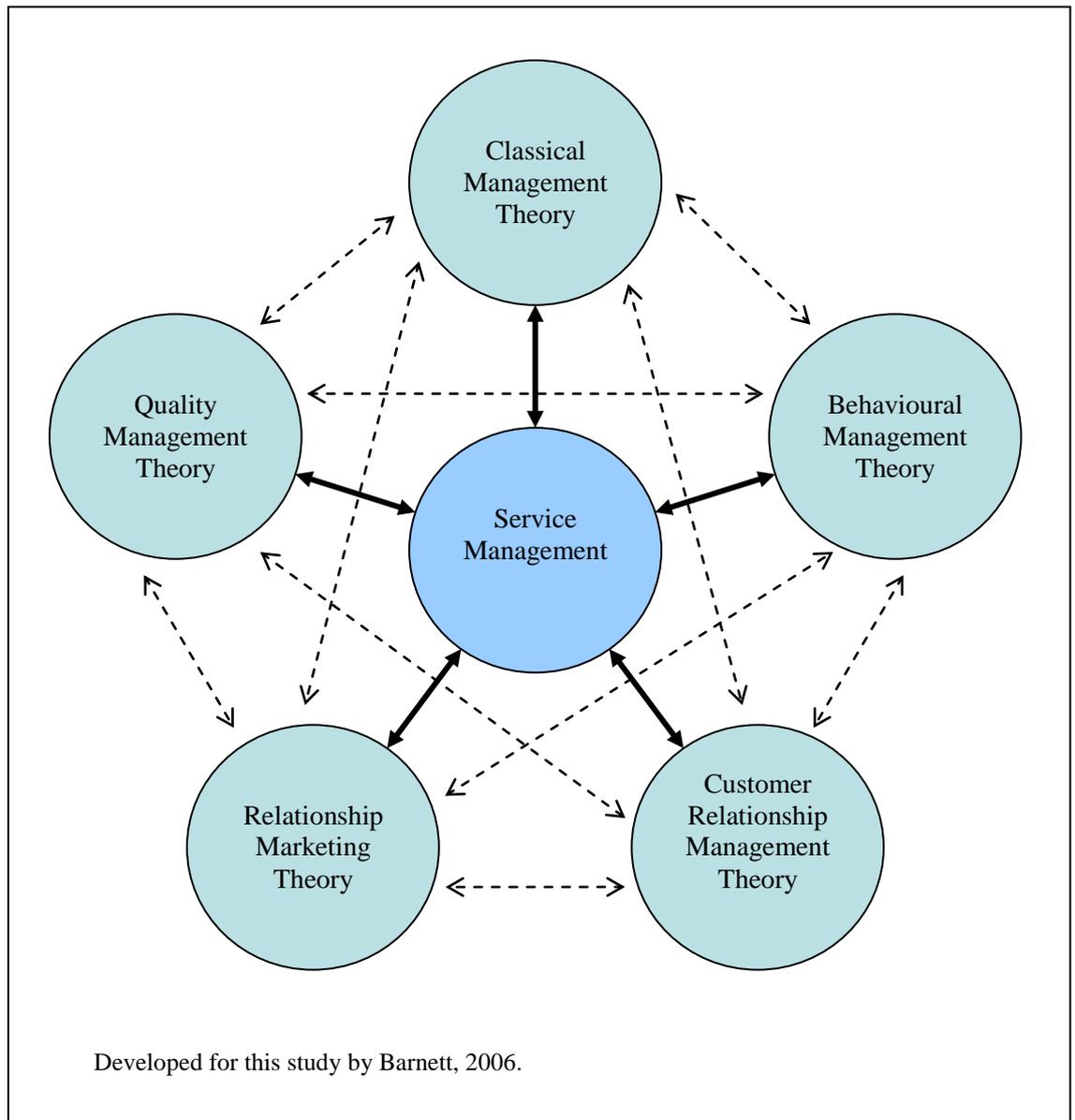
This is followed by an examination of the literature pertaining to customer retention, the core concept underpinning this research. In this section a detailed review and analysis of customer-retention literature including measuring and monitoring retention, managing defections, managing complaints, and service failure and recovery, is provided.

3.2 The Evolution of Service Management

Paradigms, disciplines and perspectives evolve and develop over time as new ideas and concepts are incorporated from theoretical and empirical research, and this is true in specialised areas of management research. Service management has evolved over the last 70 or so years with contributions from general management, behavioural management, quality

management (both TQM and service quality), and marketing (Grönroos, 1994). The relationships between each of the contributions are shown diagrammatically in Figure 3.1 and a brief summary of each then follows.

Figure 3.1: Theories contributing to the evolution of service management



In the mid-1990s Grönroos argued that “service management is more a perspective than one discipline or one coherent area of its own” (1994, p. 5) and the growth of academic literature relevant to service management is fast establishing it as a specialist field worthy of theoretical investigation. The earliest theories are what we now classify as classical management, which were widely accepted between 1885 and 1940 (Pindur, Rogers & Kim, 1995) and are still influential in management today. Key contributors to

classical management theory include Henri Fayol, Frederick Taylor, Charles Babbage, Max Weber, and Frank and Lillian Gilbreth.

Fayol, who pioneered systematic management, is credited with being the founder of the classical management approach (Linstead, Fulop & Lilley, 2004). Fayol's approach helped form one aspect of the service management perspective which espouses a systematic approach to management encompassing the pursuit of the 'one best way' (Kanigel, 2000). Taylor's work which "provided the cornerstone for work design throughout the first half of the 20th century" (Morgan, 1997, p. 22) has also impacted upon the service management perspective.

Industrial psychologists, like Hugo Münsterberg, believed the classical management style typified by the rigid scientific approach to management was "short-sighted and incomplete" (Pindur et al., 1995, p. 64) and that the human aspect of organisations had been neglected. This led to the emergence, in the mid-20th century, of what became broadly known as behavioural management theory. Researchers associated with this theory include Mary Parker Follett, Elton Mayo, Frederick Herzberg, Abraham Maslow, Douglas McGregor and Herbert Simon (Hatch, 1997; Linstead et al.; Pindur et al.). Behavioural management theory added yet another facet to the developing service management perspective.

One more recent development to the field of service management is the introduction of quality management theories, which "have percolated slowly into the service industry from manufacturing" (Levitt, 1972, in Williams & Buswell, 2003, p. 38). Total Quality Management (TQM) emerged in the mid-20th century and is associated with the work of well known managers like Deming, Juran, and Crosby. It is based on process rather than outcomes and "uses statistics to analyse variability in production processes in order to improve the product quality continuously" (Pindur et al., 1995). Therefore, TQM in its focus on continuous improvement can be differentiated from its predecessor scientific management whilst still retaining a focus on measurement and control.

Yet another aspect of TQM, service quality, has been integrated into the broader service management field. In the 1970s and 1980s improving service quality was seen as a way to provide differentiation between organisations providing similar services (Parasuraman, 1995) and to “sustain competitive advantage” (Cho & Pucik, 2005, p. 556). To achieve these goals a quality philosophy that pervaded the whole organisation had to be adopted (Normann, 2000). Although quality was extensively discussed both theoretically and empirically, a range of quality definitions were proposed, depending on the discipline, theorist, or individual customer (Cho & Pucik; Drew Rosen et al., 2003). Most early service management theorists agreed that service quality is a judgement that customers make comparing the service offered and the actual service performed (Grönroos, 1982, in Parasuraman; Lehiten & Lehiten, 1983, in Parasuraman; Lewis & Booms, 1983; Sasser, Olsen & Wyckoff, 1978).

Management theories developed since the 1970s range widely. These include “the process approach, the systems approach, the contingency approach, the strategic management approach, the Japanese style management approach, and the excellence approach” (Pindur et al., 1995, p. 69). Such theories have contributed, and will continue to contribute, to the evolution of service management via their influence on general management.

Marketing theories have also had an impact on the evolution of service management. Towards the end of the 20th century transaction marketing, with a focus on increasing the total number of customers (Buttle, 1996; Zeithaml & Bitner, 1996), was superseded by relationship marketing which focused on customer retention (Dwyer, Schurr & Oh, 1987, in Ennew & Binks, 1999; Kasturi, 2003; Morgan & Hunt, 1994; Morris, Barnes & Lynch, 1999).

The change in focus from acquisition to customer retention saw the emergence of Customer Relationship Management (CRM), a business strategy designed to optimise customer satisfaction and increase profits

(Bland, 2003; Chen & Popovich, 2003; Crosby, 2002; West, 2001). The tenets of relationship marketing and CRM were adopted by theorists in the service management field and have added to the rich theoretical tapestry that the field now presents. The service management field will continue to evolve as new research is undertaken and new theories are proposed.

3.3 An Integrated View of Service Delivery

Before the evolution of the quality movement, the focus was on individual departments within organisations, which led to the ‘silo approach’ (Mintzberg & Van der Heyden, 1999) or ‘smokestack tradition’. This was where organisations were managed along functional lines with some parts operating almost in isolation with little understanding or consideration of other parts (Patterson, 1995; Schneider, 1994). In order for managers to achieve a competitive, quality-focused organisation that sends consistent and accurate messages to customers the ‘silo’ approach is not appropriate (Patterson). There needs to be a holistic management approach that focuses on integrating functions within the organisation in order to achieve “seamlessness in delivery to end-user consumers” (Schneider, p. 72). This is consistent with Lovelock’s claim that marketing, operations, and human resources should all be involved in creating and delivering services, and “the customer should always be the center of their focus” (1992, p. 18).

One of the central tenets of service management is a focus on integrated management (Dean, 2004; Grönroos, 1994; Zemke, 1993) and the need for elements in the service system to be coordinated in order to produce satisfied internal customers and service excellence for external customers (Heskett et al., 1994; Johnston, 1994; Katz & Kahn, 1978, in Schneider, 1994; Schlesinger & Hallowell, 1993; Schneider, 1994). To implement this integrated management approach many service organisations have moved to a view that requires that “all elements of the service system act in coordinated ways to produce service excellence” (Schneider p. 64).

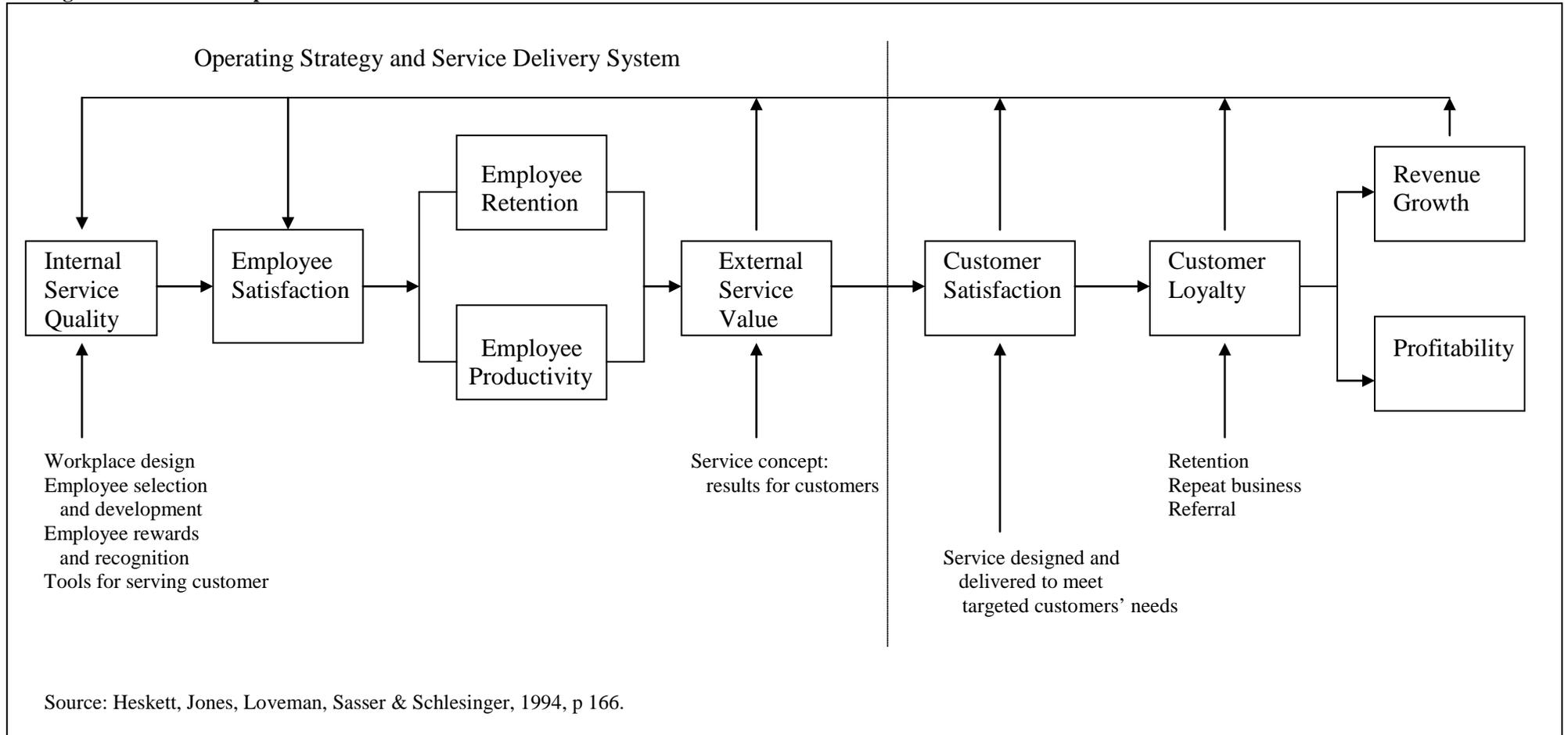
3.3.1 The Service Profit Chain

Integrated management and a focus on relationships both internal and external to service organisations led to the development of linkage research (Schneider, Parkington & Buxton, 1980), which is “based on a conceptual chain connecting employees to customers and profits” (Pugh, Dietz, Wiley & Brooks, 2002, p. 74). This research became the foundation for the development of the Service Profit Chain (SPC). Two articles in the early 1990s described the development of the SPC. The first, published by Schlesinger and Hallowell in 1993, provided the basis for a later article by Heskett, Jones, Loveman, Sasser and Schlesinger which is viewed as the seminal work. Other linkage-based models proposed in the literature include the Return on Quality framework discussed by Rust, Zahorik and Keiningham in 1995, and the Satisfaction-Profit chain discussed by Anderson and Mittal in 2000.

The SPC remains the most cited linkage model in the literature.¹¹ It epitomises an integrated approach to service management (Anderson & Mittal, 2000) which recognises that elements in the service system need to be coordinated to produce excellent service and encourage customer loyalty/retention (Heskett et al., 1994; Kamakura, Mittal, de Rosa & Mazzon, 2002; Roth, Chase & Voss, 1997, in Lau, 2000; Schlesinger & Hallowell, 1993; Schneider, 1994). Developed “from analyses of successful service organizations” the SPC helps to put “hard values on soft measures” (Heskett et al., 1994, p. 164). The seven exemplar service organisations analysed for the study by Heskett et al. “understood the new economics of service, frontline workers and that front line workers and customers need to be the center of management concern” (p. 164). The SPC developed from this study showed the operating strategy and service delivery system beginning with internal service quality which led to employee satisfaction, retention, productivity and ultimately external service value. The link from employees to customers began with customer satisfaction which leads to customer loyalty and then revenue growth and profitability (see Figure 3.2).

¹¹ Cited 119 times in the Web of Science

Figure 3.2: The service profit chain



3.3.2 Internal Service Quality

The SPC first proposes an internal organisational relationship between internal service quality and employee satisfaction and employee retention (Heskett et al., 1994; Schlesinger & Hallowell, 1993; Schneider, 1994). It is stated in the literature that “the quality of service provided by individuals and operations within an organization is its internal service quality” (Schlesinger & Hallowell, p. 209) which is “measured by the feelings that employees have toward their jobs, colleagues, and companies” (Heskett et al., p. 168).

3.3.3 The Importance of Employee Satisfaction, Retention and Productivity

To develop long-term profitable relationships with external customers service organisations “must also develop effective, long-term relationships with valuable employees” (Duboff & Heaton, 1999, p. 8). Specific human resource management inputs like training, rewards, and recognition have a direct impact on employee satisfaction and retention (Donavan, et al., 2004; Heskett et al., 1994; Lau, 2000; Schneider, 1994). Other impacts on employee satisfaction include workplace design and organisational culture.

Employees who are satisfied in their jobs are more likely to remain with an organisation (Heskett et al.; Lovelock, 1995; Schlesinger & Heskett, 1992), leading to higher levels of customer satisfaction and increased profits. This idea is supported by Koys (2001), who stated that “human resource management and organizational behavior theories suggest that the proper use of people enhances organizational effectiveness” (p. 101). Implying there is a causal chain between management practices, employee performance and retention, “which in turn influence organizational outcomes (e.g. customer satisfaction)” (Koys, p. 102) and eventually profits.

Before the SPC was published, Schlesinger and Heskett developed a model of a self-perpetuating cycle, based on theoretical and empirical data, which

linked employees and customers. According to Schlesinger and Heskett (1992), while most managers recognise that good customer service is a result of motivated, happy employees, many “perpetuate a cycle of failure by tolerating high turnover and expecting customer dissatisfaction” (p. 310). The ‘Cycle of Failure’ showed how high employee turnover, low levels of training, and little empowerment led to deterioration of service quality, high customer dissatisfaction and turnover, eventually leading to decreased profits (Lovelock, 1995; Schlesinger & Heskett).

The direct opposite of the ‘Cycle of Failure’ is the ‘Cycle of Success’, which illustrated the positive links between satisfied retained employees and customer satisfaction, loyalty and retention. The ‘Cycle of Success’ model implicitly illustrates the important role employees play in connecting the service operations system (internal organisational aspects, human resource management) and the service delivery system that involves the external customer (Lovelock, 1995). Together, these two cycles show how the interaction between employees and customers can lead to either positive or negative outcomes for an organisation.

The implication of these cycles developed by Schlesinger & Heskett is that service managers need effective systems for employee training, rewards and retention if customers are to enjoy a positive relationship with the organisation. However, the processes of employee recruitment and training are time consuming and costly for organisations (Bowen & Lawler, 1995; Powers & Barrows, 2003). Reward schemes, in particular, are often used to help build employee satisfaction, motivate employees to achieve greater levels of performance (Fay & Thompson, 2001), and ultimately reduce employee turnover (Lewis, 1995).

Employees have an important role in the service encounter and directly influence customer satisfaction judgements (Bitner, Booms & Mohr, 1994; Bitner, Booms & Tetreault, 1990; Johnston, 1995; Lytle, Hom & Mokwa, 1998). The positive link between employee retention and customer satisfaction has also been empirically tested (Dean, 2004; Hansemark &

Albinsson, 2004; Heskett et al., 1994; Kamakura et al., 2002; Lau, 2000). Grönroos (1994, 1990) claims that organisations that do not grasp the important role employees play in customer satisfaction often do not understand the positive economic benefits which can accrue from retained customers. Customer satisfaction, therefore, can be regarded as a pivotal dimension of the SPC model.

3.3.4 Customer Satisfaction

First discussed by Cardozo in 1965, customer satisfaction is now a dominant theme in the services management literature. Indeed, “more than 900 academic articles focusing on customer satisfaction and dissatisfaction and complaining behavior” (Perkins, 1991, in Gundersen et al., 1996, p. 72) were published between 1982 and 1990. Within this abundance of literature, there is broad consensus regarding the definition of customer satisfaction. The three key areas of agreement are: first, satisfaction is based on customer perceptions; second, satisfaction relates to a positive service experience; third, given the highly subjective nature of customer satisfaction, it is notoriously difficult to measure.

Lau (2000) stated that “satisfaction refers to the customer’s own experiences of a service where outcome has been evaluated in terms of what value was received” (p. 426). Gundersen et al. (1996), building on a number of other studies, defined customer satisfaction as “a postconsumption evaluative judgment concerning a specific product or service” (p. 74). Levesque and McDougall (1996, in Hansemark & Albinson, 2004) took a slightly different perspective and argued that customers base satisfaction evaluations on the service provider not just the specific service or product. According to Johnson and Gustafsson (2000), aspects of service provision that are evaluated by customers when making satisfaction judgements include: location and convenience of access, safety aspects, actual service delivery including interaction with employees, physical layout of the service, intangible aspects of service (i.e. décor, waiting time, cleanliness), and price. What is similar in these four definitions is the idea that customers

evaluate a service or product and make individual judgements about their levels of satisfaction.

To tackle the difficult task of measuring customer satisfaction, surveys have been developed in an attempt to add tangibility to the concept. Pine and Gilmore (2000) called these customer satisfaction surveys the “voice of the customer” (p. 18); however, Reichheld (2003) argued that “most customer satisfaction surveys aren’t very useful” (p. 47). Reichheld’s view was research based and showed that the questionnaires used are often long, contain complicated and/or ambiguous questions, and tend to have low response rates. Reichheld also stated that once data are received from customer satisfaction surveys the results are “rarely challenged or audited because most senior executives, board members, and executives don’t take them seriously” (p. 47).

Complicating discussions around the measurement of customer satisfaction is another ongoing debate in the literature. Some researchers believe that satisfaction is an emotional construct (Cronin, Brady & Hult, 2000; Dube & Menon, 2000; Westbrook & Oliver, 1991; Yu & Dean, 2001; Zineldin, 2000, in Hansemark & Albinsson, 2004) rather than a cognitive construct with an emotional component (Babin & Griffin, 1998; Bagozzi, Gopinath & Nyer, 1999; Crooker & Near, 1998). The latter stance is adopted in this thesis: customer satisfaction is viewed as a combination of both emotional and cognitive constructs.

From as early as the 1990s, customer satisfaction was reported to have positive links with other concepts in the SPC. For example, Anderson and Sullivan (1993, in Ennew & Binks, 1999) saw customer satisfaction relating positively to customer retention, while Reichheld and Sasser (1990) reported a link between customer satisfaction and positive word of mouth advertising (leading to lower advertising costs and, therefore, greater profits). Fornell, Ittner and Larcker (1995) also saw positive financial benefits from ensuring customers were satisfied (in Ranaweera & Prabhu,

2003). However, according to Jones and Sasser (1995), satisfaction alone does not ensure that external customers will return.

3.3.5 Service Quality

There has been a clear link established between customer satisfaction and customer loyalty (Bolton, 1998; Colgate & Stewart, 1998; Jones & Sasser, 1995; Reichheld, 1996). However, in order to explore this to greatest effect it is necessary to acknowledge and discuss the important role that service quality plays in customer satisfaction.

As with the service management concepts already discussed in this chapter service quality continues to be variously interpreted by a range of researchers. Nonetheless, scholars generally agree that service quality is based on the customers' expectations of the service and their perception of the actual service experience (e.g., Getty & Thompson, 1994; Grönroos, 1982; Lewis and Booms, 1983, in Kandampully, 1998; Liljander and Strandvik, 1993; Lindqvist, 1987, in Kandampully, 1998; Parasuraman, Zeithaml and Berry, 1985, 1988; Zeithaml, Berry and Parasuraman, 1988). In other words, service quality is what the customer thinks it is (Farrell et al., 2001).

Early researchers did make attempts to reduce a perceived complexity associated with service quality, leading to the identification of several attributes that customers might use to assess service quality. These attributes include: physical/tangible attributes (Lehiten & Lehiten, 1982 in Kandampully, 1998); functional attributes and technical attributes Grönroos (1982). "A consistent theme emerging from these dimensions is that customers might use more than just the service outcome in assessing service quality "they may also be influenced by the service process and the 'peripherals' associated with the service" (Parasuraman, 1995, p. 146). Later research (Parasuraman, Zeithaml and Berry, 1985) identified 10 dimensions used by customers to judge service quality, which were later

(1988) condensed to five dimensions; reliability, tangibles, responsiveness, assurance, and empathy.

Due to the intangible nature of service quality, problems surrounding its measurement have plagued researchers. The most well-known service quality measurement tool is SERVQUAL, developed by Parasuraman, Zeithaml and Berry in conjunction with the five dimensions outlined above. SERVQUAL is a questionnaire containing 22 paired items where customers rank their expectations and perceptions of a service using 7-point Likert Scales. The findings from each paired item are compared and an attempt is made to measure the gaps between customer expectations and customer perceptions (Parasuraman, 1995).

In spite of its wide adoption as an assessment tool, there are a number of criticisms of SERVQUAL. According to Buttle (1996) there are two theoretical criticisms of SERVQUAL. First, the focus is on measuring the service delivery process rather than the service outcomes. Second, there is little evidence that customers assess service quality in terms of the expectations/perceptions gap. Various instruments that mimic SERVQUAL have been developed for use in the hospitality sector, for example, LODGQUAL (Getty & Thompson, 1994), LODGSERV (Knutson, Stevens, Wullaert, Patton, & Yokoyama, 1990), and DINESERV (Knutson, Stevens & Patton, 1995). Gundersen et al. (1996) commented that although instruments have been developed to measure quality they are often “too general or too ad hoc to ensure relevant, reliable, and valid measurement” (p. 73). However, until other instruments are developed and tested SERVQUAL appears to be the best method that we have of measuring service quality.

3.3.7 Service Quality and Customer Satisfaction: Are They Different Constructs?

Alongside the development of theory relating specifically to customer satisfaction and service quality, another discussion was unfolding in the academic literature about “whether service quality and customer satisfaction

are the same or different constructs” (Dabholkar et al., 2000, p. 143). According to O’Neill (2001) and Taylor and Baker (1994), it is the nature of the relationship between service quality and customer satisfaction that has been the focus of most studies and fuelled the ongoing debate in the literature.

Views about the relationship between service quality and customer satisfaction include Holbrook’s (1994) claim that they “are separate (i.e. unique) constructs that share a close friendship” (cited in Taylor & Baker, 1994, p. 164). Similarly, Getty and Thompson (1994) maintained that quality issues and customer satisfaction are intimately connected. Nguyen suggested a closer relationship with the view that customer satisfaction and service quality measurement related to the same underlying construct (1991, in Liljander & Strandvik, 1993). While Oliver attempted to illuminate the discussion with the suggestion that customer emotions may be the differentiating factor (1993, in Yu & Dean, 2001).

Johnston (1994) stated that satisfaction was initially viewed as a precursor to service quality. Other researchers, however, believed service quality had a direct impact on and was integral to customer satisfaction (Kasper & Lemmink, 1988, in Liljander & Strandvik, 1993; Lewis & Klein, 1988; Schlesinger & Hallowell, 1993). Farrell et al. (2001) suggested that the majority of recent articles support the opposite idea that “service quality precedes satisfaction” (p. 589). Specific researchers who agree with this view include Anderson and Fornell (1994); Cronin and Taylor (1992); Dabholkar et al., (2000); Hurley and Hooman (1998), in Knutson (1998); Rust and Oliver (1994); and Yavas, Bilgin and Shemwell (1997). Cronin et al. (2000) also support this view and report “there has been a convergence of opinion that favourable service quality perceptions ... precede satisfaction” (p. 195). Spreng and Mackoy (1996) sum up this discussion when they confirm that early researchers in the services domain maintained that the two constructs are distinct “yet there have been repeated calls for research investigating the relationship between the two constructs” (pp. 201–202).

In spite of the debate in the literature it is more common in recent studies for service quality to be seen as an antecedent to customer satisfaction (Ranaweera & Neely, 2003). Cronin et al. (2000) also stated that “there has been a convergence of opinion that favorable service quality perceptions lead to improved satisfaction” (p. 195). The position taken in this thesis is that service quality and customer satisfaction are different constructs, with customer perceptions of quality impacting directly on customer satisfaction judgements.

3.3.7 Customer Satisfaction to Customer Loyalty

More recently, the discussion in the literature about whether service quality and customer satisfaction are different constructs or are related in some way, has been surpassed by the emerging body of literature focusing on the relationship between customer satisfaction and customer loyalty, which is an integral link in the SPC. While most researchers understand that customer satisfaction and customer loyalty are inextricably linked (Oliver, 1999), and that the relationship is positive (Bolton, 1998; Colgate & Stewart, 1998; Hallowell, 1996; Ngobo, 1999; Patterson & Spreng, 1997; Yu & Dean, 2001), the nature of the actual relationship has been cause for debate in the literature.

According to conventional wisdom, the link between satisfaction and loyalty in markets where customers have choices is a simple, linear relationship, as satisfaction goes up, so does loyalty (Jones & Sasser, 1995). Ngobo (1999) pointed out that “the linear relationship between satisfaction and loyalty ... has been supported empirically by many authors” (p. 469). However, Neal (1999) stated that while “the assumption has been that the more satisfied a customer is, the more loyal they will be” (p. 21), it is a fact that “customer satisfaction has little to do with customer loyalty” (p. 21).

This view is supported by Oliver (1999) who argued that the relationship between satisfaction and loyalty is asymmetric rather than linear meaning

that higher levels of customer satisfaction do not always relate to higher levels of customer loyalty. This was first discussed by Jones and Sasser (1990) when they reported an empirical study which stated totally satisfied customers were six times more likely to repurchase than satisfied customers. From this research, Jones and Sasser were able to determine that merely satisfying customers who have the freedom to make choices is not enough to keep them loyal – the only truly loyal customers are totally satisfied customers. Reichheld (1996) reported similar findings from his research with Bain & Company. He discovered that the relationship between satisfaction and loyalty was asymmetric and stated “of those customers claiming to be satisfied or very satisfied, between 65 and 85% will defect” (Oliver, 1999, p. 33). These findings supported the earlier study by Jones and Sasser which demonstrated merely satisfying customers is not enough to engender loyalty.

While the preponderance of literature supports the idea that there is a relationship between satisfaction and loyalty, the nature and duration of this relationship is still being debated in the literature.

3.3.8 Customer Loyalty and/or Customer Retention

Customer loyalty has been the focus of theory building and empirical studies since Copeland’s 1923 study of brand insistence (Pritchard, Howard & Havitz, 1992). Studies of customer loyalty have built on this foundation (Curasi & Kennedy, 2002), and although there have been many attempts to research and explain customer loyalty there is consensus among researchers that loyalty is a complex construct that remains an enigma (Javalgi & Moberg, 1997; Oliver, 1996, in de Ruyter, Wetzels & Bloemer, 1998; Yu & Dean, 2001).

Evidence of this complexity is apparent in the range of customer loyalty frameworks discussed in the literature (Javalgi & Moberg, 1997), which, according to Uncles, Dowling and Hammond (2003), led to the acknowledgement there is still no universally agreed definition of customer

loyalty. The first comprehensive literature review, involving 53 definitions of loyalty, was conducted in 1978 by Jacoby and Chestnut, who identified “three distinctive approaches to loyalty” (Pritchard et al., 1992, p. 156). These are behavioural, attitudinal, and composite. Each of these approaches is now discussed in chronological order.

Lipstein, in 1959, discussed customer loyalty predominantly from a behavioural perspective, and according to Jacoby and Chestnut (1978) the focus of these studies was “interpreting patterns of repeat purchasing” (in de Ruyter et al., 1998, p. 437). Other researchers continued to focus on customer behaviour, linking loyalty directly to the number of purchases made (Tranberg & Hansen, 1986, in Javalgi & Moberg, 1997). Loyalty as repurchase behaviour was also discussed by Gwinner, Gremler and Bitner (1998), Liljander and Strandvik (1993), Loveman (1998) in Butcher, Sparks and O’Callaghan (2001), and Söderlund (1998), among others. Neal (1999) supported this view when he stated “real customer loyalty is a behavior” (p. 21).

In 1969, Day “criticised the behavioural approach to loyalty for a lack of conceptual basis” (cited in de Ruyter et al., 1998, p. 437). Researchers who argue that loyalty is an emotional construct include Butcher et al., (2001) who claimed that loyalty is “the enduring psychological attachment of a customer to a particular service provider” (pp. 312–313). Similarly, Jones and Sasser (1995) stated that customer loyalty is a “feeling of attachment to or affection for a company’s peoples, products, or services” (p. 94).

Many contemporary researchers (including Bowen and Chen, 2001; Curasi and Kennedy, 2002; de Ruyter et al., 1998; Gremler and Brown, 1998; Harris and Goode, 2004; Pritchard and Howard, 1997) support the composite frameworks of loyalty that incorporate both attitudinal and behavioural components. Indeed, Gremler (1995) argued that “a meaningful measure of customer loyalty cannot omit the measurement of either attitude or behaviour” (cited in Harris & Goode, 2004, p. 141). Dick and Basu (1994) similarly stated that loyalty is a “relationship between the relative

attitude toward an entity and patronage behavior” (p. 100, cited in Curasi & Kennedy, 2002, p. 324). Loyal customers, according to Bowen and Chen (2001), are those who “hold favourable attitudes toward the company, commit to repurchase the product/service, and recommend the product to others” (p. 214).

Butcher et al. (2001) also reviewed the loyalty literature and cited a range of researchers who believed that customers display both attitudinal and behavioural loyalty if they display one or more of the following characteristics. Experience a sense of belonging, feel they have similar values, encourage others to use the service, or are immune to the pull of the competition (Bettencourt & Brown, 1997; Bhattacharya, Rao & Glynn, 1995, in Butcher et al., 2001; Crosby, & Taylor, 1983, in Butcher et al.; Gabbott & Hogg, 1994; Kingstrom, 1983, in Butcher et al.; Lippa, 1990, in Butcher et al.; Stum & Thiry, 1991). This view is confirmed by Petrick who stated that “true loyalty is a two dimensional concept comprised of both a psychological attachment (affective loyalty) and a behavioral commitment to the service or source” (2004, p. 464). The idea that loyalty is a two-dimensional construct incorporating both behavioral and attitudinal components is supported by Gremler and Brown (1999), who stated that loyalty was:

the degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises (p. 173).

Adding to the debate surrounding customer loyalty and customer retention were the researchers who developed the linkage models. In the initial Service Profit Chain model Schlesinger and Hallowell (1993) used customer retention as the linking concept between customer satisfaction and increased profit. However, in the later model proposed by Heskett et al. in 1994, customer loyalty was used in place of customer retention. The satisfaction-profit chain published by Anderson and Mittal in 2000 once again included customer retention as the link between customer loyalty and profitability.

The use of these different terms (loyalty and retention) to link customer satisfaction and profitability in these linkage models illustrated that they have been viewed and used as being interchangeable concepts. From this review of this literature it might be supposed that loyalty and retention have been seen as synonymous and the terms are used interchangeably.

Although it has been acknowledged in the literature that there is a link between loyalty and retention it would be a mistake to assume that all customers who reuse a service are loyal (have a positive attitude) to the service provider or that all customers who are loyal reuse the service. Ennew and Binks (1996) stated that “although attitudes and behaviours are related, a positive attitude does not always result in continued patronage” (p. 221). Researchers who have attempted to explain the relationship between loyalty and retention include Dick and Basu (1994) and Jones and Sasser (1995).

Table 3.1: Dick & Basu - Loyalty levels

		Repeat Patronage	
		<i>High</i>	<i>Low</i>
Relative Attitude	<i>High</i>	Loyalty	Latent loyalty
	<i>Low</i>	Spurious Loyalty	No loyalty

Source: Dick & Basu, 1994, p. 104

The matrix above was based on empirical findings and developed by Dick and Basu in 1994. It shows that customers who have a high relative attitude but low repeat patronage show ‘latent loyalty’ (top right quadrant). Namely they are loyal but do not actually demonstrate this by returning to the organisation. Customers who have a low relative attitude, but display high repeat patronage, demonstrate ‘spurious loyalty’ (bottom left quadrant). That is, they are not loyal but have no other choice of service provider. The top left quadrant of the matrix shows that customers with high relative attitude and repeat patronage display both loyalty and retention. While those with low relative attitude and low repeat patronage have no loyalty, that is, they are not loyal or retained.

Jones and Sasser (1995) developed the table below to show the links they discovered in their empirical study between satisfaction, loyalty and retention.

Table 3.2: Jones & Sasser – Links between satisfaction, loyalty, retention

	Satisfaction	Loyalty (attitude)	Retention (behaviour)
Apostle	High	High	staying & supportive
Terrorist	low to medium	low to medium	leaving or left and unhappy
Mercenary	High	low to medium	low commitment
Hostage	low to medium	High	unable to switch, trapped

Source: Adapted from Jones & Sasser, 1995, p. 97

This table shows customers (apostles) who demonstrate both high satisfaction and loyalty tend to stay and support the service. This group are similar to the ‘loyalty’ group in the Dick and Basu matrix. Customers (terrorists) who report only low to medium levels of satisfaction and low to medium loyalty will generally not re-use the service, they are similar to the ‘no loyalty’ group in the Dick and Basu matrix. Customers called ‘mercenary’ by Jones and Sasser tend to be satisfied but do not have a high level of loyalty toward the service and are much less committed to reusing the service; while ‘hostages’ demonstrate low levels of satisfaction but show a high level of loyalty to the service. Both of these groups of customers do not have a choice and feel trapped by the service. These last two groups do not match the two remaining groups in the Dick and Basu matrix, ‘spurious loyalty’ and ‘latent loyalty’.

It can be seen from Tables 3.1 and 3.2 that there are a range of attitudes (loyalty) and behaviours (retention) exhibited by customers and both Dick and Basu (1994) and Jones and Sasser (1995) have attempted to clarify and name different customer groups in their studies. Their research also demonstrated that although there is a causal link between loyalty and retention it cannot be stated with any certainty that all loyal customers are retained or that all retained customers are necessarily loyal. In order to maximise profits, service managers need to identify the customers who have a positive attitude and implement strategies to ensure they are retained by the organisation.

While the debate surrounding customer loyalty and customer retention continues, it is important to remember that both loyalty and retention, along with customer satisfaction and service quality, are reactions by customers to the service and service provider. The focus of this study is to investigate the strategies used to manage customer retention and further discussion of satisfaction and loyalty is not relevant to this study. The final link in the SPC is between customer loyalty and/or customer retention and increased profits. This literature will be briefly examined before returning to the customer retention literature where a more expansive review will be conducted.

3.3.9 Leading to Revenue Growth and Profitability

The positive benefits of retaining customers are well documented in the literature, including how these benefits translate into increased profits. Research, with Bain & Co, undertaken by Reichheld and Sasser in the 1990s “found that customer retention has a more powerful effect on profits than market share, scale economies, and other variables that are commonly associated with competitive advantage” (DeSouza, 1992, p. 24). Desai and Mahajan (1998) also agree that “customer retention has been found to be a key to profitability” (cited in Hansemark & Albinsson, 2004). Researchers also confirm that it costs more to attract a new customer than it does to retain the one you already have (Ahmad & Buttle, 2001; Cranage, 2004; Reichheld, 1996; Reichheld & Kenny, 1990; Reichheld & Sasser, 1990; Venetis & Ghauri, 2004; Zemke, 2000).

A direct benefit of retaining customers is a reduction in marketing and advertising costs, and research has shown that customers who are satisfied with the service they receive will market the organisation through positive word of mouth advertising (Bowen & Shoemaker, 1998; Cranage, 2004; Gould, 1995; Petrick, 2004; Reichheld, 1994; Reichheld & Detrick, 2003; Reichheld & Sasser, 1990; Yi & La, 2004). Customers who recommend a service to others; indicate they have received value for money, are satisfied

with the service experience, and “they put their reputations on the line” (Reichheld, 2003, p. 48).

A range of lesser benefits have been discussed in the literature and research showed that the longer a customer remains with an organisation the more they are likely to purchase (Patterson, 1995; Reichheld, 1996). According to Gould (1995) they will also be “more responsive to the suggestion of buying a greater variety of products or services from you” (p. 16). Repeat customers will often pay more to do business with you (Reichheld & Detrick, 2003) and make fewer demands on the service (Cranage, 2004; Patterson, 1995) therefore they are cheaper to serve. Finally, repeat customers are “likely to be less price sensitive, so the margins you can make will be higher” (Gould, 1995, p. 16).

This review of the literature clearly illustrates that retaining customers leads to higher profits for an organisation. It is, therefore, important that managers make a conscious effort to develop and implement strategies which will encourage customers to return to the organisation.

3.4 A Focus on Customer Retention

It has been increasingly reported in the literature that measuring customer retention (behaviour) is somewhat easier than measuring customer loyalty (attitudes), leading to the growth of customer retention as an organisational strategy (Ahmed & Buttle, 2002; DeSouza, 1992; Reichheld, 1994). This was confirmed by Reichheld (2003) who claimed that although loyalty is important it is very difficult to measure and monitor and “existing approaches haven’t proved very effective” (p. 49). Opperman (2000, p. 32) posited that loyalty researchers should “move a step backwards to behavioral measures only”, as measuring attitudes is “outside our reach and ... in most cases impractical” (cited in Petrick, 2004, p. 464). Supporting this is research by O’Malley (1998), who suggested that measures of

behaviour provide a clearer picture of how well an organisation is doing (in Petrick, 2004, p. 464).

Ennew and Binks (1996) advanced this discussion when they stated that loyalty and retention are separate constructs. They believe that loyalty is the attitudinal construct and retention is the behavioural construct displayed by customers to a service. The idea that loyalty and retention are separate constructs has been adopted in this study.

3.4.1 The Importance of Retaining Customers

Literature relating specifically to the management and measurement of customer retention was not easy to identify for this review. Most researchers discussed both behaviours and attitudes of customers under the rubric of customer loyalty. For example, see Bowen and Chen (2001), Curasi and Kennedy (2002), de Ruyter et al. (1998), Harris and Goode (2004), and Prichard and Howard (1997). While other literature investigated the links between concepts, for example: service quality and retention (e.g., Ranaweera and Neely, 2003; Zeithaml, 2000); customer satisfaction and retention (e.g., Ranaweera and Prabhu, 2003; Söderlund, 1998; Yi and La, 2004); and behavioural intentions (retention) and profitability (e.g., Cronin et al., 2000; Reinartz, Thomas and Kumar, 2005).

Despite the paucity of retention literature there is agreement among researchers that customer retention is strategically important (Johnson, Barksdale & Boles, 2001), that it should be part of the organisational strategy (Hall, 2000) and built into long-term planning. Customer retention should also be part of the customer philosophy (Appiah-Adu, 1999) and according to Eriksson and Vaghult (2000) should be central to the development of business relationships. As discussed earlier it is clear that retained customers have a positive effect on organisational profits (Clark, 2002; Cranage, 2004; Hansemark & Albinsson; Imrie & Fayall, 2000; Lashley, 2000; Reichheld & Sasser, 1990). However, according to Mack, Mueller, Crofts and Broderick (2000), organisations can lose approximately

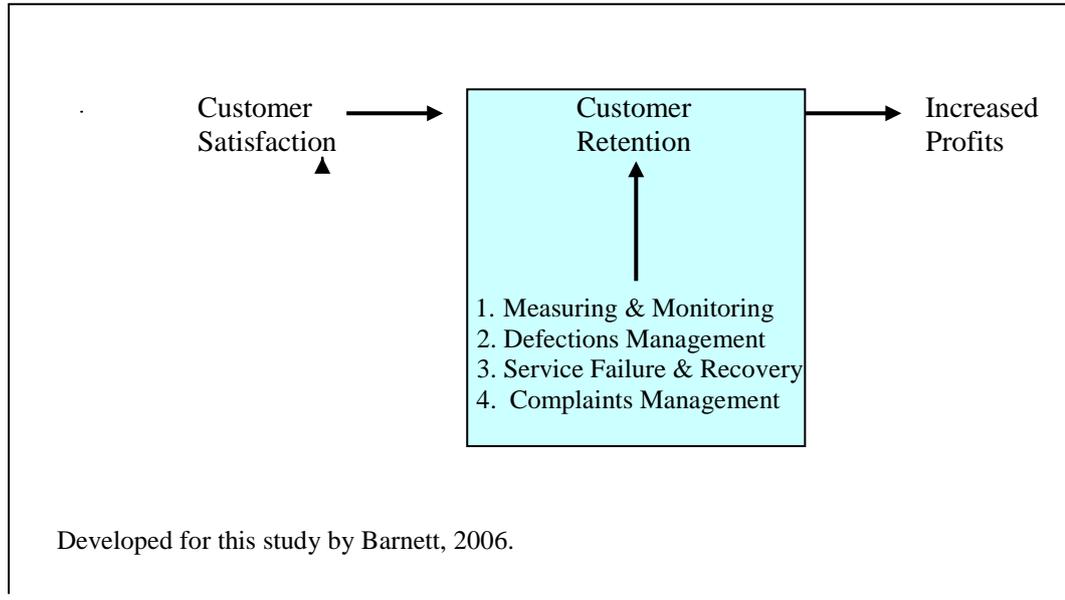
50% of customers every 5 years. This leads to the assumption that organisations are continuing to spend considerable time, effort and money attracting new customers rather than focusing on retention.

The success of customer retention depends on the ability of service providers and managers to build and maintain long-term relationships with customers (Clapham, 2003). This relationship according to Oliver “is a commitment to reuse a service consistently in the future” (1999, cited in Hess, Ganesan & Klein, 2003, p. 129). Other definitions of customer retention are similar, with Venetis and Ghauri (2004) having stated that retention “implies a long-term commitment on the part of the customer” (p. 1578), while Zineldin (2000) defined it as “a commitment to continue to do business or exchange with a particular company on an ongoing basis” (p. 28, cited in Hansemark & Albinsson, 2004, p. 42).

Although customer retention is increasingly discussed in theoretical articles, empirical studies still report that organisations expend time, energy and resources chasing new business, often disregarding evidence that it is cheaper to retain a customer (Ahmad, 2002; Stiefbold, 2003; Weinstein, 2002). There were no reasons proposed in the literature that explained why organisations would focus on attracting new customers rather than retaining customers and this study puts forward two suppositions. First, managers do not actually understand the benefits of retaining customers, and do not know the value of customer retention in terms of increased profits. Ahmad came closest to supporting this view when he said that “organizations would put more emphasis on retaining existing customers if they considered customers’ lifetime retention value” (p. 25). Second, managers do not actually know what retention strategies to implement or how to monitor or measure them.

Four areas of literature identified for this study which have a direct impact on customer retention will now be reviewed and discussed. These include measuring and monitoring retention; defections management; service failure and recovery; and complaints management (see Figure 3.3).

Figure 3.3: Concepts related to customer retention



3.4.2 Measuring and Monitoring Retention

Whilst it is acknowledged that customer retention is easier to measure than customer loyalty, there is a scarcity of literature which discussed the specifics of measuring and monitoring retention. However, DeSouza (1992) stated “if customer retention is not measured, it will not be managed” (p. 25).

Specific methods that can be used to measure and monitor retention have been identified by Reichheld, based on his theoretical and consulting experience (Ahmad & Buttle, 2001). Reichheld (1994) identified retention measurements, including annual retention rate and frequency of purchases. DeSouza (1992) advocated measuring the number of customers who return to the organisation, interviewing former customers, and analysing customer data (e.g., complaints).

Much of the literature reviewed focused on the problems associated with measuring and monitoring retention, with Stiefbold (2003) stated that “organizations collect data on customer problems but don’t have the mechanisms to drive this data back into the organization to prevent the problem from happening again” (p. 46). Similarly Reichheld wrote that

“while corporate mission statements trumpet lofty goals such as delivering the best value to customers ... existing measurement systems are inadequate to manage the value being delivered to customers” (1994, p. 14). Although not directly related to retention, solving customer problems and ensuring value added service are both reasons for customers to remain with a particular organisation.

Whilst there are acknowledged problems with measuring and monitoring customer retention there is not a lot of research that has been undertaken in this area. However, one method of measuring retention is defection analysis. According to Page, Pitt and Berthon “defection rates and their effect on profitability must be measured, comprehended and managed” (1996, p. 22) if an organisation is to understand why customers do not return.

3.4.3 Defections Management

One method of measuring customer retention is identifying why customers defect from an organisation and the last 15 years has seen an increasing number of articles which have focussed on customer defections. This increase in defections research followed a study by Reichheld and Sasser in 1990 when they analysed why customers leave organisations and demonstrated that reducing defections by 5% can boost profits between 25% and 85%. Other research was reported by Keaveney (1995) who provided insights into defection processes, Rust and Zahorik (1993) who examined profiles of switching customers, Oliver (1999) who discussed the role of satisfaction, and Jones, Mothersbaugh and Beatty (2000) who explored ways to prevent defections.

Reichheld and Sasser (1990) further stated that “service companies have their own kind of scrap heap: customers who will not come back” (p. 105), and that one method of reducing the size of this scrap heap is to track defecting customers. Defection analysis can be a valuable tool (Wayland & Cole, 1994) and is one of the most illuminating measures in an organisation.

First, because it is a clear sign that customers are not returning, and second, because fewer retained customers leads to lower profits for the organisation:

By searching for the root causes of customer departures, companies with the desire and capacity to learn can identify business practices that need fixing and, sometimes, can win the customer back and re-establish the relationship on firmer ground (Reichheld, Markey & Hopton, 2000, p. 56).

Defection was defined by Page et al. (1996) as the “rate over time at which customers leave a business, either because they no longer need its products/services or because they take their custom elsewhere” (p. 822). The first type of defection occurs because the customer may no longer need the product or service, or because they have outgrown the product or service, and this type of defection can be seen as inevitable and, therefore, not controllable (Page et al.). The second type of defection is caused by the organisation “by the way it treats the customer” (Page et al., p. 823); and it is this kind of defection that can be measured and influenced by managers in an attempt to retain customers.

The economic importance of retaining customers should not be underestimated and Reichheld and Sasser argued that companies should “strive for ‘zero defections’ – keeping every customer the company can profitably serve” (1990, p. 105). A zero defections culture was also espoused by Mack et al. (2000), who stated “firms are encouraged to identify customers who leave for analysis of their reasons for ending their relationship in order to facilitate a zero-defection culture” (p. 340). Conversely, Wayland and Cole (1994) maintained that a focus on zero defections “can lead companies to embark on aggressive customer retention or recovery programs that cannot be justified economically” (p. 23). This researcher believes that achieving a zero defections culture is almost impossible for the following reasons.

First, services are heterogeneous, meaning that in a service process each customer will require something different (Hope & Mühlemann, 1997). Further the people delivering the service are diverse, and because most

services have a large component of people-based operations, service delivery tends to be more variable (Fitzsimmons & Fitzsimmons, 2004; Kandampully, 2002). It is almost impossible to satisfy all customers, therefore, some will not be happy with the service delivery and will defect. Second, to some extent customers themselves participate in the service process (Davis & Heineke, 2003; Fitzsimmons & Fitzsimmons, 2004) and can be viewed as unpaid employees “fulfilling tasks that would otherwise have to be done by paid employees” (Hope & Mühlemann, 1997, p. 27). Again, this impacts on the level of service quality and customer satisfaction, leading to possible dissatisfaction and eventual defection by customers. The final reason why zero defections are almost impossible to achieve is that some customers move on and no longer need the product or service (Page et al., 1996) or they move on because they feel like a change.

What can be learned from a review of the defections literature is that while defection analysis can be a valuable tool within an organisation, a ‘zero defections’ strategy is not achievable and may lead to an organisation attempting to retain customers who demonstrate ‘no loyalty’ (see Table 3.1); or are terrorists or mercenaries (see Table 3.2). However, there is no dispute in the literature that customer defection analysis is a valuable organisational tool that can assist managers in their quest to retain customers.

“Although some of the claims about the link between customer retention and profitability have been challenged recently (Dowling & Uncles 1997; Reinartz & Kumar 2002), there is general consensus among researchers that preventing customer defections is a sound business strategy” (Hogan, Lemon & Libai, 2003, p. 197). As well as the direct impact on profitability there are other reasons why organisations should implement defections analysis. First, interviewing already defected customers can help identify “opportunities to improve product and service delivery, correct miscommunications, and identify new product opportunities” (Griffin, 2001, p. 9) Second, defecting customers “can tell you exactly what parts of the business you must improve” (Reichheld & Sasser, 1990, p. 107). It is

acknowledged in the literature that it is often a culmination of small problems rather than one big problem that causes a customer to defect (Bloemer, Brijs, Swinnen & Vanhoof, 2002; Reichheld, 1996; Stewart, 1997). Finally, by analysing customers who have defected, managers can “develop a profile for detecting at-risk customers” (Griffin, 2001, p. 9).

The consequences of a high defection rate are discussed by a range of researchers (including Johnson et al., 2001; Page et al., 1996; Reichheld, 1996; Reichheld & Sasser, 1990). Ahmad (2002) argued that “managers have to make an extra effort to institute a control mechanism that keeps track of customer defection” (p. 26). While theorists champion the importance of customer retention and defections analysis, empirical studies have shown that the reasons for customer defection and the potential cures are not well understood by organisations, with the majority concentrating on customer service provision for new customers (Evans, 2002). If organisations are serious about retaining customers they need to focus on encouraging customers to complain, and the next section provides a review of the complaints management literature.

3.4.4 Complaint Management

Complaint management is the “process by which complaints are handled and customers recovered” (Johnston, 2001, p. 61) and should be seen as a key operational task within the organisation. According to Van Looy et al., “since complaints are the expression of dissatisfaction, the way the organization deals with complaints will determine whether it will retain or lose the complaining customer” (2003, p. 138).

Many researchers have acknowledged the strategic importance of complaint management (e.g., McCollough, Berry and Yadav, 2000; de Ruyter and Wetzels, 2000; Levesque and McDougall, 2000; Yuksel, Kilinc and Yuksel, 2006); and customer complaint behaviour has been relatively well researched (Davidow, 2003). However, Strauss and Schoeler argued that “the actual importance of complaint management within companies does not

reflect its strategic relevance” (2004, p. 147). Davidow takes this further when he comments that “the implications of customer complaint behavior for organizations has been examined far less often” (p. 225) than would be expected given the reported strategic importance of complaint management.

In a service context, the simultaneity of production and consumption, the intangibility of the service, and customer participation in the service process mean errors occur in service delivery, making “dissatisfied and/or complaining customers, more likely” (Van Looy et al., 2003, p. 139). Although it was reported that errors are inevitable it was surprising to note that 1980s research from the United States found only 4% of customers who are dissatisfied complain; the other 96% do not report the problem, but 91% of these customers will never return to that organisation (Latham, 2005; Le Boeuf, 1991, in Collier & Harraway, 2003). Similarly, Swift, Ross and Omachonu (1998) stated that “for every complaint a service organisation received, there are 26 other customers who feel the same way but do not file a formal complaint” (cited in Ahmad, 2002, p. 26).

The customers who do not voice their complaints may “adopt less confrontational and more indirect modes of complaint behaviour such as doing nothing or using private action” (Heung & Lam, 2003, p. 284). Private action can take two forms. First, remaining dissatisfied with the service and talking to friends and relatives, or second, defecting from the organisation. The first type of action by customers was typified in research undertaken by Le Boeuf (1991) who reported that “one in five dissatisfied customers talks to 20 people” (cited in Collier & Harraway, 2003, p. 127). In another study it was reported that defected customers tell “nine to ten people about their experience” (Sonnerberg, 1990, cited in Colgate, Stewart & Kinsella, 1996, p. 23). The second type of private action by customers is discussed by Stiefbold (2003), who reported “an unhappy customer doesn’t repurchase from you, tells others not to purchase from you and tells the customers of your competitors not to purchase from you” (p. 46). This is supported by Griffin (2001) who stated “when a customer defects, you are

also losing goodwill as each lost customer is a potential ambassador of bad news” (p. 8).

While some researchers advocate the importance of soliciting complaints from customers, Stiefbold (2003) reported “organizations do not make it easy for customers to complain” (p. 46). A complaint management system should make filing a complaint easy and hassle free and “customers should be able to report service failures through a variety of communication modes, including the telephone and e-mail” (Ahmad, 2002, p. 26). Customers should also be encouraged to voice a complaint directly to “employees who should in turn pass it on for corrective action as necessary” (Disney, 1999, p. S492).

Customer complaints should be viewed in a constructive, positive and professional way (Zairi, 2000), and this should be reflected in how managers and employees respond to complaints (Stiefbold, 2003). Given the importance of complaints, which provide “customer feedback to management, it is imperative to develop a channel of communication between management and customers, and that channel is perceived to be useful and effective by customers” (Heung & Lam, 2003, p. 286). Actively encouraging complaints and making it easy for customers to complain allows managers the opportunity to identify why and when the service failed and to implement recovery strategies.

3.4.5 Service Failure and Recovery

This section discusses two concepts related to customer retention: service failure and service recovery. Obviously, if service organisations ‘got it right first time’ there would be no need for service recovery programmes. However, mistakes do happen and it is what the company does after the service failure has occurred that can make things better or worse for the customer (Cranage, 2004). Managers should not see failure as a problem but as an opportunity to create satisfied customers, and they should develop an organisation culture that identifies failure although this “requires

overcoming their preoccupation with success” (Reichheld et al., 2000, p. 59).

Service failure can be defined as service delivery that fails to meet customers’ expectations (Hess et al., 2003; Sparks, 2001). This does not refer solely to mistakes, but also to the level of service provided. If the customer is not happy with the level of service (i.e., quality) then there is a service failure. Because of the unique characteristics of services, like intangibility (Fitzsimmons & Fitzsimmons, 2004; Kandampully, 2002; Wright, 1995), simultaneity (Hope & Mühlemann, 1997; Kandampully, 2002), labour intensiveness, heterogeneity (Hess et al., 2003), and customer participation in the service process (Fitzsimmons & Fitzsimmons, 2004; Davis & Heineke, 2003), it is “impossible to ensure 100% error free service” (Fisk et al., 1993, cited in McCollough et al., 2000, p. 121).

Service recovery includes all actions and activities taken by a service organisation in an attempt to rectify, amend and resolve the problems that caused the service failure (Bell & Zemke, 1987, in Hess et al., 2003; Grönroos, 1990; Johnston & Fern, 1999) and to “return aggrieved customers to a state of satisfaction” (Kandampully, 2002, p. 268). It is clear from empirical research that customers want their problems resolved when services fail, and according to Ahmad (2002), they “expect the service representative to listen to them carefully and sincerely attempt to solve the problem” (p. 24). In a study undertaken by Hess et al. the results showed that;

it is critical for managers to know what constitutes ‘adequate (recovery) expectations’ for their customers. An organization that compounds an error with an insufficient recovery incurs a large penalty in terms of customer satisfaction and loyalty (p. 141).

Other empirical research showed many customers are dissatisfied with service recovery efforts (for example, Andreassen, 2001, in Matilla, 2004; Tax, Brown and Chandrashekar, 1998), and service organisations have little guidance as to how to deal with dissatisfied customers (Colgate &

Norris, 2001). What is acknowledged in the literature is that different service failures require different recovery efforts (Lewis & Sotiris, 2001, in Cranage, 2004), leading to the idea that the “recovery has to fit the failure” (Cranage, 2004, p. 212).

According to Levesque and McDougall (2000), “service recovery strategies involve both what is done (tangible compensation) and how it is done (employee interaction with the customer), and both influence customer perceptions of the service recovery” (cited in Cranage, 2004, p. 212). These two strategies can be used separately or together. There are three types of tangible compensation reported in the literature. First, is paying for the customers’ trouble or the costs of the problem (Levesque & McDougall), e.g., refunds, price discounts, upgraded services, free products or services (Kelley, Hoffman & Davis, 1993, in Hess et al., 2003). Second, not charging the customer (Hoffman, Kelley & Chung, 2003) and third, offering the customer a substitution (Hoffman et al.). Employee interaction with the customer also includes three strategies. First, an apology (Bitner et al., 1990; Kelley et al., 1993 in Hess et al., 2003; Levesque & McDougall, 2000), second, assistance, i.e. fixing the problem (Levesque & McDougall, 2000), and third, acknowledgement of the problem (Kelley et al., 1993 in Hess et al., 2003).

The idea that 100% error free service is not possible has been raised previously and given the inevitability of some errors occurring “the way in which a service organisation responds to mistakes becomes a crucial factor in customer retention” (Kandampully, 2002, p. 267). The effectiveness of the recovery strategy depends on the situation, and is influenced by such factors as problem severity, criticality, and the type of service. Effectiveness also depends on how the contact employee handles the problem: responsiveness, empathy, and understanding improve the effectiveness of the strategy (Bitner et al., 1990). Not all customers who have experienced a service failure will be retained, regardless of how well the organisation deals with the service recovery. However, although it is important that when a customer complains the managers attempts to “fix the

customer's problem, fix the customer relationship, and fix the system (improve service processes so that the problem is not repeated)" (Hayes & Hill, 1999, p. 218).

Research conducted by Hart et al. (1990) concluded that "a good recovery can turn angry, frustrated customers into loyal ones" (cited in Levesque & McDougall, 2000, p. 20). This has been called the 'recovery paradox' which states that recovered customers "will have more positive feelings toward the organization than had the transaction been performed correctly the first time" (Etzel & Silverman, 1981, cited in Johnston & Fern, 1999, p. 70). Supporting this theory is a study reported by Zemke (1993), which "strongly suggests swift and effective service recovery enhances customers' perception of the quality of the product and services they have already purchased, as well as their perception of the competence of the organization" (p. 464).

There are also researchers who have reported results that do not support the recovery paradox including Bolton and Drew, 1991; Berry, Zeithaml and Parasuraman, 1990; Fornell, 1992; and Zeithaml, Berry and Parasuraman, 1996. Very little research, according to McCollough et al. "has directly compared post-recovery satisfaction with consumers who experienced error-free service" (2000 p. 122). The recovery paradox is still under discussion in the literature and the idea of a customer being 'more' satisfied after a service problem has been resolved, is still open to debate.

There is no doubt that service failures do occur due to the intangible nature of the service, customer interaction in the process, and the heterogeneous nature of each encounter. What is important for managers is to ensure they are informed about the problem and have procedures in place to provide solutions for customers. Unresolved customer complaints and service failures will not engender customer satisfaction and ultimately retention.

3.5 Conclusion

In this chapter relevant service management literature was reviewed and discussed. The first section discussed the contributions that general management theory, behavioural management theory, quality management theory, and marketing theory have made to the development of the service management field.

Next an integrated view of services was presented and discussed using the Service Profit Chain developed in 1994 by Heskett et al. Since the publication of this chain numerous studies have been undertaken which have explored and examined the individual concepts and links within the chain (Anderson & Mittal, 2000; Roth, Chase & Voss, 1997 in Lau 2000; Schlesinger & Hallowell, 1993; Schneider, 1994).

Until recently, studies of the Service Profit Chain have centred on employee satisfaction, retention and productivity and customer satisfaction and loyalty and the linkages between these concepts (Cronin et al., 2000). The literature reviewed in this chapter illustrated the importance of well trained satisfied employees and Koys (2001) suggested that there is a causal chain between employee performance and customer satisfaction. While the literature surrounding customer satisfaction was comprehensively reviewed the debate surrounding how to measure satisfaction and more recently whether it is an emotional or cognitive construct was not resolved.

Customer loyalty, the penultimate link in the SPC, is a complex concept. Until recently, loyalty had been viewed as a composite construct encompassing both attitudinal and behavioural components (e.g., Bowen and Chen, 2001; Curasi and Kennedy, 2002; de Ruyter et al., 1998; Gremler and Brown, 1998; Harris and Goode, 2004; Pritchard and Howard, 1997). However, current theory supports the idea that the behavioural component of loyalty can be studied as a separate construct called retention.

The literature relating specifically to customer retention was reviewed and discussed in the final section of this chapter. The positive economic benefits of retained customers are well documented in the literature, and there is no dispute in the literature that retained customers lead to increased profits (DeSouza, 1992; Ahmad & Buttle, 2001, Cranage, 2004, Reichheld, 1996, Reichheld & Kenny, 1990, Reichheld & Sasser, 1990, Venetis & Ghauri, 2004, Zemke, 2000). Four areas of literature which had a direct impact on customer retention were then reviewed. These were measuring and monitoring retention; defections management; service failure and recovery; and, complaints management.

Aspects of the literature are addressed again in Chapter Four as theory forms the basis of the six research statements developed to test what New Zealand accommodation managers understand about guest retention. The literature is again revisited in Chapter Nine when the findings from the deductive and inductive phases of the study are discussed and analysed in relation to extant theory.

Chapter 4

Designing the Survey

4.1 Introduction

In the preceding chapters the first three steps in the seven step research process proposed by Bourgeois (1979) were addressed. In this chapter the methods used in the deductive phase of the study are outlined and six research statements used to test respondents' understanding of guest retention in New Zealand accommodation establishments are presented. How the sample population was identified is described along with the justification for undertaking a census. Construction and testing of the survey instrument is explained, followed by a discussion of reliability and validity as they relate to this phase of the study. This is followed by a section on maximising the response rates, including the actual mail out, the incentive used and the steps taken to ensure the study met the criteria set by the Massey University Human Ethics Committee. In the penultimate section research bias is discussed and methods used to minimise bias are outlined and described. The final section outlines the procedures followed once survey responses were received.

4.2 Research Statements

The six research statements presented below were derived from the literature reviewed for this study (see Appendix 1). Analysis of the findings from each statement will answer the first objective in this study which is discussed in Chapter Six.

1. Accommodation managers actively work to retain their guests.
2. Accommodation managers know the value of guest retention.
3. Accommodation managers understand the links between guest acquisition, satisfaction, loyalty and retention.

4. Accommodation managers understand the specific reasons behind guest defections.
5. Accommodation managers understand the importance of service recovery.
6. Accommodation managers understand how loyalty schemes lead to guest retention.

4.3 Identifying the Sample

Once the research statements were developed, the first stage of the data gathering process was to identify the sample to be used in the study.

4.3.1 Study Population

As discussed in Chapter Two accommodation establishments in New Zealand range from luxury lodges and 5 star hotels at the top end of the market, through 4 and 3 star hotels, motor lodges and motels, to basic motels and home stays, with youth hostels and camping grounds providing no frills accommodation at a lower price. At June 2002 there were 3191 accommodation establishments in New Zealand (based on the criteria used in the Commercial Accommodation Monitor). Of these 562 were classified as hotels and 1669 as motels. The focus of this research is those establishments among this group of hotels and motels that provide accommodation and meals, and have a licence to sell alcohol to guests. This group of establishments comprise the study population.

4.3.2 Sampling Frame

To develop a comprehensive list of accommodation establishments which have accommodation, meals and a liquor licence, both Statistics New Zealand (Stats NZ) and the Hospitality Association of New Zealand (HANZ) were contacted and asked for access to their database of

accommodation establishments. Stats NZ have a comprehensive database of accommodation establishments based on the reports from the monthly Commercial Accommodation Survey. HANZ is a voluntary trade association representing more than 2200 hospitality businesses. As well as advocacy services, they provide legal advice to members on employment and liquor licensing matters www.hanz.org.nz. Unfortunately, both denied access to their databases.

The sampling frame was, therefore, developed from the New Zealand Automobile Association (NZAA) North Island and South Island accommodation guides for 2002. The NZAA attempts to include all New Zealand accommodation establishments in their yearly publication, and have 13 staff travelling the country from mid-February until mid-July every year to collect and update their information. According to the Marketing Manager for the NZAA accommodation guide:

This is probably the most reliable and up-to-date directory of accommodation in New Zealand. It is referred to as the Bible by staff at Visitor Information Centres around the country (D. Howes, personal communication, 10 May 2002).

So, although the NZAA accommodation guide did not include every accommodation establishment in New Zealand, the information was accessible and arguably provided the most comprehensive list available for research. It was used, therefore, as the basis for compiling the sampling frame, as according to Levy and Lemeshow “a sampling frame does not have to list all elements [establishments] in the population” (1999, p. 22). To ensure the sampling frame error was minimal the list of establishments generated from the NZAA accommodation guides was cross-referenced with establishments listed in two other industry publications from Jason’s Travel Media Ltd. These were the Business & Discerning Traveller 2002–2003 Guide and the Motels & Motor Lodges 2002 Guide.

4.3.3 Sample

In the next step the sample, or “group of people who you select to be in your study” (Trochim, 2004a) was finalised. Allison, O’Sullivan, Owen, Rice, Rothwell and Saunders (1996) stated that the greater the level of accuracy required, the greater the sample size will need to be. This was confirmed by Duoba and Maindonald (1988) who stated that “sample sizes for businesses vary markedly, depending on the information required and the accuracy needed” (p. 3). The establishments identified in the sampling frame for this research were heterogeneous, for example, they had varying numbers of rooms, they provided various level of service and amenities, prices charged ranged across a wide spectrum, they were situated in both rural and urban areas, and were a mix of hotels, motels, and other accommodation establishments. According to Leedy and Ormrod (2001) “if the population is markedly heterogeneous, a larger sample will be necessary than if the population is more homogenous” (p. 221). To ensure a greater degree of accuracy in the findings and because of the different types of accommodation establishments identified a census was undertaken.

4.3.4 Census

The two conditions that make a census study appropriate are evident in this study. First, “when the population is small and variable, any sample we draw may not be representative of the population from which it is drawn” (Cooper & Schlinder, 2001, p. 164). This is the case in this study, with only 408 accommodation establishments in the sampling frame. Second, when elements of the population are relatively heterogeneous (as evident in this study) then “the resulting values we calculate from the sample are incorrect estimates of the population values” (Cooper & Schlinder, p. 164).

Therefore, a census was seen as the most reliable and valid method of gathering representative data to answer the research objectives. The cost of undertaking a census was considered but due to the small number of

establishments in the sampling frame and the low marginal costs it was not a major consideration.

4.4 Constructing the Survey Instrument

4.4.1 Data Collection Tools

There are four methods of data collection described by Easterby-Smith et al. (1991); interviews, tests/measures, observation and questionnaires. Each of these methods has both disadvantages and advantages and these are briefly discussed. Interviews can be carried out either face-to-face or over the telephone, however, they can be time consuming (Alreck & Settle, 1995), costly to administer (Ghauri & Grønhaug, 2002) and it can be difficult to reach the person who is most able to answer the questions. Interviews also have some advantages. First, if an interview time is booked the respondent is less likely to be interrupted and second the response rate can be higher than a questionnaire if the initial planning and preparation is done correctly. For example, in a telephone interview undertaken by Barnett and Cheyne (2001) with New Zealand luxury lodge and five star hotel managers a response rate of 49.2 was obtained. This is significantly higher than the response rates to mail surveys which are often as low as 5% (Alreck & Settle, 1995). However, due to cost and time constraints interviews were not a viable method of data collection for this study.

Data can also be collected using two other methods; tests/measures and observations. Tests and measures are used to find out how and what people think, while observations involve watching people or processes at regular intervals and classifying and recording each observation. Neither of these methods of data collection was appropriate for this study.

The final method of data collection considered was questionnaires and these are used to gather data from large groups in a relatively short time-frame.

According to Cooper and Schlinder (2001) questionnaires can be a low cost method of gathering information from a geographically dispersed sample and more importantly “we can contact respondents who might otherwise be inaccessible” (p. 312), for example senior managers. However, while questionnaires may appear simple to use and analyse researchers need to consider question types, questionnaire layout, reliability, and validity. A questionnaire was seen as the most appropriate method of gathering data in the deductive phase of this study and further discussion follows.

4.4.2 Mail Survey

Questionnaires are used extensively in surveys and the main purpose of a survey “is to obtain information from, or about, a defined set of people, or population” (Easterby-Smith et al., 1991, p. 122). A self-administered mail survey was used in this study to collect the data because of the “ability to gather valid and representative samples” (O’Neill, 2001, p. 172), and because mail surveys are relatively inexpensive to administer (Alreck & Settle, 1995). Other advantages are that incentives may be used to increase response rates, and respondents who perceive the questionnaire to be more anonymous are more likely to answer the questions. Also more complex items can be included, and respondents have more time to think about their responses (Cooper & Schlinder, 2001; Zikmund, 2000).

As with any data collection method, there are also problems associated with mail surveys: one major shortcoming is that there may be a high percentage of non-responses (Alreck & Settle, 1995; Leedy & Ormrod, 2001; Zikmund, 2000). Other disadvantages include the fact that items cannot be further explained, accurate mailing lists are not always available, and skewed responses are possible because respondents may represent extremes of the population (Cooper & Schlinder, 2001). In an attempt to minimise these disadvantages the following three steps were taken in this study. First, using the most comprehensive mailing list available; second, offering an incentive to increase response rates; and third, ensuring the survey questions and items were clear and unambiguous through pretesting and pilot testing.

4.4.3 Questionnaire Design

The questionnaire used in this study contained three sections with a mix of open and closed questions, Likert Scale and dichotomous items (see Appendix 2).

Section one

The first section included nine classification questions and according to Hague (1993) it is important to collect responses from these questions in order to classify the information gathered, to validate the sample, and to make comparisons with the population. These questions related to the position of the respondent, the ownership of the establishment, number of rooms, quality rating system, percentage of returning/new guests (per annum), percentage of international/domestic guests (per annum) and main reason for stay. These questions were developed based on the researcher's knowledge and experience and in conjunction with academic colleagues (senior lecturer with experience in survey design; senior tourism lecturer), and experts (motel owner; functions manager with 22 years experience) from the hospitality industry. The nine classification questions and the reasons for including them in the survey are shown in Appendix 3.

Section two

This section of the survey contained 27 Likert Scale items which were included to measure attitudes and to provide data that could be coded for analysis and comparison (Alreck & Settle, 1995; Jamieson 2004). 18 Likert Scale items related directly to the research statements presented in Appendix 1. Each research statement would be tested using three Likert Scale items developed based on the literature and these are presented in Appendix 4. The other nine Likert Scale items were included for two main reasons: as filter questions to be used when identifying three establishments for the case study; and to test the internal consistency of the instrument (see Appendix 5).

The Likert Scale items used in this research sought to uncover respondents' beliefs, attitudes and thoughts on particular issues (Cooper & Schlinder, 2001; Zikmund, 2000) and, therefore, a six-point scale that ranged from 1 = strongly disagree to 6 = strongly agree was used. An even scale was chosen so respondents would be forced to choose a response to the item and in effect could not 'sit on the fence'. Because respondents might not have an opinion on a particular item, a 'no opinion' option was also offered, listed in the scale as 7.

Section three

In the final section respondents were asked two questions. The first asked them to allocate a total of 100 points among four strategies: developing guest loyalty; acquiring new guests; retaining existing guests; and satisfying guests, according to how important each strategy was to their establishment. The final question was open ended and asked respondents if they had any further comments they would like to make.

4.5 Testing the Survey Instrument

4.5.1 Pretesting

The survey used in this study was pretested "to ensure its effectiveness and clarity" (Alreck & Settle, 1995, p. 35) and also to ensure respondents could understand the questions and that the Likert Scale items were clear and unambiguous (Zikmund, 2000). The first pretesting stage (which included the covering letter) involved a peer review undertaken by academic researchers, some of whom taught in the tourism programme and others who had experience in questionnaire development. The second stage involved colleagues from the hospitality industry who were able to comment on the relevance of the questions. Three comments were made about the questionnaire and changes were made to the questionnaire (see Appendix 6). Once the amendments were made the questionnaire was ready for pilot testing.

4.5.2 Pilot Testing

During the pilot test the questionnaire and covering letter (see Appendix 7) were sent out to 16 establishments as it is important that “the questionnaire is “tried out” on a group that is selected on a convenience basis and similar in makeup to the one that ultimately will be sampled” (Zikmund, 2000, p. 330). These establishments were not chosen from the sample as this would limit the number of respondents to the actual survey. Instead lodges and motels that provided accommodation and meals to overnight guests but did not have a liquor licence were used. All establishments in the pilot test completed the questionnaire and none of the respondents had any questions or reported any problems.

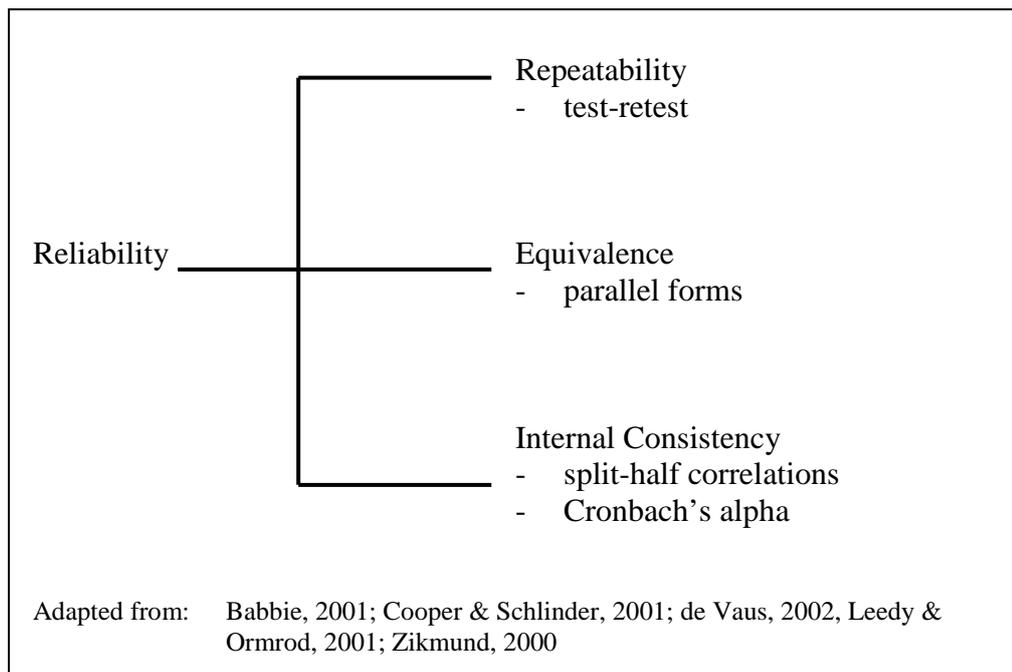
4.6 Reliability and Validity

It was important that the questionnaire survey used in this study demonstrated both reliability and validity. First, to ensure that the likelihood of learning something about the phenomena being studied is improved, second to enhance the probability that the data analysis will elicit statistically significant results, and third to increase the extent to which conclusions can be drawn from the data (Alreck & Settle, 1995; Babbie, 2001; Cooper & Schlinder, 2001; Zikmund, 2000).

4.6.1 Reliability

Reliability has to do with the quality of measurement, and a measure is considered to be reliable when it yields consistent results each time it is used with the same participants under the same conditions (Babbie, 2001; de Vaus, 2002; Cooper & Schlinder, 2001; Leedy & Ormrod, 2001; Trochim, 2004b; Zikmund, 2000). Figure 4.1 shows three forms of reliability and the following discussion describes some of the methods that can be used to maximise reliability.

Figure 4.1: Forms of reliability



Repeatability

One method of ensuring reliability is to assess the repeatability of an instrument using the test-retest method. Which means using the same scale or measurement with the same respondents at different times (Trochim, 2004c; Zikmund, 2000). Test-retest reliability is “... the extent to which two different versions of the same instrument yield similar results” (Leedy & Ormrod, 2001, p. 99).

Equivalence

Improving reliability using equivalence means administering alternative instruments, designed to be as similar as possible, to the same respondents. It is “the extent to which different versions of the same instrument yield similar results” (Leedy & Ormrod, 2001, p. 99).

Internal consistency

This is the method used to measure reliability when a single measurement instrument is administered to a group of people on one occasion only and there is no opportunity to use repeatability or equivalence to establish reliability (Leedy & Ormrod, 2001; Trochim, 2004c). According to Zikmund (2000), internal consistency is concerned with the homogeneity of

the measure; similarly, Cooper and Schlinder (2001) defined internal consistency as the “degree to which instrument items are homogenous and reflect the same underlying construct” (p. 216).

One method of testing the internal consistency of a survey is the non-parametric test Cronbach’s Alpha, the results of which indicate the extent to which items in the survey measure the same characteristic. Cronbach’s Alpha is generally carried out on Likert Scale items “... which fall within the ordinal level of measurement” (Jamieson, 2004, p. 1217). It splits all the Likert Scale items in the survey instrument every possible way and computes correlation values for them all. One number is generated for Cronbach’s Alpha and the closer it is to one, the higher the reliability estimate of the survey instrument (<http://www.socialresearchmethods>).

4.6.2 Reliability in this Study

It was not possible to test the reliability of the survey instrument used in this study by using either repeatability or equivalence. It was, however, possible to use Cronbach’s Alpha to test internal consistency. Of the 149 questionnaires returned, only 127 were included in Cronbach’s Alpha reliability test, because 22 respondents did not answer one or more of the Likert Scale items. All 27 Likert Scale items were included and after the negatively worded items had been reversed and the ‘no opinion’ responses had been removed from the data an initial Alpha score of 0.644 was obtained. When the items with a negative alpha score had been recoded, the new alpha score was 0.723. An alpha score of 0.7 or higher demonstrates internal consistency and, therefore, the survey instrument used in this study is reliable. The alpha scores are shown in Appendix 8.

Four Likert Scale items (two pairs) were included in the questionnaire as another way to check the reliability of responses. The first pair related to empowerment and responses are shown in Figure 4.2.

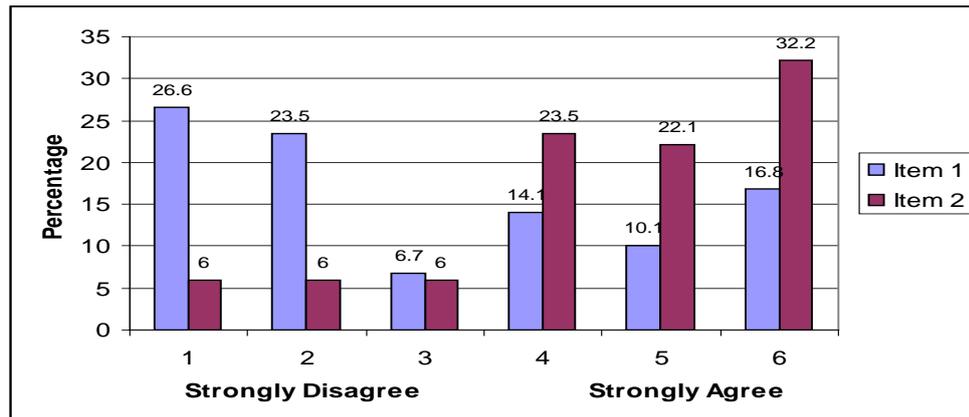
Empowerment – Item 1:

Employees in this establishment are empowered to solve complaints made by overnight guests.

Empowerment – Item 2:

In this establishment only management staff are empowered to deal with overnight guest complaints.

Figure 4.2: Internal consistency testing – empowerment



Item 1 n = 148 Item 2 n = 146

If the respondent believes that employees are empowered, they should answer 4, 5 or 6 on the agree side of the scale for the first item, and 1, 2 or 3 on the disagree side of the scale for the second item. Figure 4.2 shows that respondents believe that staff are not empowered, however, they agree that management are empowered to deal with complaints. The responses to the first item tend to be opposite to responses to the second item, showing a high degree of consistency between the responses to these two items.

The second pair of statements related to retention and the responses are shown in Figure 4.3.

Retention – Item 1:

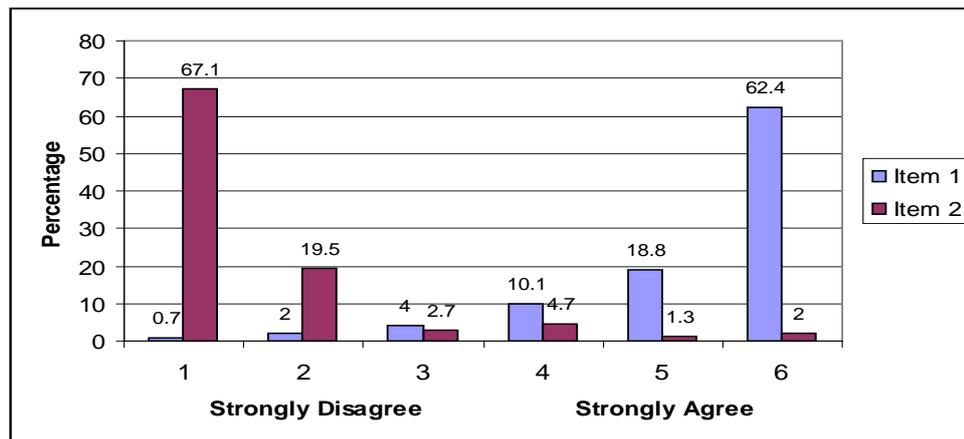
In this establishment we actively work to keep our overnight guests coming back.

Retention – Item 2:

Retaining overnight guests is not possible in this business.

If respondents know they are actively working to retain guests they should answer 4, 5 or 6 on the agree side of the scale for the first item, and 1, 2 or 3 on the disagree side of the scale for the second item. As shown in Figure 4.4, respondents' answers showed they were consistent over these two items.

Figure 4.3: Internal consistency testing – retention



Item 1 n = 148

Item 2 n = 146

The problem of measuring reliability illustrates one of the issues sometimes encountered between academic research and practice – the rigours of reliability are not always able to be tested in practice. However, the discussion in Chapter Five will illustrate that all six of the research statements posed in this study were supported by the answers to the Likert Scale items, showing that the scale measured the same constructs, and that conclusions could be drawn from the data.

4.6.3 Validity

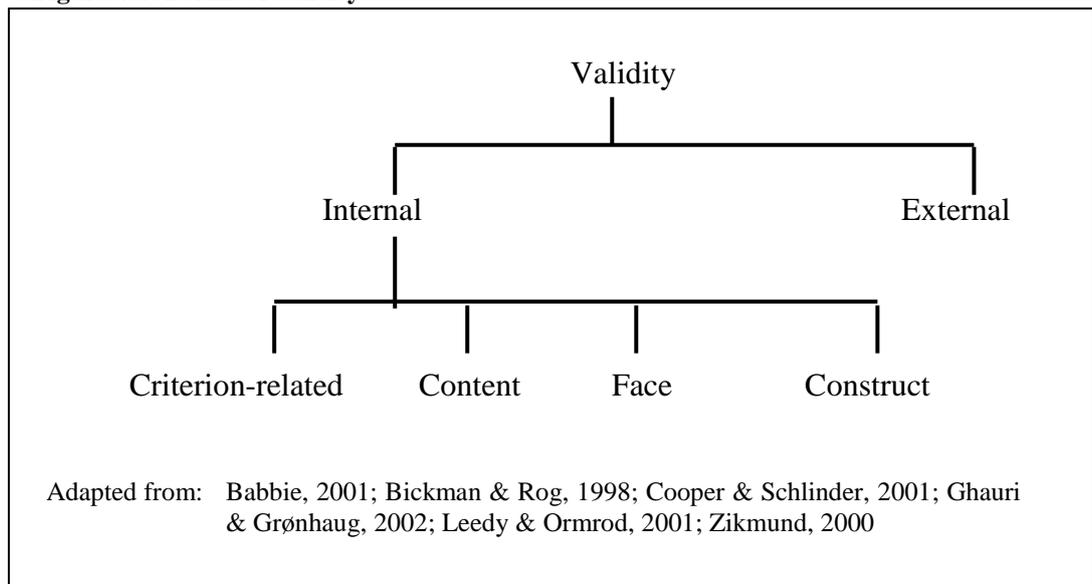
The validity of a measurement instrument is the extent to which it measures what it is supposed to measure (Babbie, 2001; Cooper & Schlinder, 2001; Leedy & Ormrod, 2001; Zikmund, 2000). Validity is often seen as more important than reliability because if an instrument does not accurately measure what it is supposed to measure, there is no reason to use it, even if it measures results consistently (<http://socialresearchmethods.net/tutorial>).

There are two types of validity:

- Internal – the accuracy, meaningfulness, and credibility of the research project as a whole (Trochim, 2004d), and
- External – the extent to which results from the study can be generalised to other contexts (Trochim, 2004e).

External validity is not relevant as the results from the study are specific to the accommodation sector in New Zealand and cannot be generalised to other contexts. On the other hand, the four main forms of internal validity – criterion-related validity, construct validity, content validity, and face validity – need to be considered (Babbie, 2001; Bickman & Rog, 1998; Ghauri & Grønhaug, 2002; Leedy & Ormrod, 2001). See Figure 4.4.

Figure 4.4: Forms of validity



Criterion-related validity

Criterion-related validity is the extent to which the results from a measurement instrument correlate with another, presumably related, measure. For example, an instrument designed to measure the effectiveness of a hotel reservationist should correlate with the number of rooms they sell during their shift. Criterion-related validity may be classified as either concurrent validity or predictive validity (Cooper & Schlinder, 2001; Zikmund, 2000).

Construct validity

One of the most important forms of validity is construct validity. According to Ghauri and Grønhaug (2002) “if a study lacks construct validity, the findings are meaningless, destroying also the internal and external validity of the findings!” (p. 7). To increase construct validity, the empirical evidence needs to be consistent with the theoretical logic about the concepts. In its simplest form, “if a measure behaves the way it is supposed to, in a pattern of intercorrelation with a variety of other variables, there is evidence for construct validity” (Zikmund, 2000, p. 283).

Content validity

Content validity relates to the construction of the measurement instrument rather than the responses received. If the instrument contains a representative sample of the universe of subject matter of interest, then content validity is good (Babbie, 2001; Cooper & Schlinder, 2001). Content validity is determined by:

- a clear definition of the topic
- careful consideration of the items to be scaled and the scales to be used
- using experts who judge whether items are ‘essential’ or ‘useful rather than ‘not essential’ or ‘not necessary’.

Face validity

Face validity is the extent to which, on the surface, an instrument appears to be measuring a particular characteristic. A simple test for face validity is to ask for the opinion of others acquainted with the actual area of study.

4.6.4 Validity in this Study

The validity of the survey instrument used in this study was established by construct, content and face validity. Construct validity was established as all the research statements were supported, therefore, the measure behaved as it was supposed to. Content validity was demonstrated because the questionnaire used in this study was developed based on personal experience, teaching and research experience, and a search of the literature.

Also experts (academic researchers and current employees in the hospitality industry) were asked to judge whether the questions and items in the questionnaire were essential and useful. Face validity was determined by contacting a range of people and asking their opinion (academic colleagues and current employees in the hospitality industry) and a series of iterations were gone through before the questionnaire was finalised.

4.7 Maximising Response Rates

4.7.1 Mail out

Once the data collected from pilot test responses were analysed and reliability and validity established, the questionnaire and covering letter were printed. The final questionnaire was five pages long and printed as a single-sided document. According to Cooper and Schlinder (2001), there is no evidence to support the idea that shorter questionnaires have a better response rate but it is important to ensure the questionnaire is clear and easy to read and the directions are easy to follow. These issues were checked during the testing phase.

The covering letter that accompanied the questionnaire was printed on Massey University letterhead. Cooper and Schlinder (2001) stated the covering letter needs to be clear and unambiguous; however, they also stated personalisation of the letter "... has no clear-cut advantage in terms of improved response rates" (p. 315). This is not supported by Alreck and Settle, who argued that it is important to ensure the covering letter is personalised (1995). The covering letter used in this study was personalised with the name of the owner or manager of the accommodation establishment when this information was provided in the NZAA accommodation guides or the Jason's guides. Questionnaires and covering letters were mailed on 26 September 2002.

4.7.2 Incentive

To maximise survey response rates respondents were offered the opportunity to enter the draw for a \$200.00 book voucher. According to Zikmund “the respondent’s motivation for returning a questionnaire may be increased by offering monetary incentives or premiums” (2000, p. 204). This view is supported by Oppenheim’s statement that “... the chance to win a major prize if the questionnaire is returned ... is generally helpful” (1992, p. 104). An extra page was attached at the end of the questionnaire (see Appendix 9) containing a section for respondents to include their names and addresses if they wished to enter the draw for the book voucher. This page was detached from the questionnaire to ensure that the anonymity of responses was maintained.

4.7.3 Ethical Consideration

All research undertaken at Massey University (MU) must follow the procedures set down by the MU Human Ethics Committee. The actual research topic, respondents and survey questionnaire were considered low risk and did not have to be formally approved by the committee. However, the committee had to formally approve the use of an incentive, and this approval statement was included at the end of the covering letter and the questionnaire.

4.8 Research Bias

It is important to acknowledge that bias may taint research findings even though there might not be anything that can actually be done to negate it. Bias is anything that may distort the data (Leedy & Ormrod, 2001) and may include bias within the questionnaire, response rate bias, non-response bias, sampling bias and location bias.

To minimize bias within the questionnaire items were carefully designed to ensure the wording was appropriate, that they were unambiguous and would be understood by the respondents. The survey was also pretested and a pilot study was carried out. A ‘no opinion’ option was included in the Likert Scale items to ensure respondents who could not answer an item did not have to guess or force a response.

Response rate bias is indicated by significant differences between the data collected in the questionnaires returned early and those returned at a later date (Rogelberg and Luong, 1998, in Leedy & Ormrod, p. 223). Questionnaires returned within 5 days of mailing were compared with questionnaires received after the reminder letter was sent out and there were no observable differences in the responses, leading to an assumption that response rate bias was minimal in this study.

Non-respondents to a survey can also result in bias, caused as a “result of people who respond to a survey being different from sampled individuals who did not respond” (Dillman, 2000, p. 10). In this study responses were representative using number of rooms as the population parameter and there was very little difference between the owners/managers of establishments who responded and those who did not as shown in Table 4.1.

Table 4.1: Comparison between population and sample – mean and std. deviation

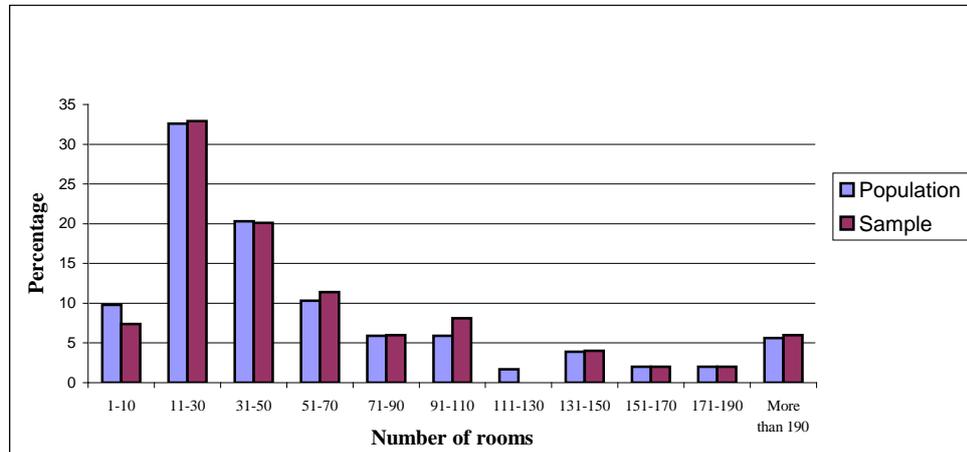
	No.	Mean	Std. Dev	Std. Error Mean
Population	408	38.5	2.723	
Sample	149	39.5	2.728	±.224

Sampling bias is anything that may have affected the randomness of sample population selection and this was minimized by undertaking a census. One method of checking whether sampling bias is present in the data is to compare the sample data with the population parameters and to this end the following question was included in the survey (Q4):

- How many rooms (in total) are in this establishment? (Please circle your response).
- | | | | |
|---------|---------|---------------|---------|
| 1–10 | 11–30 | 31–50 | 51–70 |
| 71–90 | 91–110 | 110–130 | 131–150 |
| 151–170 | 171–190 | More than 190 | |

Figure 4.5 shows the number of rooms in establishments in the population compared with the number of rooms in respondent establishments. As there is little difference between these groups it can be assumed that sampling bias is minimal.

Figure 4.5: Identifying bias in the sample – number of rooms

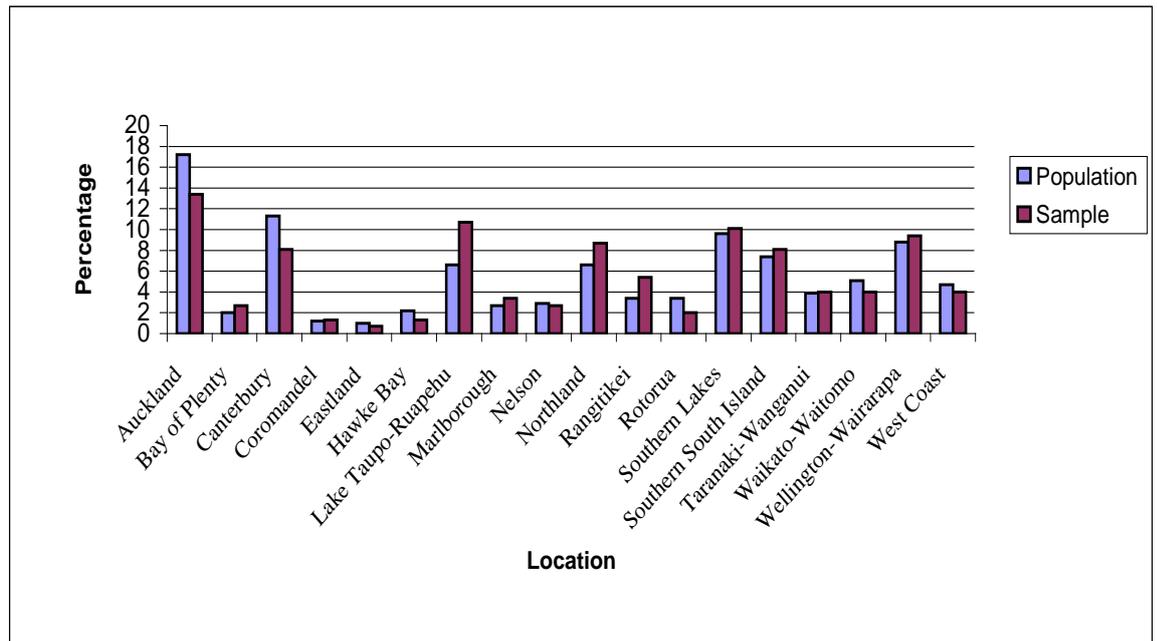


Population n = 408

Sample n = 149

Questionnaires were numbered before they were mailed, making it possible to determine the location of respondent establishments, which were then compared with the location of establishments in the population. This spread of geographical responses insures data will not be biased in terms of responses from one particular region, or rural / urban areas. Figure 4.6 illustrates that there is a high degree of similarity between the location of the population establishments and the respondent establishments.

Figure 4.6: Identifying bias in the sample - location



Once the data were seen to contain minimal biases the findings were coded and entered into a spreadsheet for analysis.

4.9 Data: Editing, Coding & Entry

As there were a relatively small number of responses, each questionnaire was read as it was opened to ensure there were no obvious errors or omissions. Responses to each questionnaire were coded to enable analysis to be undertaken and the actual codes used are shown in Table 4.2.

Table 4.2: Questionnaire coding for spreadsheet

Questions	Coding
1, 3, 6	Open ended – responses written into spreadsheet
2, 4, 5, 9	Dichotomous items - nominal figures assigned to responses e.g., Yes = 1 / No = 2
7, 8, 37	Percentages used (as per actual response)
10–35	Likert Scale items – actual response entered except “no opinion” option was entered as 7 rather than 0
38	Open ended – responses recorded in Microsoft Word

Data were entered in a Microsoft Excel spreadsheet over a 3-day period and were checked for errors by reading the spreadsheet and comparing information with the questionnaires.

4.10 Conclusion

In this chapter the research methods used in the deductive phase of this study were outlined and discussed. Six research statements were developed from a review of the literature to test what owners and managers of New Zealand accommodation establishments understood about guest retention. The findings from these statements would be used to answer the first research objective.

The study population comprised New Zealand establishments that provided accommodation and meals, and had a liquor licence. Although the sample was not large it was relatively heterogenous and to obtain the most reliable and valid data a census would be undertaken. A mail survey was the most appropriate method for distributing the questionnaire as respondents could answer in their own time and would not feel pressured to answer. A questionnaire comprising three sections was developed, section one contained nine classification questions; section two included 27 Likert Scale items; and, section three comprised two questions only. The importance of pretesting and pilot testing the survey was discussed and the actual processes followed were outlined in this chapter.

When developing and using a questionnaire survey it is important to ensure the instrument produces reliable and valid findings. The reliability of the survey instrument used in this research was estimated using Cronbach's Alpha. The Alpha score obtained was 0.723, which shows consistency within the instrument. Two pairs of Likert Scale items were also included in the survey to check reliability, and a comparison of these also demonstrates that the instrument yielded consistent results. Different forms

of validity were discussed and it was shown the survey instrument demonstrated construct, content and face validity.

An incentive was used to maximise response rates to the survey and ethical approval had to be obtained and this was granted by the Massey University Ethics Committee. In the final section of this chapter bias in this survey was considered. However, bias within the questionnaire, response rate bias, non-response bias, sampling bias and location bias were all minimal. Finally, the editing, coding and data entry processes were outlined. Once data were entered into an Excel spreadsheet analysis was undertaken and the results are presented in Chapter Five.

Chapter 5

Survey Findings

5.1 Introduction

In the first section of this chapter the actual response rates to the mail survey are presented and compared with response rates from similar surveys. Next the findings from the mail survey are presented in the same order in which they appeared in the questionnaire. That is, classification questions, Likert Scale items, the importance of four strategies, and the open ended question.

5.2 Response Rates

5.2.1 Actual Response Rate

Four hundred and eight questionnaires were sent out on 26 September 2002, and by 11 October 2002, 119 responses had been received, a 30% response rate. A reminder letter and questionnaire were sent out on 14 October, as experts suggest response rates can be increased by sending out reminder letters one or two weeks after the previous mailing (Neuman, 1994; Rogelberg & Luong, 1998, in Leedy & Ormrod, 2001). The final date for completing and returning the questionnaire was 22 October 2002 and by this time the response rate had increased to 36.5% or 149 responses.

5.2.2 Comparing Response Rates

In terms of comparable research for the hospitality industry, Brown (1996) achieved a response rate of 35.7% when surveying UK General Managers about the hotel sector's reaction to environmental issues. While Ladkin (exploring the career paths of hotel managers in Australia) reported a 45% response rate, she added, "after adjustments for error the final sample size is 284" (2000, p. 228), which is, in fact, a response rate of 35.5%. The 36.5%

response rate for the survey reported in this study compares favourably with these studies.

5.2.3 Incentive Winner

It was not apparent whether the incentive increased the response rate; however, most respondents filled in the final page of the questionnaire and their names were entered into the draw for the book voucher. An impartial colleague was asked to draw the winning establishment, and the prize was sent by mail with a covering letter at the end of October; a brief thank you note was received in return.

5.3 The Findings

The findings from the survey are presented following the questionnaire format, classification questions first, followed by Likert Scale items, the question relating to the importance of four strategies, and the open-ended question. Tables and figures are included to illustrate the findings.

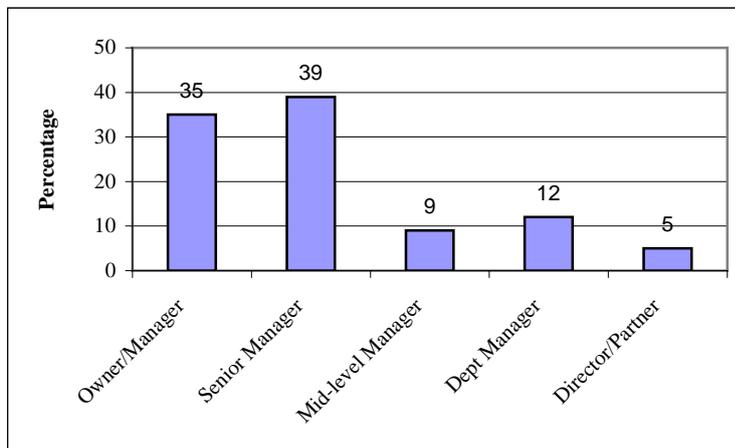
5.3.1 Classification Questions

The first question in the survey asked respondents what their position was within the establishment and individual responses were grouped into five categories (see Table 5.1) based on definitions and discussion provided by Huckestein in Pizam, 2004; Ladkin, 2002; Long in Pizam, 2004; Walker, 1996 and the industry experience of the researcher. Figure 5.1 shows that 35% of respondents were classified as owner/managers, 39% as senior managers, 9% as mid-level managers, 12% as department managers, and 5% as directors/trustees.

Table 5.1: Categorisation of positions

Category	Position
Owner/Manager	Owner; Owner/Managing Director; Owner/Partner; Part Owner/Operator with husband (actually working in the business)
Senior Manager	General Manager; Manager; Hotel Manager; Executive Manager; Business Manager
Mid-level Manager	Assistant Manager; Assistant General Manager; Duty Manager; Executive Assistant Manager; House Manager
Department Manager	Administration Manager; Office Manager; Front Office Manager; Personal Assistant; Reception Manager; Marketing Co-ordinator; Marketing & Administration Co-ordinator; Administration
Director/Partner	Divisional Director; Partner; Trustee; Managing Director (not actually working in the business)

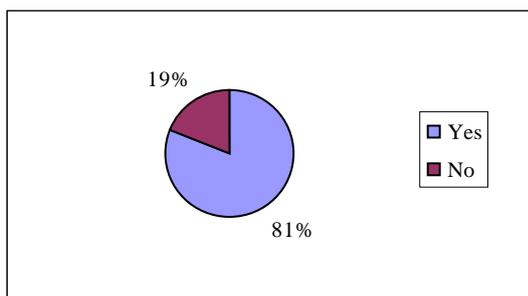
Figure 5.1: Position of respondent



n = 148

Ownership and affiliation were the focus of the next two questions and 81% indicated their establishment was privately owned (see Figure 5.2). Nineteen percent stated that their establishment was part of a hotel chain. Specific chains included Mainstay Chain, MCQ Hotels, Rydges Hotels and Resorts, and Accor Hotels.

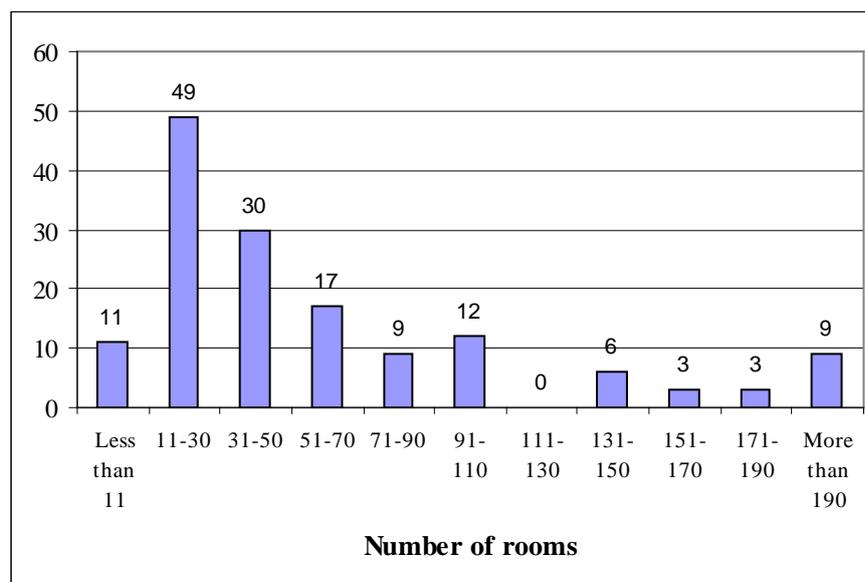
Figure 5.2: Private ownership



n = 149

How many rooms are there in your establishment' was the fourth question and results are shown in Figure 5.3. The majority of responses (40.1%) had 30 rooms or less while only 14% of respondent establishments had more than 131 rooms. These findings are in line with the general New Zealand accommodation industry, which is characterised by a large number of properties with less than 30 rooms (www.stats.govt.nz).

Figure 5.3: Number of rooms



n = 149

Table 5.2 shows the average number of rooms in the hotel/resort category as reported in the Commercial Accommodation Monitor (CAM) and the average number of rooms in establishments that responded to this study. It is interesting to note that the average number of rooms from the CAM and this study is almost exactly the same.

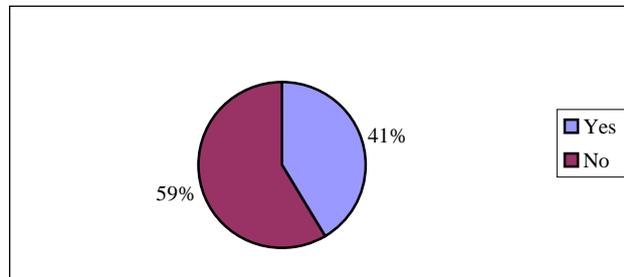
Table 5.2: Average number of rooms available in January 2005

Type of Establishment	Number of Establishments	Number of Rooms	Average number of rooms
Hotels and Resorts	564	29,006	51
Survey	149	7593 ¹²	50

¹² Total number of rooms estimated by multiplying number of responses by the lowest number in the category, i.e. 49 respondents reported 11–30 rooms, total room number is calculated as 49 x 11. The exception is the first category, where five rooms are estimated for each establishment.

The next question in the survey asked respondents whether their establishment had any type of quality rating system, 41% (61 establishments) responded 'yes' (see Figure 5.4).

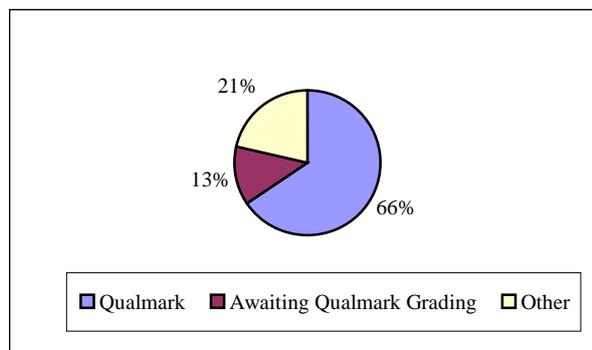
Figure 5.4: Quality rating system



n = 149

Figure 5.5 shows the breakdown of these 61 respondents. Forty (66%) were already graded by Qualmark, 8 (13%) were waiting for Qualmark grading, and the remaining 13 (21%) were rated with other organisations, including Flag Choice Hotels "Green", Best Western, Scenic Circle Hotels, Accor, and Choice Hotels International USA.

Figure 5.5: Type of rating

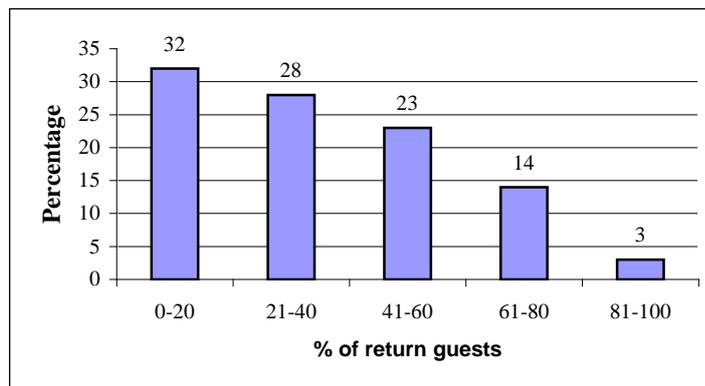


It was interesting that the number of establishments graded by Qualmark were relatively low as there has been a concerted effort in the last 15 years to encourage accommodation businesses to join the Qualmark quality rating system. Qualmark New Zealand Limited is the official tourism quality rating system and businesses have to meet specified requirements and standards to achieve Qualmark rating and are assessed by independent assessors before the rating is awarded. The role of Qualmark is to help

enhance New Zealand’s reputation as a world-class visitor destination (www.qualmark.org.nz).

In the next question respondents were asked to estimate the percentage of ‘returning guests’ and ‘new guests’ (per annum) in their establishment and full results are shown in Appendix 10. As responses were so diverse they were grouped into five categories and findings are shown in Figure 5.6.

Figure 5.6: Percentage of return guests (per annum)

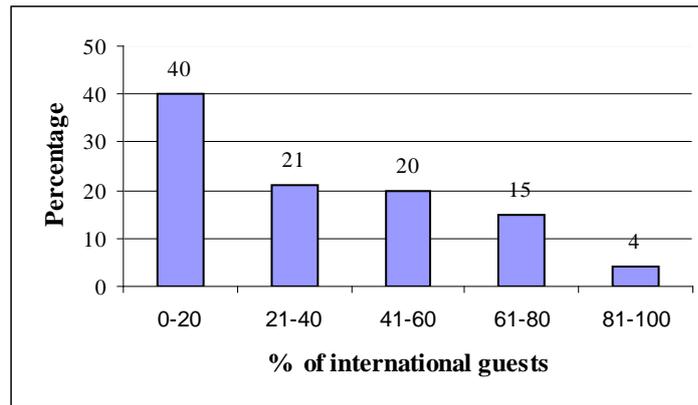


n = 138

The table above shows 32% of all establishments (45) indicated 0-20% of their guests were returning; therefore 80–100% would be new guests. Fourteen percent of establishments (20) indicated 61–80% of their guests were returning; therefore 20–39% of their guests would be new guests. Further exploration of this data showed one establishment only had 1% return guests and 99% new guests, they commented “*as a resort hotel we cater almost exclusively to international guests*”. It was interesting to note that almost two thirds of establishments had a retention rate of 40% or less.

Respondents were then asked to estimate the annual percentage of domestic and international guests (per annum) in their establishment and full results are shown in Appendix 11. Responses were also grouped for this question and findings are shown Figure 5.7.

Figure 5.7: Percentage of international guests (per annum)

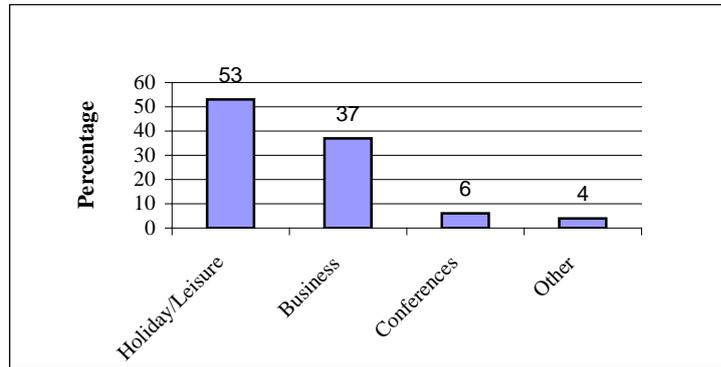


n = 146

The figure above shows the estimated number of international guests per annum in each establishment. For example, 40% of establishments (57) indicated 0–20% of their guests were international; therefore 80–100% would be domestic guests. Similarly, 15% of establishments (21) indicated that 61–80% of their guests were international; therefore 20–39% would be domestic guests

The final question in section one of the survey asked respondents the main reason why overnight guests stayed in their establishment, see Figure 5.8. Fifty three percent (79) responded that guests stayed for holiday or leisure reasons. This result is similar to the reasons for travel identified by domestic tourists in 2003, when 64% stated they travelled for holiday reasons or to visit friends and relatives (www.trcnz.govt.nz/surveys). Respondents also stated that 43% of overnight guests were staying for business/conference reasons; it was reported in travel and tourist statistics that 36% of New Zealand domestic travellers travel for business, education or ‘other’ reasons (www.trcnz.govt.nz).

Figure 5.8: Main reason for stay



n = 149

The 'other' category in this question allowed individual responses. These included the following reasons for stay: sports teams, connection to airport and flights, workers working at nearby dam, overseas students on assignments, and charter fishing.

These nine classification questions were further analysed using inferential statistics and the results are presented and discussed in Chapter Six.

5.3.2 Likert Scale Items

In total there were 27 Likert Scale items included in the survey and results for each item are presented in Appendix 12. There were high response rates to all items with at least 143 answering each item, although only two were answered by all 149 respondents. Comprehensive analysis and discussion of the findings from the 18 Likert Scale items used to answer the research statements is provided in Section 6.2 and findings from the other nine Likert Scale items are further analysed and discussed in Section 6.3.

5.3.3 Importance of Strategies

The final section of the survey contained two questions: the first asked respondents to allocate a total of 100 points among four strategies according to how important each strategy was to the establishment. The four strategies were:

- Developing guest loyalty,
- Acquiring new guests,
- Retaining existing guests, and
- Satisfying guests.

Four establishments did not respond to this question and two other responses did not equal 100. These two responses were scaled so they equalled 100 and included in the data (n = 145). There was a wide range of responses to this question and these are shown in Appendix 13.

The mean scores for each of the strategies and Friedman’s test rankings are shown in Table 5.3 and both tests show the ranking of each strategy based on the survey findings.

Table 5.3: Importance of strategies

Statistical Test	Developing guest loyalty	Acquiring new guests	Retaining existing guests	Satisfying guests
Mean Scores	16.98	20.29	23.04	38.14
Friedman Test	1.90	2.14	2.54	3.42

From these findings it can be seen that satisfying guests is ranked by respondents as the most important strategy, followed by retaining existing guests, acquiring new guests, and developing guest loyalty. The results from this question are further analysed and discussed in Section 6.5.

5.3.4 Open-ended Question

The final question in the survey was open ended and 18% (27) responded to the question. Comments are analysed and discussed in Section 6.6.

5.4 Conclusion

A response rate of 36.5% (149 establishments) was obtained from a census population of 408 and this compares favourably with other similar surveys. The findings to nine classification questions were reported in this chapter

and it was interesting to note that 74% of respondents were senior managers or owner/managers who would have the required knowledge to respond to the questionnaire. Only 19% of establishments were part of a larger chain and the majority of respondents (40.1%) had 30 rooms or less which is in line with the NZ accommodation industry. Sixty one establishments had some type of quality rating system and 48 of these were listed with Qualmark or waiting grading.

When asked about the percentage of return guests per annum it was interesting to note that 60% of establishments had a retention rate of 40% or less indicating that 60% or more of their business is made up of new guests. The majority of establishments indicated that the highest percentage of their guests were domestic with only 3% (seven establishments) stating that more than 80% of their guests were international. In the final classification question it was reported that 90% of guests stayed for holiday/leisure or business reasons.

The findings from the Likert Scale items were reported in this chapter and will be further elaborated and discussed in Chapter Six. Four strategies were included in the survey and respondents were asked to allocate 100 points between each strategy according to how important they were to the establishment. 'Satisfying guests' was clearly the most important strategy with a mean score of 38.14 followed by 'retaining existing guests' with a mean score of 23.04. Third was 'acquiring new guests' with a mean score of 20.29 and 'developing guest loyalty' received a mean score of 16.98. These findings were interesting and are discussed in more detail in Chapters Six and Nine.

Chapter 6

Survey Analysis and Discussion

6.1 Introduction

This chapter is presented in six sections beginning with a comprehensive discussion and analysis of the 18 Likert Scale items included in the mail survey to answer six research statements. These findings constitute the deductive phase of the study and allowed current theory to be tested in relation to guest retention in New Zealand accommodation establishments.

Next the findings from the other nine Likert Scale items included in the survey are discussed and findings are discussed in relation to the literature. The third section presents the findings from the classification questions and these are cross tabulated with the Likert Scale items and significant differences are discussed.

The findings from the question asking respondents to allocate 100 points between four strategies depending on which they felt was the most important, are then discussed and analysed. The responses to the open-ended question are presented in section five and these are classified into six broad categories and discussed in relation to relevant classification questions and Likert Scale items from the survey. In the final section of this chapter the findings from the six research statements are restated and the first research objective is answered.

6.2 Testing the Research Statements

There were six research statements developed from the literature to answer the first research objective in this study. There are:

1. Accommodation managers actively work to retain their guests.
2. Accommodation managers know the value of guest retention.

3. Accommodation managers understand the links between guest acquisition, satisfaction, loyalty and retention.
4. Accommodation managers understand the specific reasons behind guest defections.
5. Accommodation managers understand the importance of service recovery.
6. Accommodation managers understand how loyalty schemes lead to guest retention.

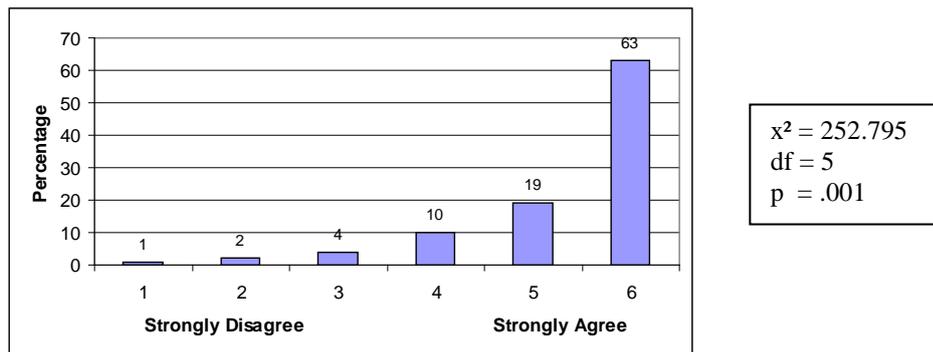
The 18 Likert Scale items used in this study to answer the research statements produced ordinal variables. With ordinal variables, non-parametric tests are the most appropriate; and the chi square test was the most relevant for this research (Babbie, 2002; Zikmund, 2000). Once the responses from the 18 Likert Scale items had been entered into an SPSS spreadsheet the chi square test was undertaken. This test compares an anticipated distribution of responses to the actual distribution of responses. The use of chi square enables researchers to “decide whether or not our theoretical research statements are confirmed by the empirical evidence” (Zikmund, 2000, p. 459). A confidence interval of $p \leq 0.05$ was adopted in this study and according to de Vaus (2002) the research statement should only be rejected if the confidence interval is greater than 0.05. The table in Appendix 14 shows the responses to the 18 Likert Scale items designed to answer the research statements, the actual responses (not including the ‘no opinion’ responses), the chi square value (χ^2), the degrees of freedom (df), and the level of significance (p).

In the following discussion the three Likert Scale items designed to test each of the six research statements are discussed, whether respondents agree or disagree with the statements is stated, and the statements are discussed in light of relevant literature.

6.2.1 Accommodation Managers Actively Work to Retain Their Guests

Most survey respondents (82%) stated their establishments actively worked to keep overnight guests coming back (Figure 6.1) and, as expected, the chi square value for this item is very high (252.795).

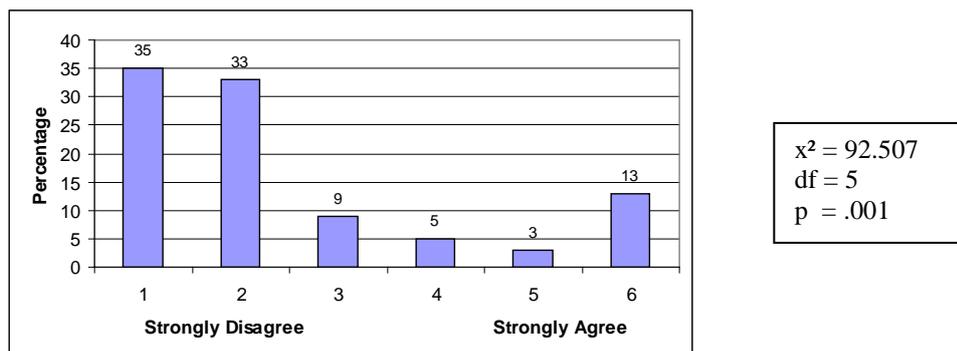
Figure 6.1: In this establishment we actively work to keep our overnight guests coming back (Likert item 10)



n = 148, 2 'no opinion'

Sixty-eight percent of respondents believed retention strategies were necessary even if overnight guests returned to the establishment (Figure 6.2), and again the chi square value is high (92.507).

Figure 6.2: Retention strategies are unnecessary if overnight guests regularly return to the establishment (Likert item 18)

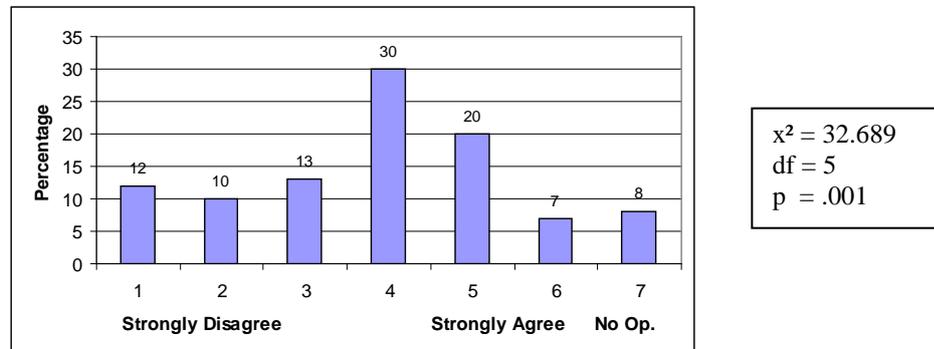


n = 146, 3 'no opinion'

Figure 6.3 shows the responses to the item that asked if the establishment spent more money marketing to new overnight guests than they spent trying to keep existing guests were more ambiguous, with a slightly higher number of respondents answering on the agree side (4, 5, 6) of the scale (57%).

While the chi square value for this item is lower than items 10 & 18 it is still reasonably high at 32.689.

Figure 6.3: This establishment spends more money marketing to new overnight guests than they spend trying to keep existing guests (Likert item 29)



n = 147, 12 'no opinion'

Each item (10, 18, and 29) demonstrates a high level of significance, (meaning the results are not due to sampling error and can reliably be extrapolated back to the population. In summary, the responses to the three items to answer the first research statement showed:

- strong agreement that establishments actively work to keep overnight guests coming back,
- agreement that retention strategies are necessary, even if overnight guests regularly return, and
- some agreement that the establishment spends more money marketing to new guests than it spends on retaining guests.

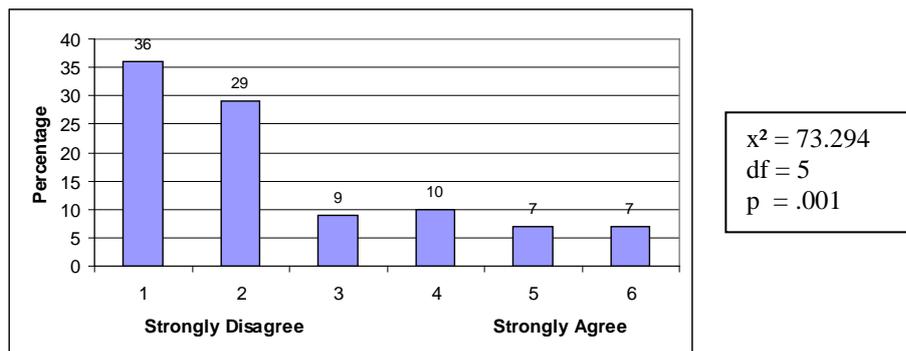
Therefore, the statement, '*accommodation managers actively work to retain their guests*' has been accepted as correct based on the findings from this survey. These findings do not support the theory espoused in the literature review where it was established that retention should be part of an organisation's strategy; however, it is often reported to be overlooked and the focus becomes guest acquisition (Ahmad, 2002). Some literature stated that part of the problem of overlooking retention is that mechanisms are not in place to effectively track customer retention (DeSouza, 1996; Hall, 2000; Johnson, et al., 2001; Reichheld, 1994; Stiefbold, 2003).

It was interesting to note that the respondents from New Zealand accommodation establishments believed that they actively work to retain their guests; implying that they have processes and procedures in place to track guest retention, as well as schemes that encourage guests to return and specific marketing practices that focus on returning guests. Current statistics from the New Zealand accommodation sector report average annual occupancy rates in hotels and motels of 57.8% and 56.5% respectively (www.trenz.govt.nz/surveys) leading to the assumption that encouraging guest retention may be a way for individual establishments to increase their occupancy rates. However, the survey findings reported in Table 5.5 show that 32.6% of accommodation establishments who responded to the survey had 20% or fewer return guests and 60.8% had 40% or fewer return guests.

6.2.2 Accommodation Managers Know the Value of Guest Retention

Two thirds of respondents (65%) believed it is important to know the dollar value of returning guests, and the chi square value is 73.294 (see Figure 6.4).

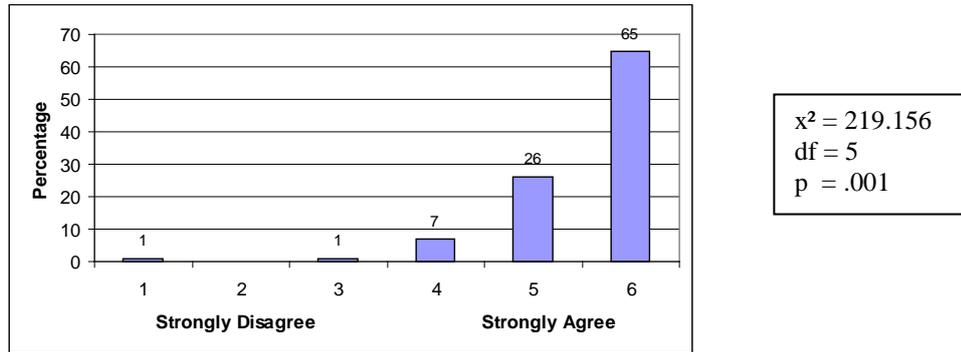
Figure 6.4: It is not important to know the dollar value of overnight guests who return to our establishment (Likert item 19)



n = 146, 3 'no opinion'

Most respondents (65%) were clear that retained guests would make favourable word-of-mouth comments about the establishment (Figure 6.5), and a very high chi square value was recorded (219.156).

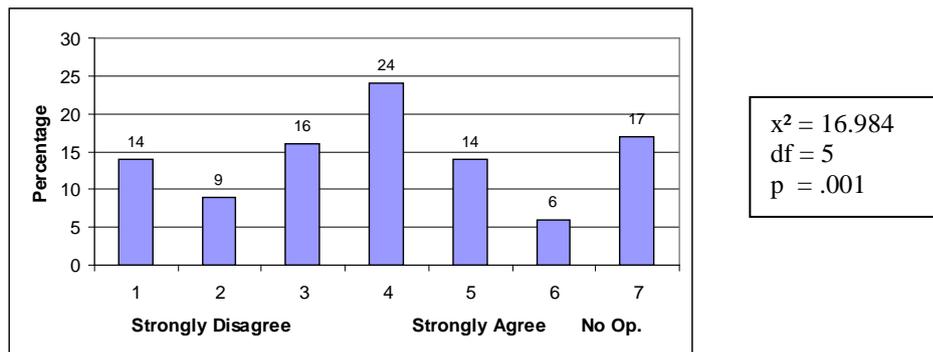
Figure 6.5: Returning overnight guests market our establishment by making favourable word of mouth comments (Likert item 23)



n = 147

Responses were fairly even across the six point scale when respondents were asked ‘In this establishment we believe that returning overnight guests spend more than new guests’, although there was a high number who responded ‘no opinion’ (see Figure 6.6). Thirty-nine percent of respondents answered 1, 2 or 3 on the scale, indicating some degree of disagreement with the item, while 44% answered 4, 5 or 6 indicating some degree of agreement. The chi square value for this item (16.984) is lower than items 19 & 23, but all three demonstrate a high level of significance at the 5% level.

Figure 6.6: In this establishment we believe that returning overnight guests spend more than new guests (Likert item 32)



n = 146, 25 ‘no opinion’

Responses to the three items included in the survey to answer the second research statement indicate:

- some agreement that it is important to know the dollar value of overnight guests,

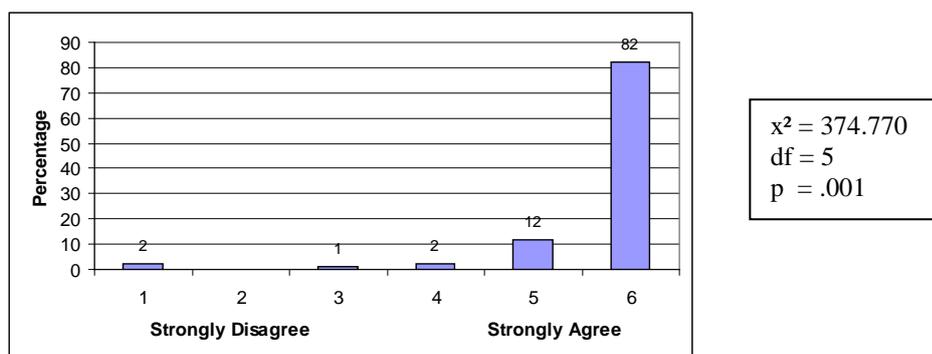
- strong agreement that returning overnight guests make favourable word-of-mouth comments, therefore, marketing the establishment, and
- neither agreement nor disagreement with the statement that they believe returning overnight guests spend more than new guests.

In light of these responses it has been accepted that ‘*accommodation managers know the value of guest retention*’. While the literature reviewed in Chapter Three showed a link between retained customers and increased profits; there was also evidence to show managers do not understand the lifetime value of a retained customer (Ahmad, 2002; Clark, 2002; Cranage, 2004; Ennew & Binks, 1996; Hansemark & Albinsson, 2004; Reichheld & Sasser, 1990; Stiefbold, 2003). The results obtained from this survey for item 32 indicate that the highest group of respondents (46%) answered 3 or 4 on the scale, which could indicate they did not know the differences in spend between new and retained guests.

6.2.3 Accommodation Managers Understand the Links Between Guest Acquisition, Satisfaction, Loyalty and Retention

All three Likert Scale items used to test this statement showed very high chi square values, and all demonstrated a high level of significance (.001) at the 5% level. Ninety four percent of respondents stated that satisfied overnight guests are more likely to return than unsatisfied guests (see Figure 6.7). The chi square value for this item was very high 374.770.

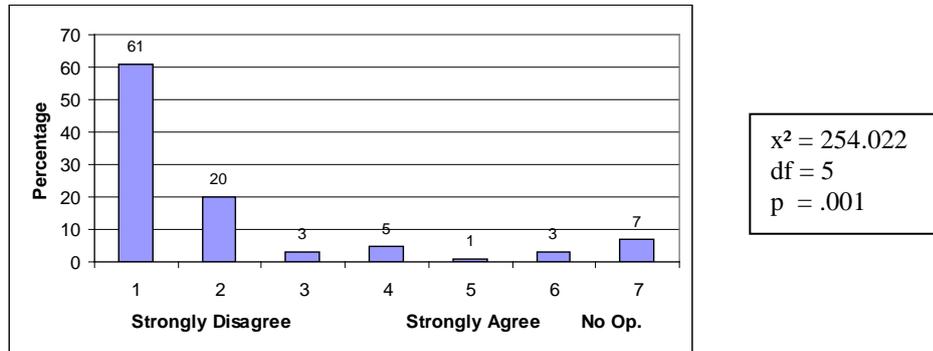
Figure 6.7: Satisfied overnight guests are more likely to return to this establishment than unsatisfied overnight guests (Likert item 25)



n = 149, 1 'no opinion'

Figure 6.8 shows that the second item had a high percentage of respondents who agreed that they believe there is a relationship between satisfied guests and returning guests (84%). Again the chi square value was high at 254.022.

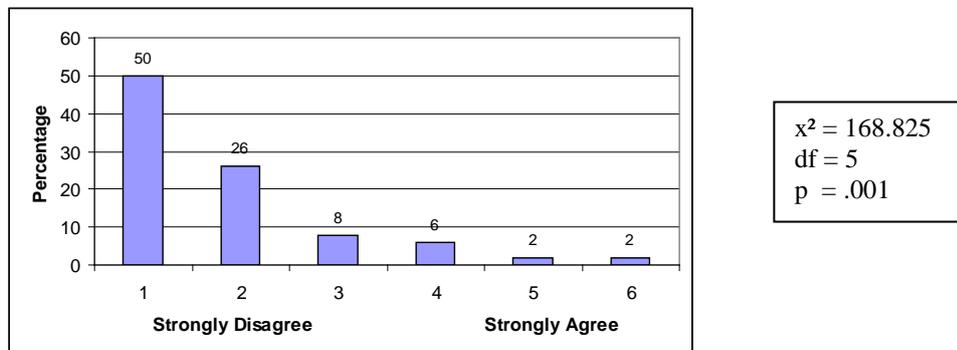
Figure 6.8: In this establishment we do not believe that there is any relationship between satisfied overnight guests and returning guests (Likert item 34)



n = 145, 11 'no opinion'

There was also strong agreement from respondents that it is cheaper to keep existing guests than to attract new guests (see Figure 6.9) and this was confirmed by the chi square value of 168.825.

Figure 6.9: It is cheaper to attract new overnight guests than to keep existing guests (Likert item 36)



n = 145, 8 'no opinion'

The three items included in the survey to answer the third research showed high chi square values and elicited the following responses:

- strong agreement that satisfied overnight guests are more likely to return than unsatisfied guests,
- strong agreement that respondents believe there is a relationship between guest satisfaction and retention, and

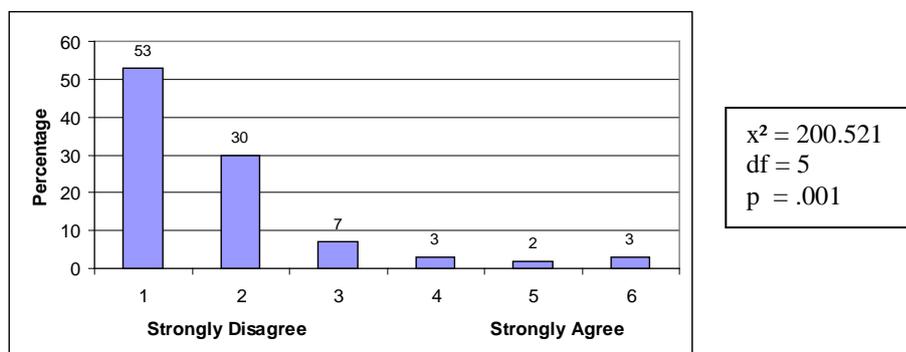
- strong agreement that it is cheaper to keep existing guests than to attract new guests.

These responses led to an acceptance of the research statement *'accommodation managers understand the links between guest acquisition, satisfaction, loyalty and retention'*. One of the main themes in the service management literature is a move towards a systems approach where all elements of the service system are coordinated. One particular approach is the Service Profit Chain (SPC), which shows links between customer satisfaction, loyalty, retention and profitability (Anderson & Mittal, 2000; Heskett et al., 1994; Soteriou & Zenios, 1999, in Kamakura et al., 2002; Roth et al., 1997, in Lau, 2000; Schlesinger & Hallowell, 1993; Schneider, 1994). An understanding of these links was demonstrated by the responses to the establishment survey used in this study.

6.2.4 Accommodation Managers Understand the Specific Reasons Behind Guest Defections

Most respondents (83%) stated they knew why overnight guests returned to their establishment (Figure 6.10), as expected, the chi square value for this item is high at 200.521.

Figure 6.10: This establishment does not know why overnight guests return (Likert item 12)

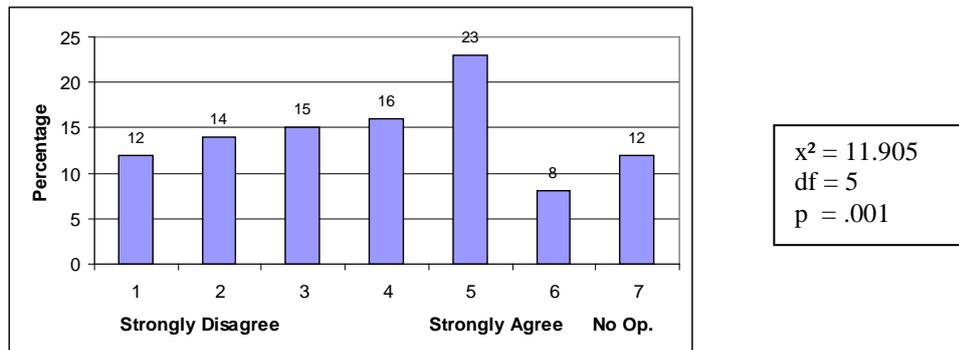


n = 148, 2 'no opinion'

Item 21 was also used to test statement four, and responses are fairly even across the scale – Figure 6.11. Almost 50% of respondents answered 4, 5 or

6, indicating some agreement with the statement that they have policies in place to help understand why guests return. However, there were 41% who answered 1, 2 or 3, indicating some disagreement with the statement. Although only slightly more (6%) responded on the ‘agree’ side of the scale, a chi square value of 11.905 shows responses are significant at the 5% level.

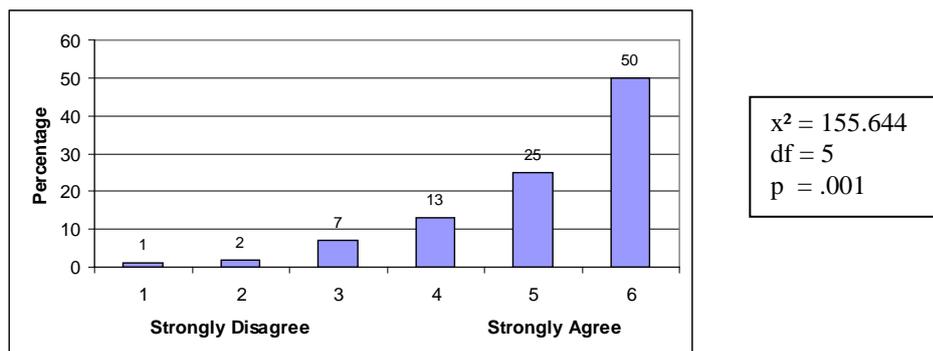
Figure 6.11: This establishment has policies in place to help understand why overnight guests do not return (Likert item 21)



n = 143, 17 ‘no opinion’

Most respondents (76%) to item 26 showed they understood the link between satisfaction and retention when they agreed if guests are unhappy they will defect from the service (Figure 6.12). Again, a high chi square value demonstrated a high level of significance, 155.644.

Figure 6.12: If overnight guests are unhappy with the level of service they will not return to this establishment (Likert item 26)



n = 148, 4 ‘no opinion’

In summary the following results were obtained from the three Likert Scale items testing the fourth research statement:

- strong agreement that establishments know why overnight guests return,

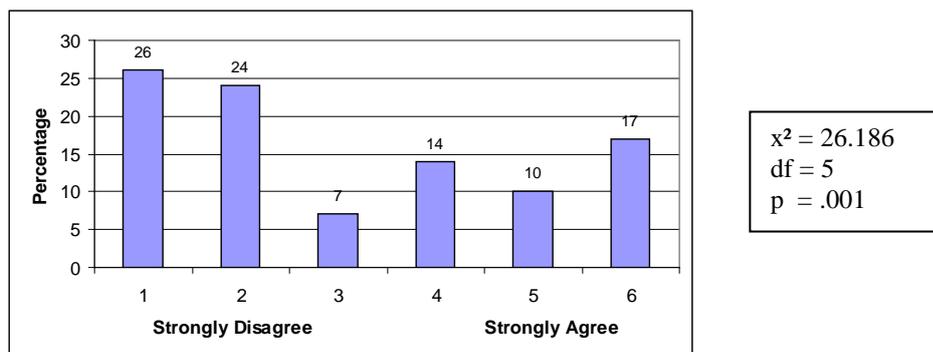
- some agreement that establishments have policies in place to help understand guest retention, and
- fairly strong agreement that if guests are unhappy with the service they will not return.

These findings indicated that respondents did understand the specific reasons behind guest defections; therefore, the statement ‘*accommodation managers understand the specific reasons behind guest defections*’ was accepted. The literature relating to this statement stated that tracking defecting customers is important; however, not all managers understand the reasons for defections. The general consensus in the literature is that preventing customer defections is a sound business strategy (Ahmad, 2002; Anderson & Mittal, 2000; Evans, 2002; Page et al., 1996; Reichheld et al., 2000; Reichheld, & Sasser, 1990; Zeithaml, 2000). It might be deduced from the survey responses that New Zealand accommodation managers understand why guests defect and, therefore, also know how to measure and prevent such defections.

6.2.5 Accommodation Managers Understand the Importance of Service Recovery

Just over three-quarters (77%) of respondents stated it was not only management who were empowered to deal with guest complaints (Figure 6.13), and the chi square value of 26.186 shows a high level of significance for this item.

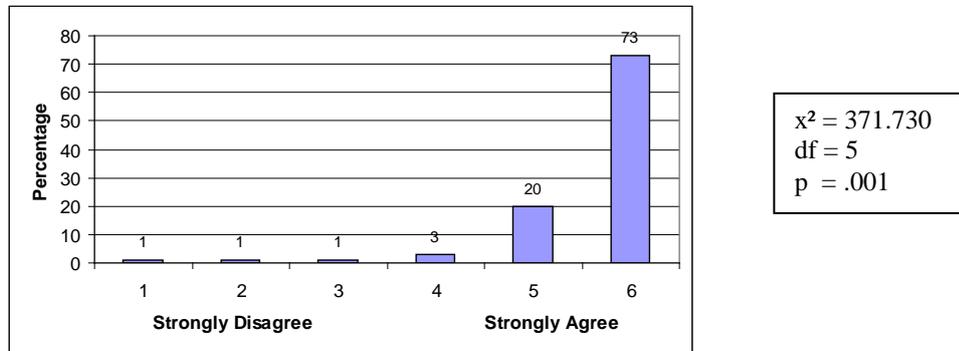
Figure 6.13: In this establishment only management are empowered to deal with overnight guest complaints (Likert item 14)



n = 148, 3 'no opinion'

All respondents answered item 17, with 93% stating they understood the importance of recovering from a service failure – Figure 6.14. As expected, the chi square value for this item is very high at 371.730.

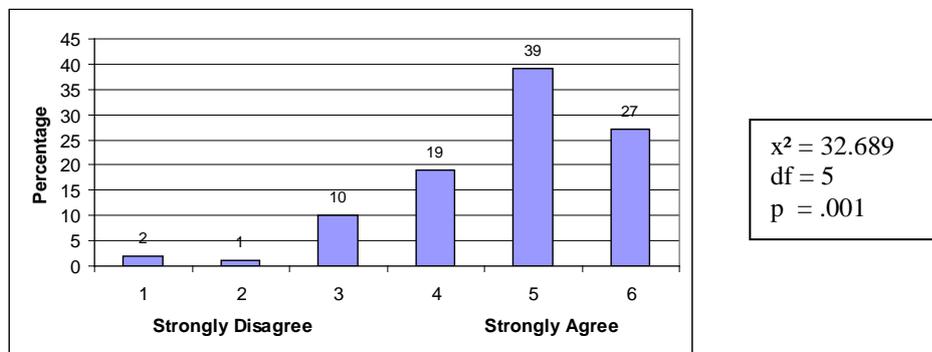
Figure 6.14: In this establishment we understand the importance of recovering from a service failure (Likert item 17)



n = 149, 1 'no opinion'

Two-thirds of the respondents (66%) to the third item relating to research statement five agreed that problem resolution could lead to guest loyalty (Figure 6.15). Again, a high chi square value was obtained (32.689).

Figure 6.15: An overnight guest who has had a service problem resolved is more likely to be loyal to this establishment (Likert item 28)



n = 147, 3 'no opinion'

Each of these three items demonstrates a high level of significance which means the results are not due to sampling error. The responses showed:

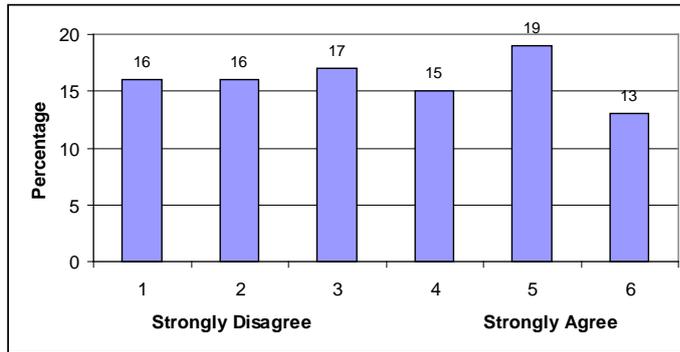
- strong agreement that empowerment is not limited to management
- very strong agreement that they understand the importance of service recovery, and
- fairly strong agreement that resolution of a service problem will lead to guest loyalty.

It is clear that the responses to these three items support the fifth research statement, '*accommodation managers understand the importance of service recovery*' which has been accepted. In the literature reviewed for this study there was agreement that service recovery is an important aspect of customer retention, and organisations should build an organisational culture that makes it easy for customers to complain. However, some research shows that not all employees are empowered, and communication can be a problem (Ahmad, 2002; Cranage, 2004; de Ruyter & Wetzels, 2000; Hess et al., 2003; Hueng & Lam, 2003; Johnston, 2001; McCollough et al., 2000; Reichheld et al., 2000; Stiefbold, 2003). Although the majority of respondents to this survey stated that empowerment is not limited to management, there were still 27% who stated that only management were empowered to deal with guest complaints.

6.2.6 Accommodation Managers Understand How Loyalty Schemes Lead to Guest Retention

The first item relating to Statement 6 asked respondents whether they believed loyal overnight guests are more easily satisfied than new overnight guests and responses are shown in Figure 6.16. There is ambiguity in the responses to this item, with paired rankings showing very similar results, i.e. 33% answered 1 or 2; 34% answered 3 or 4; and 33% answered 5 or 6. There were an equal number of respondents (50%) on each side of the scale (i.e. 1, 2, 3 and 4, 5, 6). The chi square value for this item is very low (1.936), and while at the 5% level is not significant it might be speculated that measures of satisfaction used by respondents do not differentiate between loyal guests and new guest satisfaction.

Figure 6.16: In this establishment we believe that loyal overnight guests are more easily satisfied than new overnight guests (Likert item 22)

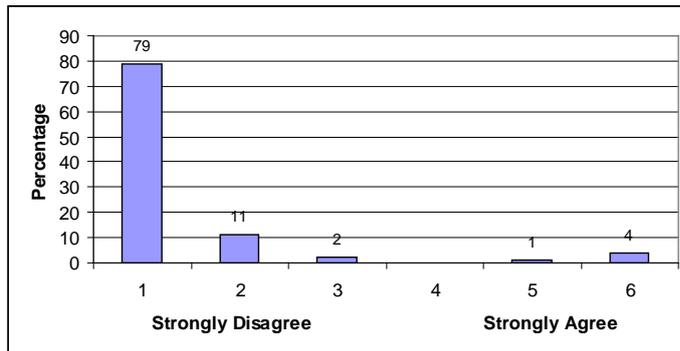


$\chi^2 = 1.936$
 $df = 5$
 $p = .08$

n = 147, 6 'no opinion'

However, there is very strong agreement, 92%, with the next item that good service is important even if a loyalty scheme is in operation in the establishment (Figure 6.17). The chi square value, as expected, is very high at 334.929.

Figure 6.17: If you have a loyalty scheme in your establishment you need not be concerned about providing good service (Likert item 31)

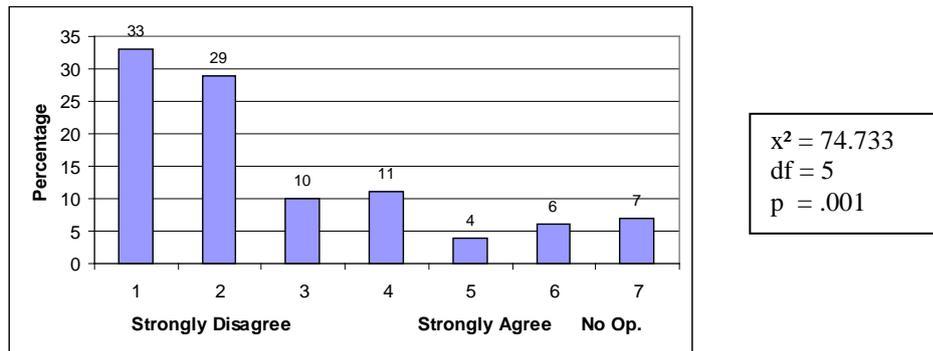


$\chi^2 = 334.929$
 $df = 5$
 $p = .001$

n = 145, 5 'no opinion'

The final item asked whether loyalty schemes would encourage overnight guests to return to the establishment, and 62% of respondents agreed with this statement – Figure 6.18. The chi square value was also high at 74.733.

Figure 6.18: Loyalty schemes will not encourage overnight guests to return to this establishment (Likert item 35)



n = 146, 11 'no opinion'

Responses to items 31 and 35 show that loyalty is important and known to be important by respondents but that loyalty schemes are not well understood. In summary, the responses to the three items to answer the sixth research statement show:

- ambiguity – neither agree or disagree that loyal guests are more easily satisfied than new guests,
- very strong agreement that providing good service is important even if there is a loyalty scheme operating, and
- fairly strong agreement that loyalty schemes will encourage guests to return.

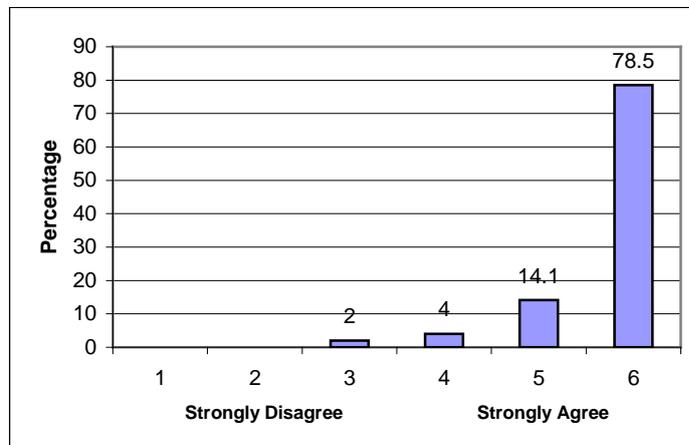
Although item 22 does not show clear support for the research statement, the other two items demonstrate support and, therefore, the research statement '*accommodation managers understand how loyalty schemes lead to guest retention*' has been accepted. Loyalty schemes have been touted in the literature as a way to build customer retention and increase profits, although evidence shows their effectiveness is limited (Bolton, Kannan & Bramlett, 2000; Lewis, 2004; O'Malley, 1998; Uncles et al., 2003). This survey did not explicitly ask about loyalty schemes; however according to Bolton et al., Lewis, and Uncles et al. loyalty schemes are an important part of a customer retention programme.

6.3 Findings from Other Likert Scale Items

The other nine Likert Scale items were included in the survey for the variety of reasons and are summarised in Appendix 15. Two of these items (30, 33) were included to test the reliability of the instrument and these findings were discussed in Section 4.6. Item 30 was also included as a filter question for choosing the case studies along with items 13, 20, and 24. Items 11, 15, 16 and 27 were included in the survey to test whether the findings would support the theoretical concepts from the literature reviewed in Chapter Three

Item 11 asked respondents whether they thought overnight guests who were satisfied were more likely to remain loyal to the establishment. Frequency of responses is shown in Figure 6.19 and an overwhelming number of respondents (78%) strongly agreed with the item.

Figure 6.19: Overnight guests who are satisfied are more likely to remain loyal to this establishment (Likert item 11)



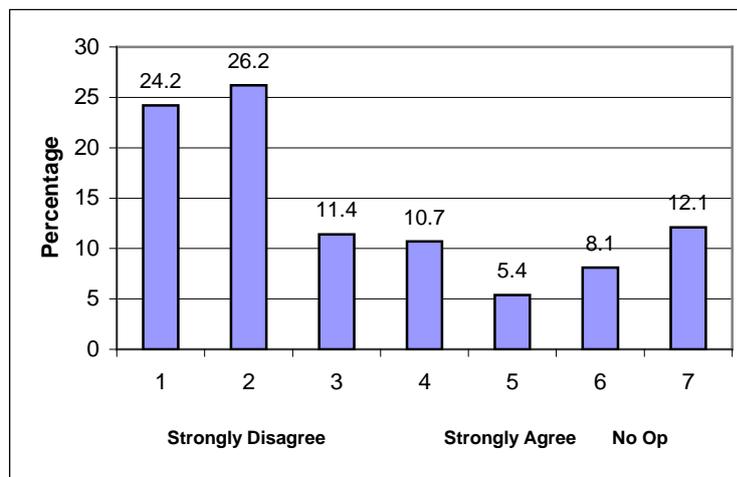
n = 147

A number of studies have confirmed a positive relationship between customer satisfaction and customer loyalty (Colgate & Stewart, 1998; Heskett et al., 1994; Hocutt, 1998; Jones & Sasser, 1995; Patterson & Spreng, 1997). However, the idea that satisfied customers are not always loyal to an organisation is suggested by Heskett et al. (1994) who “found that the link between customer satisfaction and customer loyalty was the weakest relationship in their model” (cited in Shoemaker & Lewis, 1999, p.

353). Dube et al. (1994) expanded this idea when they argued, “while there is no guarantee of a satisfied customer’s repeat visit, it is nearly certain that a *dissatisfied* customer will not return” (p. 39). This is supported by Struebing (1996) who stated “customers will only remain loyal if they are completely satisfied” (pp. 29–30). The results obtained from item 11 in this survey demonstrated that respondents from New Zealand accommodation establishments have some understanding of the link between guest satisfaction and guest loyalty.

Item 15 stated “Loyalty schemes are not successful in this business” and responses to this item were widely spread across the scale, with 61% answering 1, 2 or 3, therefore, disagreeing in some way with the statement. However, 25% of respondents agreed with the statement, while 12% indicated ‘no opinion’. See Figure 6.20.

Figure 6.20: Loyalty schemes are not successful in this business (Likert item 15)



n = 146, 17 ‘no opinion’

In literature from the early 1990s, loyalty schemes were “perceived to be one of the most successful marketing tools” (O’Malley, 1998, p. 47) and “both retailers and consumers appear to have customer loyalty schemes albeit for different reasons (O’Malley, p. 47). However, loyalty schemes have been constantly reviewed in the literature based on emerging definitions of loyalty. For example, Dick and Basu (1994) identified four categories of loyalty – no loyalty, spurious loyalty, latent loyalty, and sustainable loyalty – and went on to state that loyalty schemes are much

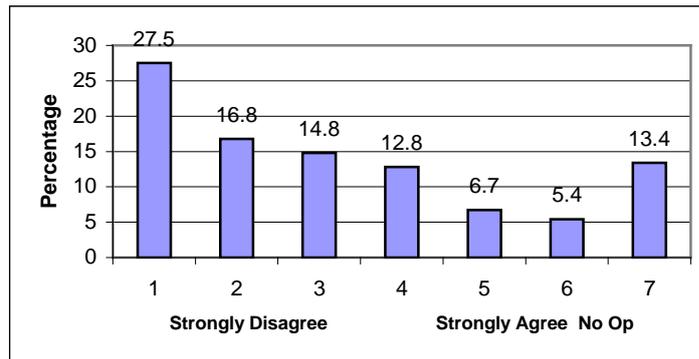
more successful with customers who display either no loyalty or spurious loyalty. Customers who demonstrate latent loyalty or sustainable loyalty have a high level of satisfaction with the organisation and tend to repurchase, therefore, it is argued that the need for a loyalty scheme for these groups is not so important. Similar categorisations of customer loyalty have been undertaken by Jones and Sasser (1995), who discussed loyalist/apostle, defector/terrorist, mercenary and hostage, while Reinartz and Kumar (2002) discussed butterflies, true friends, strangers and barnacles.

In a 1991 study Toh, Rivers and Withiam reported findings from a study which assessed the success of “steady sleeper plans” (p. 47). They found that hotel frequent guest programmes are not as successful as airline frequent flyer programmes. Reasons expounded for the low success rate include: lack of consumer knowledge about the programme; customers making too few trips to attain points; and the rewards seen as stingy and inappropriate.

All that can be deduced from the survey responses to item 15 is the majority of respondents believe loyalty schemes are successful. However, 25% believe they are not successful and 12% did not have an opinion. It is possible there is a lack of understanding about how loyalty schemes work and this led to the high number of ‘no opinion’ responses. Further research would need to be undertaken to further explain the responses received in this survey.

When respondents were asked whether the costs of a loyalty scheme would outweigh the benefits the responses were spread across the scale. Fifty nine percent responded on the disagree side of the scale (1, 2 or 3) indicating the cost of a loyalty scheme would not outweigh the benefits, while a fairly high percentage (25%) of respondents agreed the cost of a loyalty scheme would outweigh the benefits. See Figure 6.21.

Figure 6.21: The costs to this establishment of a loyalty scheme would outweigh the benefits (Likert item 27)



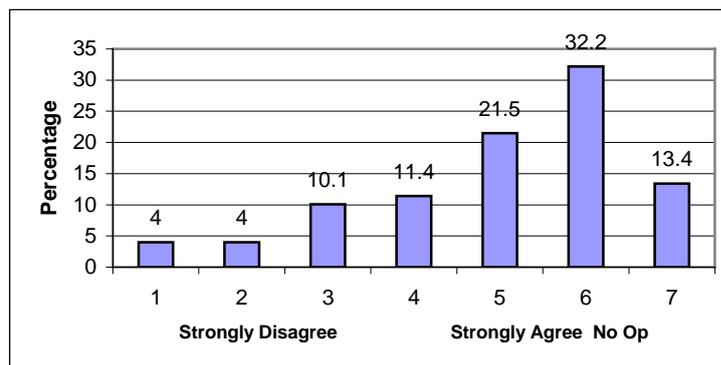
n = 145, 20 'no opinion'

The results to item 27 are surprising given that the research statement 'accommodation managers understand how loyalty schemes lead to guest retention' was accepted as true. Also a significant number of respondents replied 'no opinion' to this item and it is assumed respondents based their answers on actual experience. There was no literature uncovered which dealt with the specific cost of loyalty schemes. However, Dowling and Uncles (1997), stated "launching and maintaining loyalty programs cost firms money" (cited in Muller, 1998, p. 4). There was some literature reviewed which illustrated loyalty schemes should not be implemented in isolation but should be part of a wider retention strategy within the organisation (Anonymous, 1999; Hamilton & Howcroft, 1995). Other literature relating to loyalty programmes endorsed the link between customer retention and increased profits (Colgate et al., 1996; Eriksson & Vaghult, 2000; Reichheld & Kenny, 1990; Schlesinger & Hallowell, 1993; Zemke, 2000).

Item 16 was included in the survey because the way in which accommodation establishments respond to guest comment forms is an indication of their attitude to service recovery and guest retention. If there are specific procedures in place which are followed when dealing with both positive and negative guest comments it could be assumed the establishment was serious about service recovery. This item asked whether comment forms and cards filled in by overnight guests were dealt with according to stated procedures.

Feedback forms of some type are regularly seen in accommodation establishments, and most respondents (53%) agreed or strongly agreed that these forms were dealt with according to establishment procedures. It is interesting that 13% answered ‘no opinion’ to this item, which might indicate they did not use feedback forms in the rooms. Responses are shown in Figure 6.22.

Figure 6.22: Comment forms/cards from overnight guests are always dealt with according to stated establishment procedures (Likert item 16)



n = 144, 20 ‘no opinion’

The reviewed literature stated quite categorically that it was very important to recover from service failures, and one method of collecting feedback on the level of service (both positive and negative) is guest-comment forms and cards. Zairi (2000) stated complaints should be viewed in a constructive, positive and professional way as they are a method of receiving feedback from customers. However, Stiefbold alleged it is not easy for customers to give feedback to organisations (2003), and for complaints to reach the correct person in the organisation the system used should make filing a complaint easy and hassle free (Ahmad, 2002).

In summary the responses to the four Likert Scale items discussed above demonstrated that owners/managers of New Zealand accommodation establishments:

- understand the link between satisfaction and loyalty (item 11),
- believe that loyalty schemes are successful (item 15),
- believe that the costs of a loyalty scheme would not outweigh the benefits (item 27), and

- believe that comment forms/cards from overnight guests are always dealt with according to stated establishment procedures (item 16).

The findings from the classification questions in section one of the survey are analysed and discussed in the next section.

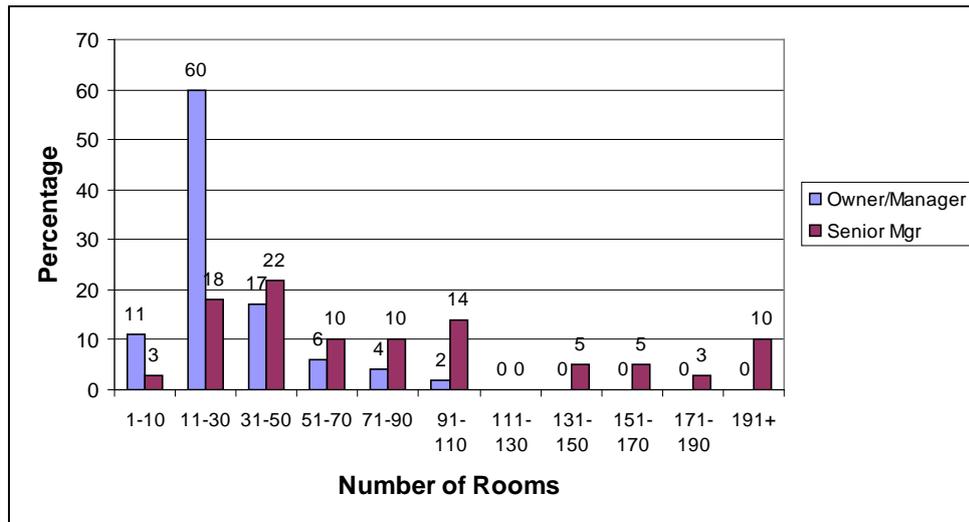
6.4 Classification Questions

6.4.1 Position of Respondent and Number of Rooms in Establishment

The first question in the survey asked respondents what their position was in the establishment and responses were categorised into five groups. The highest number of respondents was in the senior manager category (39%), followed by the owner/manager category (35%), with only 26% categorised as a mid-level manager, a department manager or a director/partner of the business. Because of the high number of responses by senior managers and owner/managers an assumption can be made that the survey was answered by a person who had access to all the relevant information and data in order to respond fully to the survey questions and items.

Figure 6.23 shows the majority of the respondents classified as owner/manager were from establishments with fewer than 50 rooms (88%). Respondents classified as senior managers were fairly evenly represented from all establishments but fewer were from establishments with less than 50 rooms (43%), most significantly, 23% were from properties with more than 131 rooms.

Figure 6.23: Position of respondent by number of rooms



These findings were not totally unexpected as smaller establishments are more likely to be owner operated and larger establishments are more likely to have hierarchical organisation structures with a Senior Manager in overall control. Not surprisingly, there were no owner/managers in properties with more than 110 rooms.

6.4.2 Cross Tabulations: Likert Scale Items, Position of Respondent and Number of Rooms in Establishment

Cross tabulations were undertaken between classification questions and the Likert Scale items. Significant differences were found between some of the Likert Scale items and two classification questions. The first, of these being position of respondent, and second the number of rooms in the establishments. Minimal differences were noted in the cross tabulations between ownership, quality rating, return/new guests, international/domestic guest, reason for stay and the Likert Scale items.

The responses to establishment size (Q4) were collapsed into three main groups (Table 6.1) and cross tabulations were undertaken between the small, medium and large establishments and their responses to the 27 Likert Scale items in the survey. Cross tabulations were also undertaken between the

Likert Scale items and the person who actually responded to the survey (i.e., owner/manager or senior manager). These findings are discussed below and summarised in a table included as Appendix 15.

Table 6.1: Categories based on number of rooms

Number of rooms in establishment	Category
0–30	Small
31–110	Medium
111+	Large

In the cross tabulations with number of rooms, item 14 “In this establishment only management staff are empowered to deal with overnight guest complaints” shows differences between responses from the small, medium and large establishments. With 45% of small establishments strongly agreeing or agreeing that only management staff are empowered to deal with guest complaints. The results show lower agreement from medium and large establishments, leading us to believe they do empower staff to deal with guest complaints.

Cross tabulations between item 14 and the position of respondent also show some differences, with only 22% of owner/managers agreeing, while 43% of senior managers agreed they empower staff to solve complaints. An assumption might be postulated to explain these differences whereby smaller establishments, which tend to be operated by owner/managers, are less likely to empower employees as the owner/manager is available to deal directly with guest complaints.

Item 15 “Loyalty schemes are not successful in this business” also showed significant differences when cross tabulated with responses categorised by number of rooms in the establishment and by the position of the respondent. Respondents predominantly disagreed with this statement, however, 22% from smaller establishments agreed with the statement, compared with only 9% from the large properties. There were also 17% who responded ‘no opinion’ to this item.

Again, similarities are seen between the owner/manager responses and the small establishments, with only 20% agreeing that loyalty schemes are not successful. However, 33% of senior managers agreed with the statement, which is an interesting finding. It has already been established that senior managers are working in the larger establishments (23% with more than 113 rooms) so would have expected that far fewer would agree that loyalty schemes are not successful, in line with the 9% of respondents from large establishments.

Item 18 stated “Retention strategies are unnecessary if overnight guests regularly return to the establishment” and as expected only a small percentage of respondents agreed with this statement. What is interesting is 24% of small establishments agreed, which leads to the assumption they do not understand retention or are using retention strategies without actually realising it. Nine percent of medium and only 1% of large establishments agreed with the statement, which could mean they are more au fait with retention strategies. There were no discernable differences between responses from owner/managers or senior managers.

Fourteen percent of small establishments agreed with the statement “This establishment has policies in place to help understand why overnight guests do not return” (item 21). Therefore, it can be assumed 86% do not have policies in place. This is in contrast to the findings from item 10, where 81% agreed they actively work to keep overnight guests returning. A larger number of medium establishments (40%) agreed they have policies in place to help understand why guests do not return. This was an interesting finding as these establishments state in item 18 while they understand retention is necessary, a significant percentage do not have any specific policies in place. Fifty-two percent of large establishments agreed they had policies in place that measured guest retention. There were no discernable differences between responses from owner/managers or senior managers.

When asked “It is too expensive to develop strategies to ensure that overnight guests return to this establishment” (item 24), 47% of small and

56% of large establishments disagreed. However, what is most interesting about responses to this item is that 84% of medium establishments disagreed that it was too expensive to develop retention strategies leading to the belief that medium-sized establishments understand the value of implementing a retention policy and see the links between guest retention and increased profitability. This is supported by previous responses:

- 13% agreeing that loyalty schemes are not successful (item 15);
- 9% agreeing that retention are unnecessary if guests return (item 18);
- 40% agreeing that they had policies in place relating to retention (item 21).

Item 27 stated “The costs to this establishment of a loyalty scheme would outweigh the benefits” and there were a high number of ‘no opinion’ responses to this statement (21%). However, all disagreed with this statement to some extent, with the lowest disagreement (35%) being from the smaller establishments. Medium and large establishments had higher disagree rates – 50% and 56% respectively. It appears that the medium and large establishments are more familiar with loyalty schemes and their benefits. This is supported by the responses to item 15, where very few of these respondents agreed that loyalty schemes are not successful.

There was little difference between the responses from the small and medium establishments for item 28 “An overnight guest who has had a service problem resolved is more likely to be loyal to the establishment” with 53% and 51% respectively agreeing. However, 84% of the respondents from large establishments agreed. An assumption could be made that the larger establishments had specific procedures in place to ensure problems are resolved and understood the link between service recovery and loyalty.

Differences were also discernable between categories of respondent with 76% of owner/managers agreeing service recovery leads to loyalty, however only 50% of senior managers agreed with this item. This finding is somewhat surprising and it might be surmised that senior managers in larger

establishments have procedures and policies in place to measure guests who return after they have had a service failure resolved and their response is based on facts rather than a feeling or belief which may have caused the owner/managers to overestimate their responses to item 28.

The final item where cross tabulations elicited differences between respondent groups based on establishment size was item 33 “Employees in this establishment are empowered to solve complaints made by overnight guests”. There were, however, no discernable differences when results from this item were cross tabulated with the position of respondents. This item is the opposite of item 14 and, as expected, responses reflect this:

- 37% of small establishments agreed that employees are empowered, with 45% agreeing only management staff are empowered
- 65% of medium establishments agreed that employees are empowered, with 55% agreeing only management staff are empowered
- 75% of large establishments agreed that employees are empowered, with 12% agreeing only management staff are empowered

6.4.3 Comparison of Return Guests by International Guests

The estimated number of return/new guests and international/domestic guests (per annum) was reported in Section 5.3.1 and is shown in Tables 6.2 and 6.3 below.

Table 6.2: Percentage of returning guests in establishments

Number of Establishments	Percentage of return guests
45	20% or fewer
39	21-40%
32	41-60%
20	61-80%
2	81% or more

n = 138

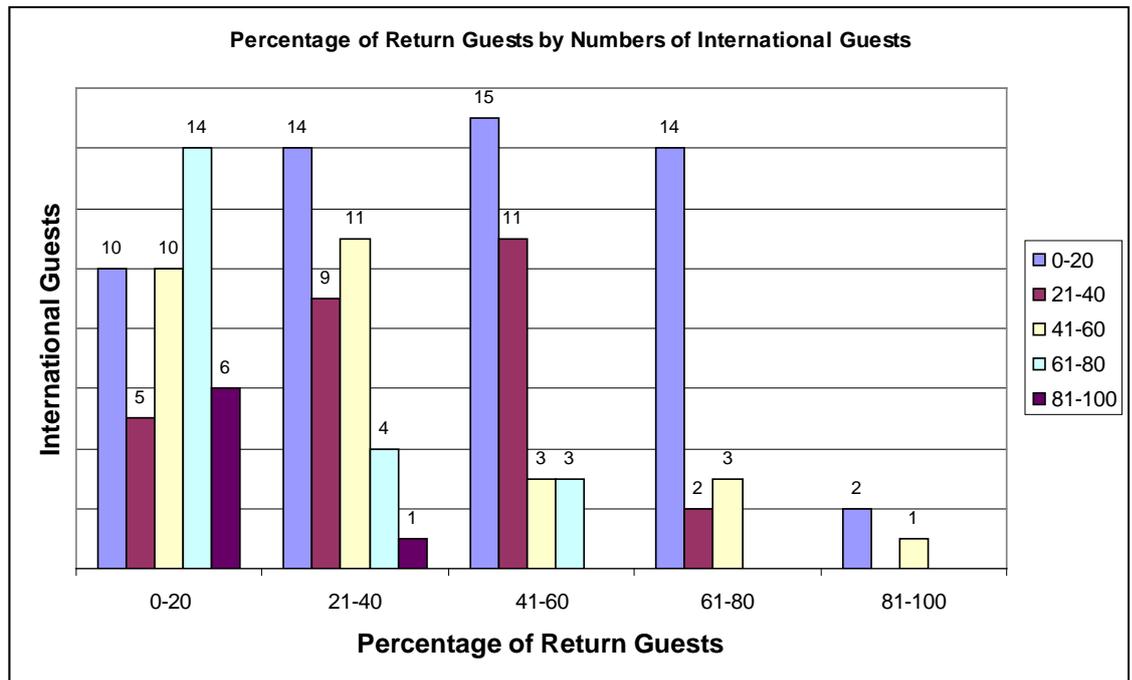
Table 6.3: Percentage of international guests in establishments

Number of Establishments	Percentage of international guests
57	20% or fewer
31	21-40%
30	41-60%
21	61-80%
7	81% or more

n = 146

Figure 6.24 shows the percentage of return guests compared with the number of international guests, for example, 45 establishments indicated a low number of return guests (0–20%), of these 10 had 0–20% international guests; five had 21–40% international guests; 10 had 41–60% international guests; 14 had 61–80% international guests; and six had 81–100% international guests.

Figure 6.24: Percentage of return guests by numbers of international guests



It could be assumed that a low percentage of return guests might be related to a high number of international guests in the establishment. This is supported by the data where 20 establishments who reported fewer than 20% return guests had more than 60% international guests. Similarly, establishments with a high number of domestic guests (61–80%) should

indicate a lower number of international guests, and this is shown in Figure 6.24, with 14 establishments showing fewer than 20% international guests.

6.5 Analysis of the Importance of Four Strategies

Question 37 asked respondents to allocate a total of 100 points among four strategies according to how important each strategy is to the establishment. Findings have been collapsed into four categories and responses are shown in Table 6.4.

Table 6.4: Number of respondents to each strategy

Strategies	Points Range			
	0–24	25–49	50–74	75–100
Developing guest loyalty	100	45	0	0
Acquiring new guests	91	51	3	0
Retaining existing guests	65	76	2	2
Satisfying guests	10	93	38	4

n = 145

The findings show that 100 establishments gave between 0 and 24 points to the strategy ‘developing guest loyalty while only 10 establishments gave the same range of points (0-24) to ‘satisfying guests’. It was interesting to note that 26 establishments gave 25 points for each strategy; and four gave 100 points to satisfaction.

Table 6.5: Mean scores for each strategy

	Developing guest loyalty	Acquiring new guests	Retaining existing guests	Satisfying guests
Mean Scores	16.98	20.29	23.04	38.14

n = 145

The mean scores (Table 6.5) for each strategy show quite clearly that ‘satisfying guests’ was allocated the most points and emerges as the most important strategy with a mean score of 38.14. ‘Retaining existing guests’ was the second most important strategy with a mean score of 23.04 and this was closely followed by ‘acquiring new guests’ with 20.29. The lowest strategy was ‘developing guest loyalty’ with a mean score of 16.98.

The higher importance given to satisfying customers could be attributable to the fact there has been a strong focus on service quality and customer satisfaction in the literature over the past 15 years (e.g., DeRuyter et al., 1998; Dube, Renaghan and Miller, 1994; Parasuraman, 1995; Reichheld and Sasser, 1990; Schneider, 1991; Schlesinger and Hallowell, 1993; Taylor and Baker, 1994; Turnow and Wiley, 1991; Zeithaml, Parasuraman and Berry, 1990). Articles have appeared not only in academic journals but also in trade and industry journals that are more readily available to managers.

To summarise the SPC literature reviewed in Chapter Three, customers evaluate the performance of the organisation based on the service provided and make their judgements of quality, which in turn, leads to satisfaction, then customer retention, and ultimately increased profits and revenue growth (Anderson & Mittal, 2000; Fitzsimmons & Fitzsimmons, 2004; Heskett et al., 1994; Kamakura et al., 2002; Lau, 2000; Ranawera & Prabhu, 2003; Reichheld & Sasser, 1990). The findings to this question indicate that respondents to the survey see guest satisfaction as more important than the other three strategies and it could be assumed that they have strategies in place to manage guest satisfaction. The strategies which three establishments have in place to manage guests are examined in detail and discussed in Chapter Eight.

6.6 Open-ended Responses

Eighteen percent of respondents to the survey included comments, which although wide ranging, fell into six broad categories:

- Guest retention and acquisition,
- Guest satisfaction,
- Location/nature of establishment,
- Mix of international/domestic guests,
- Comments relating to the previous question (Q37), and
- Further information to explain the establishment.

Guest retention and acquisition:

Three establishments commented that they combined guest retention strategies with guest acquisition:

1. *Whilst it is easier to retain a guest it is just as important to gain new markets.*
2. *Essential to both retain clients and build our winter business.*
3. *Focus for international is finding new clients, for the domestic market we pay special attention to recognizing and rewarding return stays.*

All three comments were made by senior managers in establishments with more than 131 rooms, owned by overseas companies, and not Qualmark rated. However, there are some differences between establishments (see Table 6.6). It is interesting to note the establishments making the second and third comments appeared to recognise the importance of guest retention (based on their comments); although, both had a relatively high percentage of international guests and a relatively low guest retention rate. Both these establishments gave equal points to each strategy whilst the third establishment although commenting on retention actually gave the most points to satisfying guests.

Table 6.6: Cross tabulations: % of return/new guests (Q7) and % of int'l/domestic guests (Q8) with question 37 and open-ended comments 1, 2 and 3

Comment	% of return/new guests	% of int'l/ domestic guests	Importance of Strategies			
			Developing guest loyalty	Acquiring new guests	Retaining existing guests	Satisfying guests
1	50/50	35/65	25	25	25	25
2	15/85	70/30	25	25	25	25
3	10/90	65/35	10	20	30	40

Guest satisfaction:

The importance of satisfying guests was also mentioned by establishments, and the following comments were made:

4. *All matters concerning guest satisfaction should be the top priority.*
5. *In satisfying customers, retaining existing and acquiring new customers will happen automatically.*
6. *Guest satisfaction is a priority*

These three comments were made by senior managers from establishments with less than 50 rooms; one was not rated by Qualmark (comment five), while the other two did not report any star rating system. Table 6.7 provides

further information on the respondents who made the three comments above.

Table 6.7: Cross tabulations: ‘Satisfied overnight guests are more likely to return to this establishment than unsatisfied guests’ (Q25) and ‘If overnight guests are unhappy with the level of service they will not return to this establishment’ (Q26) with question 37 and open-ended question.

C o m m e n t	Importance of Strategies				Satisfied overnight guests are more likely to return to this establishment than unsatisfied guests	If overnight guests are unhappy with the level of service they will not return to this establishment
	Developing guest loyalty	Acquiring new guests	Retaining existing guests	Satisfying guests		
4	25	25	25	25	6	5
5	10	10	10	70	6	6
6	10	20	20	50	6	5

Based on their comments, it would be expected that all three respondents to this question would rate guest satisfaction higher than the other three strategies. However, only the respondent who made the fifth comment gave satisfaction more than 50%. As expected, all the respondents agreed or strongly agreed with the two Likert Scale items relating to guest satisfaction that are presented in Table 6.7 above.

Location/Nature of establishment:

Where an accommodation property is located can have an impact on the level of guest retention, for example, respondents commented:

7. *We are located in a drive through location (not a destination as such) so our ‘repetitive market’ is comparatively small.*

8. *The nature of our business means that the majority of guests are visiting once only*

As expected from these respondents, they have indicated that the percentage of return guests is relatively low. Both respondents have scored the four strategies fairly evenly; indicating an equal focus on loyalty, acquisition, retention, and satisfaction (see Table 6.8).

Table 6.8: Cross tabulations: % of return/new guests (Q7) and % of int’l/domestic guests (Q8) with question 37 and open-ended comments 7 and 8

Comment	% of return/new guests	% of int’l/ domestic guests	Importance of Strategies			
			Developing guest loyalty	Acquiring new guests	Retaining existing guests	Satisfying guests
7	10/90	40/60	20	20	20	40
8	25/75	35/65	25	25	20	30

Mix of international/domestic guests:

Two establishments commented on the mix of guests in their establishment and how this affected retention efforts:

9. *This property is unusual in that 90% of guests are from overseas and 99% of them will never return. Our real 'customers' are the 20 inbound agents who give us 80% of their room nights. They have a 'loyalty' scheme based on discounted room rates.*

10. *Our business survives on bus tours which are always new customers.*

Table 6.9 shows the expected responses, with both respondents indicating a low percentage of return guests and a high percentage of international guests.

Table 6.9: Cross tabulations: % of return/new guests (Q7) and % of int'l/domestic guests (Q8) with question Q37 and open-ended comments 9 and 10

Comment	% of return/new guests	% of int'l/ domestic guests	Importance of Strategies			
			Developing guest loyalty	Acquiring new guests	Retaining existing guests	Satisfying guests
9	5/95	90/10	20	20	10	50
10	5/95	85/15	40	10	30	20

It is interesting to note that the respondent who made the ninth comment rated guest satisfaction the highest – and this could relate to the fact that they realise the importance of satisfying tour guests so their relationship with the inbound tour operator does not suffer. The respondent to the tenth comment gave loyalty the highest points with retention second; however, it is unclear whether the loyalty is built up with the tour operators or the individual guests.

Comments relating to Q37:

Some respondents used this open-ended question to clarify their responses to the previous questions and commented:

11. *It is not possible to separate the importance of any of the four points listed above (question 37). We accord each category equal importance....*

12. *I have split the points in Q37 equally as we believe all of the points would be given the same proportion of our attention.*

13. *We are in the first year of business – this focus (Q37) will shift to retaining by loyalty programme.*

Table 6.10: Cross tabulations: Question 37 with open ended comments 11, 12 and 13

Comment	Importance of Strategies			
	Developing guest loyalty	Acquiring new guests	Retaining existing guests	Satisfying guests
11	25	25	25	25
12	25	25	25	25
13	10	70	0	20

The establishments who made comments 11 and 12 state each category is of equal importance by allocating 25 points to each. The respondent who made the final comment gave 70% to guest acquisition, which supports their statement that they are new in the business and will develop guest retention and loyalty programmes in the future see Table 6.10 above.

Further information explaining establishment:

Some respondents discussed the establishment and provided further information:

14. As GM I have a difference of opinion from the owners ... they have lost 20–40% of their business in 3 years. The owners do not understand ... keeping internal and external customer happy. We get lots of complaints and have a high staff turnover. ...what has happened to their turnover is reflective of their attitude.

15. This business is in need of refurbishment and until this is done we are reliant on the type of people who require 'budget' accommodation.

These final two comments were included because they showed that not all respondents were happy with the establishment in which they worked and both thought changes were required. In terms of responses to three Likert Scale items, both disagreed their establishments were working to retain guests, both disagreed their establishments had policies in place to check guest retention, and both agreed they spent more money on acquiring new guests than retention (see Table 6.11).

Table 6.11: Cross tabulations: ‘In this establishment we actively work to keep our overnight guests coming back (Q10), ‘This establishment has policies in place to help understand why overnight guests do not return’ (Q21), ‘This establishment spends more money marketing to new overnight guests than they spend trying to keep existing guests’ (Q29) and open ended comments 14 and 15

Comments	In this establishment we actively work to keep our overnight guests coming back	This establishment has policies in place to help understand why overnight guests do not return	This establishment spends more money marketing to new overnight guests than they spend trying to keep existing guests
14	2	1	6
15	3	2	5

The responses to the open-ended question provided an insight into what some of the respondents to the survey were actually thinking. It was interesting to see that some comments were similar and could be grouped together under themes. Looking at the relationships between the open-ended responses and the other questions in the survey has also provided a richer, more complete picture of New Zealand accommodation establishments.

6.7 Answering the First Research Objective

The findings from the six research statements and 18 Likert Scale items are summarised and shown in Table 6.12. The data from each of the Likert Scale items were analysed using chi square analysis and based on a confidence interval of $p \leq 0.05$. Seventeen of the 18 items demonstrated a high level of significance, item 22 (related to research statement six) was the exception. However, the other two Likert items demonstrated a high level of significance and statement six was accepted.

Table 6.12: Summary of Findings from Research Statements and Related Likert Scale Items

Research Statements	Item No.	Likert Scale Item	Responses	Discussion
One Accommodation managers actively work to retain their guests.	10	In this establishment we actively work to keep our overnight guests coming back.	82% agree or strongly agree	Strong agreement with the Likert item, relates to strong support for the research statement.
	18	Retention strategies are unnecessary if overnight guests regularly return to the establishment.	70% disagree or strongly disagree	Fairly strong disagreement with the Likert item so we can assume that establishments believe that retention strategies are necessary, therefore support for the research statement.
	29	This establishment spends more money marketing to new overnight guests than they spend trying to keep existing guests.	46% answered, 3 or 4 in the middle of the scale	Most responses in the middle of the scale; however 62% of respondents answered 4, 5 or 6 on the scale indicating some agreement with the item, leading to some agreement with the research statement.
Two Accommodation managers know the value of guest retention.	19	It is not important to know the dollar value of overnight guests who return to our establishment.	60% disagree or strongly disagree	Majority disagree with the Likert item so we can assume that establishments believe it is important to know the dollar value of returning guests, therefore support for the research statement.
	23	Returning overnight guests market our establishment by making favourable word of mouth comments.	70% agree or strongly agree	Reasonably strong agreement with the Likert item, relates to fairly strong support for the research statement.
	32	In this establishment we believe that returning overnight guests spend more than new guests.	46% answered, 3 or 4 in the middle of the scale	Most responses in the middle of the scale, there were also 50% answering on the agree side and 50% on the disagree side of the scale. Therefore no clear agreement or disagreement with the research statement.

Research Statements	Item No.	Likert Scale Item	Responses	Discussion
Three Accommodation managers understand the links between guest acquisition, satisfaction, loyalty and retention.	25	Satisfied overnight guests are more likely to return to this establishment than unsatisfied overnight guests.	95% agree or strongly agree	Strong agreement with the Likert item, relates to strong support for the research statement.
	34	In this establishment we do not believe that there is any relationship between satisfied overnight guests and returning guests.	86% disagree or strongly disagree	Strong disagreement with the Likert item so we can assume establishments believe there is a relationship between satisfaction and retention, therefore support for the research statement.
	36	It is cheaper to attract new overnight guests than to keep existing guests.	81% disagree or strongly disagree	Fairly strong disagreement with the Likert item so we can assume establishments understand it is more expensive to attract new guests, therefore support for the research statement.
Four Accommodation managers understand the specific reasons behind guest defections.	12	This establishment does not know why overnight guests return.	85% disagree or strongly disagree	Strong disagreement with the Likert item indicating establishments do not know why guests return, therefore support for the research statement.
	21	This establishment has policies in place to help understand why overnight guests do not return.	29% 1 or 2 35% 3 or 4 36% 5 or 6	Responses fairly even across the scale. However, 54% of respondents answered 4, 5 or 6, indicating some agreement with the item leading to a modicum of support for the research statement.
	26	If overnight guest are unhappy with the level of service they will not return to this establishment.	76% agree or strongly agree	Strong agreement with the Likert item, relates to strong support for the research statement.

Research Statements	Item No.	Likert Scale Item	Responses	Discussion
<i>Five</i> Accommodation managers understand the importance of service recovery.	14	In this establishment only management are empowered to deal with overnight guest complaints.	77% disagree or strongly disagree	Fairly strong disagreement with the Likert item indicating staff other than management are empowered to deal with complaints, therefore support for the research statement.
	17	In this establishment we understand the importance of recovering from a service failure.	94% agree or strongly agree	Strong agreement with the Likert item, relates to strong support for the research statement.
	28	An overnight guest who has had a service problem resolved is more likely to be loyal to this establishment.	67% agree or strongly agree	Reasonably strong agreement with the Likert item, relates to fairly strong support for the research statement.
<i>Six</i> Accommodation managers understand how loyalty schemes lead to guest retention.	22	In this establishment we believe that loyal overnight guests are more easily satisfied than new overnight guests.	33% 1 or 2 34% 3 or 4 33% 5 or 6	Responses vary even across the scale, with 50% answering on the agree side and 50% on the disagree side of the scale. Therefore no clear agreement or disagreement with the research statement.
	31	If you have a loyalty scheme in you establishment you need not be concerned about providing good service.	93% disagree or strongly disagree	Strong disagreement with the Likert item so we can assume establishments believe there is a relationship between satisfaction and retention, therefore support for the research statement.
	35	Loyalty schemes will not encourage overnight guests to return to this establishment.	67% disagree or strongly disagree	Fairly strong disagreement with the Likert item indicating establishments believe loyalty schemes will lead to retention, therefore support for the research statement.

The first research objective in this study

To learn what owners and managers of New Zealand accommodation establishments understand about guest retention

was answered by accepting the research statements. Based on the survey findings it can be stated 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.

Whether the accommodation establishments surveyed actually implement strategies to encourage guest retention cannot be answered at this point in the research. However, data will be collected from a case study involving three accommodation establishments to answer the second research objective:

To investigate what guest retention strategies are used in three New Zealand accommodation establishments.

The findings from the case study are discussed in Chapter Eight.

6.8 Conclusion

In this chapter the findings from a mail survey sent to owners and managers of New Zealand accommodation establishments were reported and discussed. Six research statements developed from the literature were tested using 18 Likert Scale items. The findings were analysed and based on a confidence interval of ≤ 0.05 only one Likert Scale item was not significant and, therefore, all research statements were accepted as true.

Nine other Likert Scale items were included in the survey – two to test the reliability of the instrument (Chapter Four), three were included as filter questions for selecting case study participants (Chapter Seven) and four were included to test whether findings from the New Zealand accommodation sector would reflect the discussion in the literature. These four Likert Scale items were discussed in this chapter. In summary, the findings showed that survey respondents saw a link between guest satisfaction and loyalty, felt that loyalty schemes are successful, believed that the costs of a loyalty scheme would not outweigh the benefits and agreed that comment forms were dealt with according to stated establishment procedures.

The findings from cross tabulations between the Likert Scale items and classification questions showed significant differences between position of respondent and number of rooms in establishment and these are discussed in section 6.4.2. Next results from the question asking respondents to allocate 100 points between four strategies depending on which was the most important were presented. Surprisingly, it was discovered that satisfying guests was rated as the most important strategy with a mean score of 38.14.

Comments respondents made to the open ended question were discussed under six main themes and related back to the relevant classification and Likert Scale items from the survey. Three establishments commented they combined acquisition of new customers with retention of current customers, while another three discussed the importance of guest retention. Some establishments explained why they don't focus on retention and reasons included that they were in a drive through location or had a high percentage of international visitors.

In the final section of this chapter the first research objective was answered. It can be stated with some degree of certainty that owners and managers of New Zealand accommodation establishments appeared to: understand the links between acquisition, satisfaction, loyalty and retention; know how

loyalty schemes lead to retention; understand service recovery and reasons for defections; work to retain guests and; know the value of guest retention.

Once the first research objective had been answered the study moved into the inductive phase and this is the focus of Chapters Seven and Eight.

Chapter 7

Designing the Case Study

7.1 Introduction

Chapters Four, Five and Six focused on the deductive phase of this study and the first research objective was answered. Chapter Seven outlines the methodology used in the inductive phase of this study. It incorporates four sections beginning with a discussion of the case study research design and how it was used in this study. Validity, reliability and objectivity in relation to case studies are explored and triangulation within each establishment in the case study is examined. The second section includes a discussion of the criteria used to select the three accommodation establishments; while the third section describes the data collection tools that were used. An overview of how the findings were analysed is provided in the final section of this chapter.

7.2 The Case Study

Case studies are a research strategy in which in-depth data is gathered from one or more organisations to make comparisons, test theory, build theory or propose generalisations (Gummesson, 1991; Leedy & Ormrod, 2000; Pinfield, 1986 in Eisenhardt, 1989; Yin, 1994). Cases are “the study of the particularity and complexity of a single case, coming to understand its activity within important circumstances” (Stake, 1995, p.xi). Yin (1994) stated it is appropriate to undertake a case study when a contemporary phenomenon is being studied within “its real-life context” and when “the boundaries between the phenomenon and context are not clearly evident” (p. 13).

According to Merriam (1988) case study methodology should be used when the research objective is the exploration of relationships and concepts, rather

than testing hypotheses or research statements (as used in this study). This methodology tends to be inductive in nature and the aim of using a case study is understand the particular and unique features of the case and to draw out analysis that has a wider applicability.

7.2.1 The Case in this Study

In this study the phenomenon being studied is guest retention, and the context is the New Zealand accommodation sector. Data about guest retention and related concepts were initially collected from a mail survey sent to accommodation establishments in 2002 and the findings were used to test theory and answer the first research objective in this study. However, to build theory more detailed data was required from a small set of establishments and a case study was thought to be the most appropriate method to gather data for the inductive phase of this study.

Yin (1994) described three types of case study. Descriptive—when an attempt is made to describe what has happened or is happening. Exploratory—which tend to be undertaken in the form of a pilot study “that can be used as a basis for formulating more precise questions or testable hypotheses” (Gummesson, 1991, p. 75). Explanatory case studies are used to explain why or how something happens. An exploratory case study incorporating three New Zealand accommodation establishments has been undertaken in this study to explore and explain the approaches adopted to encourage guest retention.

7.2.2 Concerns about Case Studies

Although case studies are recognised as a distinctive form of empirical enquiry (Yin, 1994) the lack of rigour displayed in some studies is a concern because it can produce biased findings. To negate this, Yin argued investigators should work to ensure that all evidence is reported fairly. He also raised the issue of generalising findings back to the population and argued “case studies, like experiments, are generalizable to theoretical

propositions and not to populations or universe” (p. 10). Another concern raised is case studies take a long time and result in large amounts of information being generated. Again this is negated by Yin, who commented that case studies need not take a long time nor result in copious amounts of information.

To counteract the concerns raised above, data was collected from two groups in each establishment (owner/managers and employees), and findings were related back to the literature. The use of triangulation helped to minimise the potential for bias in the findings. The case study findings were used to answer the research question framing this study, and were generalised back to the theory not the study population. Finally, data from each establishment were collected within a 2-week time frame, and results written up based on themes identified from the literature.

7.2.3 Validity, Reliability and Objectivity

In most quantitative studies, tests of validity and reliability are undertaken on the data to ensure it measures what it is supposed to measure (validity) and that the instruments used yield consistent results (reliability). According to Johnson and Christensen (2000), valid research is “plausible, credible, trustworthy, and, therefore, defensible” (p. 207, cited in Johnson & Turner, 2003, p. 300). However, qualitative researchers tend to contend if research is well done and worthy of readers’ attention it can be considered trustworthy (Decrop, 2004; Lincoln & Guba, 1985) and the terms ‘trustworthy’ and ‘valid’ are viewed as synonyms by Johnson and Turner.

Trustworthy (therefore valid) results were gathered from each of the three establishments in this case study. Information from the employee survey was used to substantiate or disprove themes emerging from the owner/manager interviews; and these themes were discussed in relation to extant theory. Therefore, tests to ensure validity (discussed in Chapter Four) were not considered appropriate in this phase of this study. Reliability is not a consideration in this case study because the data

collection methods used were specifically designed for this study and consistency with future results is not an issue.

In this particular study, a semi-structured interview format was used in the owner/managers interviews and the items included in the employee survey were based on the findings from these interviews. It would be unlikely that another researcher (or even the same researcher) could replicate this study in the future and obtain consistent results for two reasons. First there is a high probability that the managers interviewed in the resort and city hotels will have been transferred to other establishments and second as the employees who responded to this survey were anonymous it would not be possible to identify them for future research.

According to Lincoln and Guba (1985), it is also important to consider objectivity in case studies, i.e. whether the findings are an accurate reflection of the participant's views "and not a product of the researcher's biases and prejudices" (cited in Decrop, 1999, p. 158). In order to ensure that interviews correctly reflected the participant's views, tapes were transcribed and transcripts returned to interviewees for corrections and comments before the employee survey was developed or any analysis was undertaken. Although it is acknowledged that the views and beliefs of the researcher will have an impact on the findings, iteration of the interview data helped to ensure researcher bias was kept to a minimum.

7.2.4 Triangulation within Establishments

A triangulated approach was used to collect the data from each accommodation establishment in order to guard against the claim that case study findings often lack rigour and credibility (Decrop, 1999). Triangulation is the term given to a combination of different methods used to increase the accuracy of findings, (Ghauri & Grønhaug, 2002; Gummesson, 1991). Triangulation "reflects an attempt to secure an in-depth understanding of the phenomenon in question" (Denzin & Lincoln, 1994, p. 2) and also adds complexity, breadth and rigour to the data

collected (Denzin & Lincoln). In this case study the triangulation comprised a literature review, owner/manager interviews and an employee questionnaire.

Denzin (1978) distinguished four types of triangulation (in Flick, 1992):

- data triangulation – different data sources rather than different methods;
- investigator triangulation – different people used to collect data;
- theory triangulation – various viewpoints are examined; and
- method triangulation – within method (i.e. different subscales for measuring the same item) and between method (i.e. use both a questionnaire and an interview).

Whilst triangulation was used in this case, it does not fit neatly into any of the types listed above, although it displays aspects of data, method and theory triangulation. In each accommodation establishment data were collected from two sources; owner/managers and employees. This is a form of data triangulation. Data was also collected using two different methods; semi-structured interviews and a questionnaire survey. This is a form of method triangulation. The data collected from both sources and via both methods demonstrates aspects of theory triangulation.

7.3 Identifying Accommodation Establishments

7.3.1 The Process of Classification

According to relevant literature, accommodation establishments can be classified in a number of different ways, including: turnover, profit, property type, number of full-time equivalent employees, star/quality rating, and number of rooms (Foster, 1997; O'Shannessy & Minett, 1999; Walker, 1996). In this study turnover, profit, and number of full-time equivalent employees could not be used as classifiers because these questions had not

been included in the mail survey. Questions relating to star/quality rating were included in the mail survey. However, as only 41% of respondents had some type of quality rating system this classifier was not appropriate. Although property types were identifiable from the initial lists used to develop the mail survey¹³, seven property types were included and undertaking research with one establishment from each group was not feasible for this limited study.

The final method of classification discussed in the literature was number of rooms in each establishment and there was a specific question in the establishment survey which asked: How many rooms (in total) are in this establishment? Respondents were asked to circle the response that contained the actual number of rooms in their establishment.

Less than 10	11–30	31–50	51–70
71–90	91–110	111–130	131–150
151–170	171–190	More than 190	

The responses to size of establishment were further collapsed into three main groups and the number of responses from the mail survey in each group is reported in Table 7.1. This became the main classification used to determine possible case study participants, and one establishment would be chosen from the small, medium and large groups.

Table 7.1: Accommodation establishments classified by size

Number of rooms	Classification	Number of Responses	Percentage
0–30	Small	60	40.2
31–110	Medium	68	45.6
111+	Large	21	14.2
		149	100

Establishments were further classified depending on their responses to the two questions from section one of the mail survey shown below:

Please estimate the percentage of overnight guests per annum who are returning guests.

Please estimate the percentage of overnight guests per annum who are international guests.

¹³ New Zealand Automobile Association North Island and South Island Accommodation Guides; and Jason’s Business & Discerning Traveller 2002–2003 guide, and Motels & Motor Lodges 2002 guide.

Respondents to the mail survey who reported their guest retention rate was higher than 40% were retained as possible establishments for the case study because it could be assumed they had some understanding of the importance of retention. Establishments who reported more than 40% of their guests were international tourists were excluded because the retention relationship would more likely be with a travel agent or tour operator rather than with individual guests. This left a total of 40 establishments: 22 small, 16 medium, and two large.

7.3.2 Choosing Three Establishments

Organisations are chosen to participate in case study for four main reasons, first to replicate previous cases, second to extend emergent theory, third to fill theoretical categories and finally to provide examples of polar types (Eisenhardt, 1989). Pettigrew (1988) stated that as only a limited number of organisations can be chosen it is more illuminating to select those illustrating extreme situations or divergent types “in which the process of interest is “transparently observable” (cited in Eisenhardt, p. 537). Organisations may also be randomly chosen although “random selection is neither necessary, nor even preferable” (Eisenhardt, p. 537) when choosing case study participants.

The choice of actual accommodation establishments to be used in the case study was based on responses to particular items in the mail survey. Four Likert Scale items were included in the mail survey so that establishments could be chosen according to their responses to those items.

- Retaining overnight guests is not possible in this business (item 30).
- It is too expensive to develop strategies to ensure that overnight guests return to this establishment (item 24).
- In this establishment we believe that attracting new overnight guests is easier than keeping existing overnight guests (item 20).
- In this establishment we actively work to collect feedback from overnight guests (item 13).

The focus of the inductive phase of this study was to investigate what guest retention strategies are used in New Zealand accommodation establishments. It was, therefore, important that the owner/managers of the establishments chosen actually believed that retention was possible (item 30). They also had to understand that once retention strategies were implemented they were generally less expensive than advertising for new guests (item 24). The owner/managers had to believe that working on guest retention was not as difficult as continually working to gain new business (item 20). And it was important that feedback was collected from guests so that problems could be solved leading to service recovery and possibly long term guest retention (item 13).

The responses from the 40 establishments to each of these four Likert Scale items were assessed based on the following expected responses:

Item 30	Disagree	1 or 2 on the scale
Item 24	Disagree	1 or 2 on the scale
Item 20	Disagree	1 or 2 on the scale
Item 13	Agree	5 or 6 on the scale

Twenty-four establishments were deleted as their responses did not reflect the targeted responses, leaving 16 that had responded to the four Likert Scale items as required. Of these three were small establishments, 11 were medium and two were large (Appendix 16). Three establishments were chosen from this final list based on the following considerations:

- the number of rooms (small, medium, large) in the establishment,
- the location of the establishment (there were financial and time constraints on the data collection, therefore, all needed to be within a three hour drive of Massey University), and
- whether the owner/manager was interested in being part of the research.

The location of the establishment and interest of the owner/manager was important and as Stake (1995) asserted we need to pick establishments which are “easy to get to and hospitable to our inquiry” (p. 4). Once the

three establishments were identified owners/managers were contacted in September 2003 and asked if they would be interested in participating in this research. However, as the first small and medium establishments contacted declined to participate two others were chosen and the three establishments that became involved in the case study are highlighted in Appendix 16.

7.3.3 Finalising the Research Process

The owner/manager of each of the three establishments that had agreed to be part of this study were contacted by email in November 2003 and face to face meetings were scheduled so that the actual research process could be discussed and consent forms could be explained and signed. The data collection tools were explained along with the rights of the interviewees and the consent form they would sign was discussed and finalised. The rights of employees to decline to answer the survey along with the anonymity of responses was discussed and a letter was drafted which would be attached to the front of the survey before it was distributed. The idea of using incentives to increase the employee response rate was discussed and agreed to by the resort hotel (medium establishment) and the city hotel (large establishment). This first meeting took approximately 30 minutes and the owner/managers read the information sheet (Appendix 17) and signed the consent forms on behalf of their establishment (Appendix 18). As the Christmas and summer holiday period is a busy time for all three establishments it was decided that the data collection process would not begin until 2004, preferably after the Easter break in March.

7.4 Data Collection Tools

The case study methodology does not “claim any particular methods for data collection” (Merriam, 1988, p. 10) and often different collection methods are combined (Eisenhardt, 1989) According to Strauss & Corbin (1994), data collection methods can include interviews, observations,

document analysis, or anything else that might be relevant (in Leedy & Ormrod, 2001). Semi-structured interviews were used in this study to collect information from owners and managers in each of the three accommodation establishments, followed by a questionnaire survey which was distributed to employees.

7.4.1 Interviews

The first data collection method was a semi-structured face-to-face interview with the owner and various managers within each establishment. Face-to-face semi-structured interviews have the potential to generate rich detailed information. According to Marshall and Rossman (1999) they should be treated more like a conversation than a formal event. The interview should also be flexible enough to allow the interviewee to discuss areas which they see as potentially relevant to the study (Goulding, 2002). Stake (1995) agreed that while the interviewer should have a short list of questions, the purpose of the interview is to get each interviewee to expand on the themes based on their own knowledge and experiences.

There are a number of issues associated with interviews that needed to be considered in this study. Including, accessibility to the organisation, understanding the language and culture, introducing the parameters of the interview, gaining the trust of the interviewees, and establishing a rapport with interviewees (Goulding, 2002). In order to gain access to the case establishments' owner/managers were advised that a report outlining findings and analysing any gaps between the interview data and employee survey findings would be available once the study was completed. A formal presentation would also be delivered to the medium and large establishments where the main findings from the report would be presented and discussed.

The second issue raised by Goulding (2002), was an understanding of the language and culture. This was not an issue in this study as the previous industry experience of the researcher meant that accommodation terms used

in the interviews (e.g., pax) were understood and explanations were not required. How accommodation establishments function (i.e., hierarchical management structures, on-the-job training) was also understood, and the interviewee did not have to spend time explaining these points.

At the beginning of each interview the parameters of the study were identified. However, neither the research question nor the objectives were mentioned. Participants were told that the study was about relationships with external guests, broad topics were used to keep the discussion relevant to the study area. Semi-structured prompt questions were used when a point raised needed clarification or when the interviewer provided short concise answers and did not elaborate or clarify information provided.

In order to gather accurate and detailed information it is also important to gain the trust of interviewees and build up a rapport during the interviews (Goulding, 2002). Building a rapport with interviewees was not difficult and a short discussion about the travel and tourist industry and the accommodation sector at the beginning of each interview helped respondents to relax and be more forthcoming about their respective establishments.

A semi-structured interview format was used and it was anticipated that all interviews would be completed within an hour. This was actually the case with all except the small establishment, where the interview took 1½ hours. All interviews were taped and then transcribed, and transcripts were sent back to respondents to check before being finalised. The first interviews in each case were with the owner of the motor lodge (small establishment), the General Manager in the resort hotel (medium establishment), and the General Manager in the city hotel (large establishment). Before the interview began the respondents read an information sheet (Appendix 19) and were asked to sign a consent form (Appendix 20). Respondents were initially asked questions about the management structure, and other general organisation issues (Appendix 21), this helped to make them feel more relaxed and provided background information for this study.

The motor lodge was owned and operated by a husband and wife team. However, only the husband was interviewed¹⁴ as he said he made most of the decisions in the business. Some prompting was required during the interview and examples of the questions used are shown in Appendix 22.

The decision was made to interview more than one person in the medium and large establishment in order to triangulate the findings and obtain a more balanced view of the processes and procedures used. Two people were interviewed in the resort hotel¹⁵, the General Manager (GM) and the Catering Manager (CM) who had responsibility for the food and beverage areas of the hotel. Prompt questions were used with the Catering Manager who was less relaxed in the interview (Appendix 22).

In the large hotel three interviews were conducted¹⁶ allowing for comparison of findings. The GM was interviewed first, followed by the Food & Beverage (F&B) manager who was more hesitant in the interview and gave much shorter more concise responses to the prompt questions. The final interview was with the Housekeeper (HK) who was very interested in the study and provided detailed information about her specific department.

7.4.2 Surveys

The second data collection tool used in each case study was a questionnaire survey which employees were asked to complete. This was seen as the most appropriate method of gathering information from employees in each of the accommodation establishments as they are a popular data collection method when the outcome is to describe a phenomenon (Ghauri & Grønhaug, 2002). Surveys also allow the researcher to gather information from a larger number of people (Marshall & Rossman, 1999). While focus groups were considered they are known to be time consuming and there are reported problems of low participation (Ghauri & Grønhaug; Marshall & Rossman).

¹⁴ April 2004

¹⁵ November 2004

¹⁶ June 2004

Specifically, employees would have to attend the focus groups outside their normal work times and would not have been paid, which may have resulted in low attendance and biased findings. Therefore, a questionnaire survey was developed in order to collect information from employees that could be used to corroborate, clarify or contradict the findings from the interviews.

The employee surveys differed for each establishment and were based on the main points identified from the owner/manager interviews. A draft of the survey was sent to the owner or GM of each establishment for comment, and changes were incorporated where necessary (finalised questionnaires are attached as Appendices 23, 24, and 25). Questionnaires were sent to each establishment for distribution as requested by owner/managers. Each establishment provided assurances that:

- employees would not feel pressured into responding,
- employees would be told that responses would be anonymous, and
- it would be made clear that the survey was not for internal purposes.

To ensure that employees realised that the responses were anonymous a stamped envelope addressed to Massey University was attached to each questionnaire. There was also a covering letter which explained the rights of respondents and clearly identified who the researcher was and the research topic (Appendix 26).

To encourage employees to respond they were offered the opportunity to enter a draw for a \$50.00 book or petrol voucher. This incentive was only offered in the resort and city hotels. The owner of the motor lodge did not think it would be appropriate for the small number of staff in his establishment “*as it may cause some friction*”. Whether the use of an incentive made any difference to the response rates is not clear and response rates in both the resort and city hotels were relatively low. In order to increase employee response rates the survey was distributed a second time at both of the hotels: three extras were received from the resort hotel and four extras were received from the city hotel. Final response numbers are shown in Table 7.2.

Table 7.2: Final response rate to employee survey

	No. of Responses	Total Employees	% of Responses
Motor Lodge	4	8	50
Resort Hotel	15	69	21
City Hotel	27	191	14

Although the response rates are low for both of the hotels this was not a major problem as responses were not being generalised back to the population and there was sufficient data to enable discussion and to generate theory based on the findings.

7.5 Data Analysis

According to Stake (1995) there is no particular moment when data analysis should begin as it tends to be an on-going process throughout the case study. Data collection and analysis often go hand in hand to build a coherent picture as the data emerge. The researcher is guided by initial concepts and develops understanding that shifts or is modified as further data are collected (Marshall & Rossman, 1999).

Once the interview transcripts from each establishment had been confirmed the findings were grouped into themes. The data from the employee survey was analysed using descriptive statistics and used to corroborate, clarify or contradict the findings from the interviews. Decrop argued that “multiple sources of evidence should be brought together ... and one should wonder if each new data chunk corroborates or opposes the emerging theory” (1999, p. 160). This continual search for alternative explanations and corroboration within each establishment will help make the theory generated more sound. The final stage of the data analysis process was to relate the findings from the three case establishments to the reviewed literature and answer the second research objective in this study.

7.6 Conclusion

This chapter began with an examination of the case study method and explained the use of an exploratory case study incorporating three New Zealand accommodation establishments. Validity, reliability and objectivity as they relate to case study research were discussed and it was explained why tests to ensure validity were not appropriate in this phase of the study. Reliability is also not a consideration as it would not be possible for further research to obtain results consistent with this study. Objectivity, however, was important and the process of iteration was implemented to ensure that researcher bias was kept to a minimum.

Next triangulation was discussed and it was recognised that data collected from each accommodation establishment would incorporate aspects of data, method, and theory triangulation. The process of choosing three accommodation establishments to take part in this case study was then discussed. Selection was made based on five criteria. First, one establishment was required from each of the small (0-30 rooms), medium (31-110 rooms) and large (111+ rooms) categories. Second, establishments needed to have a guest retention rate higher than 40% and 60% of their guests needed to be domestic. They also needed to respond in a particular way to four Likert Scale items. Specifically, they needed to believe retention was possible; that it was not too expensive to implement retention strategies; they needed to actively work to collect feedback; and, believe that keeping existing guests was easier than attracting new guests. Location was also important as each establishment chosen needed to be accessible, and finally, the owner/manager had to agree to take part in the research.

Two methods were used to collect data, owner/manager interviews and employee surveys. The interviews were semi-structured although some prompt questions were used and individual surveys were developed for each establishment. How the data would be analysed comprised the concluding section in this chapter.

Chapter 8

Case Study Findings and Discussion

8.1 Introduction

The purpose of this chapter is to present and discuss the findings from the three New Zealand accommodation establishments (motor lodge, resort hotel and city hotel) that participated in this case study investigating guest retention. In each establishment interviews were undertaken with the owner or managers and employees completed a questionnaire survey. The findings are integrated in the following discussion and direct quotes from the findings are italicised. The data gathered from these two sources provided a richer more comprehensive picture of how guest retention is managed in these three establishments. The findings contributed to the inductive phase of this study and answered the second research objective;

To investigate what guest retention strategies are used in three
New Zealand accommodation establishments.

This chapter is organised in three sections:

- First, a brief overview of the motor lodge, resort hotel and city hotel is presented.
- The findings from the owner/manager interviews and the employee surveys from each accommodation establishment are presented and discussed. Impressions gathered about the management style of the owner and managers who took part in the interviews are also outlined and analysed.
- In the final section the second research objective is answered based on the case study findings.

8.2 The Establishments

An overview of the three establishments in the case study is now provided. Further elaboration about each establishment including the physical surroundings and facilities available are provided as appendices at the end of this report. All information was up-to-date when the data was collected and analysed.

8.2.1 Motor Lodge

The motor lodge is located in a small New Zealand town of 3,500 residents, and is situated on a major highway. Owned and operated by a husband and wife team for the past 6 years, they have a 4-star rating from the Best Western Chain. Eight part-time employees help to run the 30-unit establishment which includes a restaurant, bar, and conference facilities.

On first visiting the motor lodge it was noticed the outside of the buildings required painting, the garden plants were bedraggled, and the outside furniture was old. The driveway into the property was unsealed, it was not well maintained or lit, and would be very difficult to find at night. An inspection of the rooms showed that the family units consisted of one bedroom and two beds in the lounge. The kitchens and bathrooms in these units were small and it would be a tight fit for a family of four. The double units were similar to hotel rooms with a bed in the lounge area, a small kitchenette, and a separate bathroom.

There was, however, good road signage and ample car parking was available for guest cars and boats. The swimming pool was securely fenced and adjacent to this was a well appointed children's play area and full size tennis court. The building housing the drying room and laundry was clean and keys were available from the office. The private spa pools were locked and times could be booked at the office, these were also clean and only a

short walk from the guest rooms. Further information about the motor lodge is provided in Appendix 27.

8.2.2 Resort Hotel

Located in a town of 22,500 the resort hotel has 101 rooms and is owned by a Licensing Trust, it is also affiliated with an Asian/Pacific hotel chain for marketing. Facilities provided include a restaurant, café, cocktail bar, three conference rooms, and a range of outdoor and indoor recreation facilities.

On the first visit to this hotel it was noted that the gardens and trees were well maintained although the bark from the gardens had blown around the doorways to the external units, making the entrances look untidy. The driveway to the main hotel was sealed and well marked, and there were a large number of guest car parks. Major redevelopment was taking place around the outside swimming pool and barbeque area, but there was information around the hotel and in the rooms apologising to guests for any inconvenience caused by this work.

The indoor pool, spa, squash court and fitness centre were clean and tidy and all located in one area of the hotel. These facilities were available to guests from 6am until 10pm and to locals from 9am until 5pm. Allowing locals to use these facilities helped to increase usage and offset the running costs. Other facilities developed to encourage business include a jogging track around the outside of the grounds and an obstacle course which is quite large and designed by the army. According to the GM these facilities *“help to draw in conference groups during the week and family groups during the school holidays”*. He also mentioned the ‘Kids Club’ programme which organises activities for children during school holidays so that parents can take a break.

Unfortunately, the motel units were very old and while they were quite big with two separate bedrooms, the bathrooms and kitchens were outdated and required modernisation. The hotel units were basic with a double bed,

separate bathroom, writing desk, tea and coffee facilities and a fridge. However, more than half of these units were outdated and required refurbishing. The public areas of the hotel (lounge, foyer, cocktail bar, and restaurant) also required remodelling and refurbishing as the décor had not been changed since the 1980s. The GM acknowledged these problems commenting in his interview *“as you’ve noticed the place is bloody tired – they’ve [Licensing Trust] had this asset for 20 years with no capital plan for refurbishing anything. Some bedrooms are 20 years old, from the day that it opened. Others were done about 5 or 6 years ago but have not been touched since”*.

A major selling point of the resort hotel was the large number of guest rooms and a range of meeting rooms and facilities which meant they were able to attract large conferences and conventions. All guest rooms in the hotel (apart from the motel units) are accessed through internal corridors as well as having direct access to car parks. See Appendix 28 for further information about this hotel

8.2.3 City Hotel

The largest establishment in this case study is a 4-star (Qualmark rated) hotel situated in a major New Zealand city. They have 191 employees of which approximately 50% are part-time. Owned by a large overseas chain with hotels around the Pacific Rim this hotel has 260 rooms and caters predominately to the business and conference market. Facilities include two restaurants, two bars, six conference rooms, a business centre, and covered car parking. This hotel has a very hierarchical organisation structure. Employees report to shift supervisors who then report to Heads of Department (HODs) who then report to either the Food and Beverage (F&B) Manager or the Rooms Division Manager, although some report directly to the GM (see Appendix 29).

On arrival in the hotel impressions gained by the researcher were positive with porters on hand to park the car and help guests take luggage to their

rooms. The main foyer is light and airy with a small café and bar, comfortable seating for guests and the area was enhanced with large flower arrangements. However, this ambience was partly diminished by the large number of people who use the hotel foyer as a walkway from one street to another. Also the café and bar had very restricted hours, only opening in the evening Wednesday to Saturday. The a-la-carte restaurant, however, offered breakfast, lunch and dinner daily.

The décor in most of the rooms was light and modern colours had been used when they were redecorated. Most of the rooms had a double bed but those with a double bed and single bed were very cramped and it was difficult to move around. There were a range of room types in the city hotel and all contained the usual hotel facilities, like tea/coffee facilities, mini bars, bathrooms, air conditioning, a writing desk, and internet access. There were, however, some rooms which overlooked the car park and these were quite dark and less appealing than those on the other side of the hotel.

This hotel is well known as a conference venue and there are two large rooms which seat approximately 100 theatre style. There are also four other rooms which seat from 10-50 depending on the room and type of set-up required. All conference rooms were well lit, air conditioned and close to the a-la-carte restaurant and cocktail bar. Any equipment required by a conference could be arranged and is available for hire through the hotel. One problem with the conference rooms is that three of them are on the same floor and if there is a large conference happening at the same time as a smaller group it can get fairly noisy in the common area where morning and afternoon teas are served. See Appendix 29 for further information about the City Hotel.

8.3 The Findings: Presentation and Discussion

The findings from the owner/management interviews and employee surveys are discussed in this section. The impressions gathered about the management style of the owner and managers in each of the three establishments are woven into the discussion.

8.3.1 Motor Lodge

Only one of the owners (husband) was interviewed for this study. His wife was reluctant to take part in the research as she was busy with young children and said she took a much smaller role in the business. At the beginning of the interview prompt questions were used (Appendices 21 & 22), but as the interview progressed the owner relaxed and talked in detail about the motor lodge and his management practices.

The motor lodge has a very flat organisation structure (see Appendix 27) and employs eight part staff who all report directly to the owners. Four employees responded to the questionnaire; although only a small number, this was 50% of employees. Average annual occupancy rate in the motor lodge was 60%. This was made up of a combination of family groups (50%), conferences and business travellers (35%), and coach tours of international travellers (35%). Sixty five percent of all guests were domestic travellers and the owner estimated that their retention rate was 40%.

Based on the information from the interview and survey findings it was clear that the owner favoured an informal management style. There were no written policies or procedures in the motor lodge for managing employees or guests. The owner commented that the only written documents related to health and safety in the workplace.

The owner was very casual about how employees were recruited and no written policies or procedures were used. However, it cannot be assumed from these findings that recruitment is viewed as less important than any other management task and with only eight part-time employees it is probable that recruitment is not a regular practice. This was supported by the four employees who responded to the survey, with all working at the motor lodge for longer than 4½ years, demonstrating a low turnover rate. The reason for the low employee turnover was not clear and it could be due to the lack of alternative employment in the area or the convenience of part-time work rather than a conscious decision by employees to remain with this establishment.

When discussing employee training the owner said that it was conducted in-house and there were no written procedures to follow. He mentioned that the induction process was informal and involved introducing new employees to others and “*showing them around*”. He also pointed out “*we do our own staff training*” using both on-the-job training and the buddy system “*but it’s very informal*”. Employees confirmed this and comments included “*being shown what to do and how to do it*” and “*working with one of the girls*”. However, when asked whether more detailed staff training would have made it easier to learn their job when they started, three¹⁷ employees agreed indicating that while they were given a buddy more detailed training was needed. While employee training manuals were not used, three¹⁸ employees thought manuals which outlined their jobs would be useful.

According to the owner one area in which the housemaids were trained is security of guest property and this was stressed in the interview with the comment “*we are quite vigilant and the girls [housemaids] are too, they are very wary that things can be flogged*”. The three employees who worked in the rooms agreed with the survey statement that ‘When servicing a room where the guest is staying over I always lock the room securely if I have to

¹⁷ One disagreed

¹⁸ One disagreed

leave for any reason'. Indicating they were aware of the security of guest belongings.

The owner was aware that wearing a uniform helped to make employees recognisable to guests and helped with security; and all four employees agreed that wearing a uniform made them feel part of a team, with only one feeling that wearing a uniform was not important in their job. However, uniforms were rarely worn and the owner explained that when employees ask about new uniforms he says "*you can have a new one when you have worn the old one out*".

Guest feedback was discussed by the owner and he said that forms are placed in all rooms in the motor lodge. He was aware that "*the girls [housemaids] have generally read them before handing them in*" but felt that they were still handed in and did not see this as a problem. The informal management approach adopted in the motor lodge is again reflected in the way they deal with complaints and there were no written guidelines. The owner commented "*we just fall back on the friendly service and good service and hope that does the business [and if] the [feedback] forms do indicate a few problems ...we address them straightaway.*" This statement reflects the owner's view that guest service is very important and that they deal with complaints as they arise.

All four employees agreed they were informed about specific complaints and examples included: "*by missing a pot we would be told to double check cupboards*" and "*towels forgotten*". When asked 'If they would like to be more informed about feedback from guests' all four employees agreed, although none strongly agreed. While empowerment was not specifically discussed by the owner when employees were asked 'If a guest complains I know what I can do to solve their problem' all four answered in the middle of the scale indicating they did not strongly agree or strongly disagree with this statement. This may indicate that employees are not empowered because in a small establishment the owners are on hand to deal directly with guest complaints.

While the owner displayed an informal management style he appeared to be aware of the importance of providing good service to guests; commenting *“it’s just an absolute service thing we just try and keep our standard at a level where people will be happy to come back. If that works well okay, obviously you’re never going to please everybody. But if we can get a reasonably high percentage of happy people then we are happy with that”*. Two employees in the motor lodge agreed that providing a high level of guest service is important while two strongly agreed. Similarly, when asked ‘I understand what I have to do in my job to provide a high level of guest service’ all replied on the agree side of the scale with three indicating strong agreement. The third statement relating to guest service in the survey asked employees whether they felt confident that they provided a high level of service for guests. All four respondents agreed, however, none strongly agreed with the statement. When employees were asked what strategies they used to ensure high levels of service, most responses related to tangible rather than intangible facets of their job. For example, *“keep room tidy”* and *“replace and refill all that has been used”*.

The owner explained that two loyalty programmes were offered at the motor lodge. These were Fly Buys which the owner did not think was successful and offering the 10th night free to long stay guests. There were no procedures in place to measure or monitor these programmes and the owner appeared to be dismissive of loyalty programmes and did not discuss guest loyalty in the interview.

When discussing guest retention the owner estimated that 40% of the business was returning guests. He said that they emphasised good service in the motor lodge as a way of increasing retention, stating *“we fall back on the friendly service and try to keep our standard at a level where people will be happy to come back”*. He further commented *“we do see the same people a lot and I think that’s a direct correlation with the service we provide”*.

Although the owner did not specifically discuss any links between employees and guest retention employees were asked whether they understood the importance of returning guests. All responded on the agree side of the scale (two strongly agreed). When asked if there were any specific strategies they used in their job to ensure guests return, general rather than specific retention strategies were mentioned. Comments were included, for example, “*polite, helpful and friendly*”, “*provide a good service*” and “*make guests feel welcome*”.

8.3.2 Resort Hotel

Two interviews were undertaken in the resort hotel, the first with the General Manager (GM). Although he had only been employed for 4 months he was very aware of the importance of guests and focused his interview on issues relating to guest management. The second interview was with the Catering Manager (CM) who had been at the resort hotel for just over 12 months and while the information he provided about the hotel was not as candid as the GM it was relevant to this study.

Of the 69 staff employed only 15 (21%) answered the questionnaire, meaning that only tentative conclusions can be reached in the following discussion. While the GM estimated that at least half of their employees were part time this was not reflected in the employee responses with 10 (66% of respondents) being part timers. The turnover rate appeared to be fairly low in the resort hotel with five employees stating they had been employed for longer than 5 years and four had been employed for 2-5 years. The organisation structure in the resort hotel is hierarchical with four levels between the GM and front line employees who interact directly with guests (see Appendix 28).

The GM was clear in his interview that his role was to increase occupancy rates. The CM, on the other hand, was responsible for the day-to-day running of the hotel and he commented in his interview “*I’m the assistant manager of the hotel and look after the hotel and functions like conferences*

and weddings". While no clear management style emerged from the interviews the impression was that while current guests were important the main focus was building up the business.

There were two specific business strategies that the GM discussed in his interview. The first he called 'enquiry conversion' which he explained as "*somebody ringing and telling you 'I want to spend my money, how do I spend it?'*". He explained they have to be proactive in dealing with these enquiries and turn them into confirmed bookings. This strategy is paying dividends, for example, in August 2004 17% of enquiries were converted into confirmed bookings for about \$22,000 and "*in September this went up 60% to \$108,000*". The GM was passionate about enquiry conversion and said that it is stressed to employees that "*we confirm the sale ... it's not good just sending people information*". The GM also commented "*my motto is – what gets measured gets done*" and described how the enquiry conversion strategy is measured by using revenue generation sheets which list the total enquiries and how many are converted into actual business. He then provided a specific example saying "*the conference manager received 41 enquiries in October and she has converted 26 of them for about \$66,000 worth of business*".

Encouraging lapsed business to return was the second strategy in this hotel and the GM commented, "*I have been concentrating sales and marketing efforts on regaining lapsed business rather than trying to reinvent the wheel and find completely new business*". This strategy was implemented to increase business and the GM stated that people who have stayed in the hotel before are "*much easier to convert into customers than having to start right at scratch*". Past guests (particularly conference groups) were contacted and a visit arranged where they were shown an updated power point presentation outlining what the hotel could offer. The success of this strategy was not currently measured or monitored which was interesting because of the previous comment made by the GM about measurement being his motto.

Although both managers focused on the management of guests in their interviews some aspects of employee management were mentioned. With regard to employee training both said that it tended to be carried out within the hotel and comprised on-the-job training and the buddy system. Seven employees agreed that training was provided with a supervisor or HOD explaining the job when they started and comments included “*one-on-one training for one week*” and “*hands on supervised*”. Four other employees were trained using the buddy system; one commented “*was given a buddy*” while another said “*rostered with an experienced housemaid*”.

Four employees however, stated they did not have any training with one specifically commenting “*didn't have staff training*”. Of these four, one was told “*this is your job, this is what you do, ask if you have a problem*”; and another said “*no formal training period ... just thrown into unfamiliar tasks without training in procedures or methods*”. These two comments confirmed a statement made by the CM in his interview “*... one of the best forms of training is to put staff in at the deep end and see how well they can perform*”. While ‘throwing staff in at the deep end’ is one approach to training it could lead to employee dissatisfaction and ultimately guest dissatisfaction. This is illustrated by one employee who said “*customers get frustrated because we don't know exactly what they want or how to go about doing it*”.

When employees were asked whether more detailed staff training would have made it easier to learn their job 54% (eight respondents) agreed. It was not surprising to note that of these employees only one was trained by a supervisor, three were trained with a buddy and four reported they had not received any training. This finding was, however, balanced by seven employees who disagreed with the statement. As would be expected, six of these respondents were trained by a supervisor with only one being trained by a buddy. The assumption made is that detailed staff training is being provided by supervisors but the buddy system is not necessarily successful. There is also cause for concern about the number of employees who report they did not receive any training.

The GM mentioned in his interview that he had tried to put in place “*some core hospitality standards across the departments here ... [not] rocket science, on the whole these have been well received*”. However, there were no employee comments to confirm or deny that any standards had been implemented. In the interviews both managers stated they did not use written training manuals for employees; with the GM stating “*we have job descriptions ... but I wouldn’t say we have manuals*”. Nine¹⁹ employees thought manuals which outline their job would be useful, although, there were mixed responses from employees when asked whether training manuals would have made it easier to perform their job when they first started, with six agreeing and seven disagreeing²⁰. One negative comment was: “*who’s got time to read manuals*” while a positive comment about training manuals was “*if you didn’t absorb everything in training you could refer to the manual*”.

According to the GM approximately 50% of employees were part-timers and he stated that this was a conscious management decision because “*you can actually have the numbers here when you need them*”. He was, however, concerned that part-timers were not as motivated as full-time employees and asked for a specific question to be included in the employee survey ‘Do you think that you would be more motivated to work at [establishment name] if you had a full-time position?’ Five responded they were already full-time, while seven said “*no*” and three did not respond to this question. Employee comments included: “*I am already interested and motivated with just being a casual employee*”, and “*no, as I don’t want full-time work*” and “*I am nearly 63 and part-time suits me*”. Only three respondents said they would be more motivated if they worked full-time, and comments included “*would be there more often and would know what is going on*” and “*part-time work contributes to lack of continuity and lower professionalism*”. These responses do not provide a clear answer for the GM as some part-time employees report they are motivated and some are not. A similar finding may also true for full-time employees; some may

¹⁹ Five disagreed; one did not respond

²⁰ Two did not respond

be motivated while others are not. Leading to the suggestion that motivation is related to more than just the number of hours worked and the GM will need to gather further data in order to examine motivation in more detail.

There were conflicting views between management and employees about reward schemes in the resort hotel. While the GM did not mention rewards, the CM commented that they are introducing rewards although he does not personally agree with them saying *“I don’t think we should reward them [employees] for something that is already in their job description, it’s what they are paid to do”*. Twelve²¹ employees, however, agreed that a reward system should be in place and the following comments were made, *“striving for goals keeps staff motivated”* and *“it provides an incentive for employees to perform at their best”*. There was a mix of responses (eight positive and six negative)²² when asked if a reward system would improve employee motivation. One employee made a positive comment saying rewards *“would improve morale and give incentive to always give good service”* while another made a negative comment *“employees should be well paid for the job they are expected to do, not have to earn ‘Brownie Points’ by one-off performances”*.

Both managers agreed that employees have limited empowerment to deal with problems, and the CM stated *“the staff member should deal with the problem immediately if they are 100% certain that they can deal with it. If they are not confident ... then they should get the supervisor”*. Thirteen²³ employees agreed (nine strongly agreed) that they would know what to do if a guest complained. When asked ‘if they felt empowered to deal with a guest complaint’ 14²⁴ answered on the agree side of the scale, however, only five strongly agreed. This indicates that some employees, although knowing how to deal with the complaint, do not feel totally empowered to actually do anything. Further analysis of the responses showed that the

²¹ Three disagreed

²² One did not respond

²³ One disagreed; one did not respond

²⁴ One did not respond

employees who did not feel empowered tended to be in a front-line position, for example, waitress, housemaid, or bar attendant.

Employees were also asked to explain what happens when a guest makes a verbal complaint, and there were a variety of responses. One employee said *“they are referred to a supervisor”* while others showed they were empowered with comments like: *“I happily deducted \$22.50 off a guest account when they queried the room rate”*, and *“offer to reimburse the specific item, e.g., food or coffee”*. The first comment indicates that not all employees are empowered which confirms the comments made by management that employees have limited empowerment.

The GM was clear that specific processes in place to deal with guest feedback and forms were provided in all rooms for guest comments. He stated that he responds to guests as necessary, further commenting *“if there are adverse comments I like to give them a call and touch base with them”*. A limited process of dealing with feedback was outlined by the GM in his interview. Once feedback is received comments are compiled and read out at the weekly management meetings and we *“talk about things that can be rectified”*. The list of comments is then sent to each department and HODs are expected to follow up the complaints. A weakness in the process was that the GM was not aware of what happened at the department level and there were no processes to ensure that feedback was being correctly delivered to front line employees.

When employees in the resort hotel were asked if they are informed about specific complaints 13 said *“yes”* but two wrote *“not always”*. When asked for specifics the examples provided were: *“somehow one room was not checked and this was pointed out to me”*, and *“forgot to check a coffee station”* and *“catering not up to expectations”*. When asked if they would like to be more informed about feedback from guests 14²⁵ agreed, of these 11 strongly agreed. This finding indicates that there might be a need to put

²⁵ One did not respond

in place specific processes to ensure that feedback travels down the management hierarchy from the GM to front-line employees.

One important point was mentioned by the GM. He said that only negative feedback is followed up, stating *“I don’t have time to contact guests who have made positive comments, although this is something I would like to do in the future”*. This was an interesting comment as writing a letter to acknowledge the guest for their feedback would not be a time consuming process. However, as the GM has only been employed for a short time it may be that some processes have yet to be implemented.

Guest service was not discussed by the GM in his interview. The CM talked briefly about guest service saying *if someone gets bad service then the chance is they will not come back and they will tell others about the hotel”*. He also said *“I believe that all staff are responsible in regards to customer satisfaction”*. This is an interesting comment in light of the comments he made about employee training and *“putting staff in at the deep end’* which will probably lead to some guest dissatisfaction with the service provided.

The results from the questionnaire show that employees understood the importance of guest service and 14²⁶ respondents agreed (12 strongly agreed) that providing a high level of service was important. When asked if they understood what they had to do in their job to provide a high level of guest service 14²⁷ employees indicated agreement and, of these, 12 strongly agreed. Most employees (14²⁸) also agreed with the statement ‘I feel confident that I provide a high level of service for guests’ although only eight strongly agreed with this statement. Specific strategies that were used to ensure high levels of service focused on the tangible aspects of the job with one employee commenting *“ensure rooms are adequately serviced”*. Some employees in the resort hotel demonstrated an understanding of the extra mile that employees can go for guests and comments included

²⁶ One did not respond

²⁷ One did not respond

²⁸ One did not respond

“remember guests likes and dislikes”, and “personalised service” while one employee stated that, “it was always stressed [by management] that a happy, satisfied guest will return”.

Guest retention in the resort hotel was estimated at 60% but the GM believed it could be higher as most of their business (96%) was domestic travellers. While the GM was aware of the economic benefits generated by return guests the CM did not appear to have any real interest in guest retention and said *“I don’t monitor retention or regular use of the hotel ... I see that as the Rooms Division Manager’s job or front of house”.*

Whilst the managers did not focus on guest retention per se, employees had some understanding of the importance of retention and when asked ‘if they understood the importance of returning guests to the hotel’, 14²⁹ agreed with 12 indicating strong agreement. Employees were also asked to describe strategies they used in their job to encourage guests to return. A range of responses were noted here with most including interpersonal skills like politeness, friendly personalised service, good guest skills, and good communication. Specific comments included, *“make every effort to attend to their needs”* and *“to be myself, i.e. natural”*. One employee mentioned *“improved service”* but did not elaborate on what they meant by this.

There were two other questions included in the employee survey which linked employee training back to guest service. Employees were asked if they thought that the period of staff training was long enough to help them understand how to provide a higher level of guest service and eight replied “yes”. Specific comments included *“the training was long enough for me as I have worked in this area with the public previously”* and *“hands on training was very useful. The Trust provided some good training courses”*. However, six³⁰ employees said “no” with one stating *“there was not enough personalised training on a one to one basis”* and another saying *“when you have had no experience before it makes it hard to learn as you*

²⁹ One disagreed

³⁰ One did not respond

go. Customers get frustrated because you don't know exactly what they want or how to go about doing it". These findings are similar to those reported about the training employees received when they started work in this resort hotel.

8.3.3 City Hotel

Three interviews were undertaken in the city hotel. First, the General Manager (GM) was interviewed; he had been at this hotel for 4½ years and had previously worked at other hotels owned by the chain. He was very relaxed in the interview and discussed the hotel and how it is managed in detail. The second interview was with the Food & Beverage (F&B) Manager who had been working at the city hotel for just over 18 months. Prompt questions were used as he tended to give one or two sentence answers and did not discuss any points in detail. Finally, the Housekeeper (HK) was interviewed; she had been employed in this hotel for 20+ years. She was very comfortable in the interview and clearly discussed her department and the hotel generally.

The city hotel appeared to be managed in a formal way with a hierarchical organisation structure incorporating a number of levels between the GM and the front line employees (see Appendix 29). Ensuring guests were satisfied with their stay appeared to be the main focus of management in this hotel. This impression was evidenced by the comments made by each of the interviewees. The GM stated; *"what you are talking about is the guest experience – if he/she has a positive experience he/she will become a return customer and perhaps a regular customer. One thing that we try and promote here is to stop and have a chat with the customers and we expect staff to treat the customer as they would like to be treated. We don't have that snobbery that some large city hotels have"*. The F&B Manager confirmed this view saying *"the name of our business is to satisfy people and we aim to do that every time so in itself that's 100% satisfaction"*. The HK also supported this view pointing out that *"we do say lets go for 100%*

guest satisfaction". She also mentioned a badge that employees wear alongside their name badge which says:

A Great Place to Stay

A Great Place to Work

"The ----- Experience"

Of the 191 employees in the city hotel only 27 (14%) answered the questionnaire, of these, 18 were part-time (66%) and nine were full-time. The information gathered from the employee survey is, therefore, only an indication of what some employees think and only tentative conclusions can be drawn from these findings.

Although management focused on guest satisfaction there were also other issues discussed in the three interviews including issues related to employee management. A Human Resource (HR) Manager is employed in this hotel to deal with recruitment, selection, training and other employee issues. The GM appeared to understand the importance of recruitment commenting "*we like to think that with our recruiting process you're halfway there [to ensuring you have the right person] by the time you've employed them*".

Related to the importance of recruitment is employee turnover and the GM estimated that turnover was 50% per annum. The F&B manager agreed the hotel "*wouldn't be too far off 50%*"; however, the HK thought employee turnover in her department could be as low as 25% commenting "*I've got a good core of people who stay put*". With such high employee turnover it is not surprising that the GM was aware of the costs involved and he commented that it costs approximately \$11,500 to replace a staff member, "*by the time you recruit, induct, train, uniforms, etc., and then get them up to speed, it's six months before they really know what they're doing*". If they can get turnover down to 25% the GM stated "*I will probably put \$150,000 straight on the bottom line of the company*". The HR manager conducted exit interviews with employees and the GM mentioned reasons for leaving that included "*pregnancy*", or "*my husband is moving*" or "*I have to stay home with the children*". He further noted that "*the reason is*

usually personal it's not usually to go to another hotel". Even though turnover is high, 25% of respondents to the employee survey had been working at the hotel longer than 5 years.

In-house training with a supervisor or HOD and using the buddy system appeared to be the norm in this hotel with the GM stating "*department training is handled in-house and some departments like housekeeping use the buddy system*". He also mentioned that "*one or two times a year we will get an external trainer, depending on the issues at the time*". When employees were asked about training they commented that it was: "*very detailed*" and they had "*worked with a buddy*". The F&B manager provided some specifics about training and said that "*staff training in the front of house areas can take anywhere from a week to a month depending on confidence issues some new employees will settle down into a new job and new environment very easily*". When asked whether more detailed staff training would have made it easier to learn their job only six employees agreed, with 19³¹ disagreeing. This finding indicates that most employees were happy with the training they received.

All three managers reported that training manuals were used, although the F&B manager stated they are "*not as complete as we would probably like them to be because it is an evolving process*". The majority of employees in the city hotel (22) thought that training manuals which outlined their job would be useful, although, five disagreed. When asked whether training manuals would have made it easier to perform their job when they first started 18³² employees agreed and one commented "*we are a busy office there isn't always someone around to ask questions so a manual would have helped*". Three disagreed with the statement with two commenting: "*everything is easier to learn as you do it*" and "*not really – training manuals are often written with the best intentions but are then seldom used*". Interestingly, five employees mentioned that they had not seen a

³¹ Two did not respond

³² Six did not respond

training manual although, as reported above, the managers interviewed believed that they were being used throughout the hotel.

According to the GM there is a formal two-stage induction process in place in the hotel. First at the department level carried out by the HOD and second at the hotel level carried by the HR manager. The HK was clear that induction was carried out as soon as the employee started in her department and this was part of their overall training. One employee, however, commented that their hotel induction held 4 months after they started, “*was not very helpful*”. With only 14% of employees responding to the questionnaire this, unhelpful or late hotel induction, could be a bigger problem than reported here and warrants further investigation by management.

The GM in the city hotel confirmed that employees have some empowerment, for example, if a guest checks in and has a problem with their room then “*we encourage staff to solve the problem on the spot*”. He further commented that although employees are relied upon to solve problems, there are no specific guidelines for empowerment “*it’s more of an on the job feeling, experience type of thing, it’s not black and white because it is different each time*”. The GM also stated there is a limit to what they can actually offer to the guest. This was supported by the F&B manager who said that front office employees are empowered to “*make decisions within reason*”. According to the HK, her employees are “*told never ignore a problem, take it to someone and they can deal with it. We try to encourage them so next time they know what to do*”.

When employees were asked ‘If a guest complains I know what I can do to solve their problem’ 22³³ agreed (13 strongly agreed). However, only 16³⁴ agreed that they were empowered to deal with a guest complaint (nine disagreed). This supports comments from all three managers which reflect that employees have some empowerment. The employees who thought they

³³ Three disagreed; one did not respond; one indicated ‘not applicable’

³⁴ One did not respond; one indicated ‘not applicable’

were not empowered tended to be in front line positions, for example, room attendant, food and beverage assistant and guest service agent. Employee empowerment needs to be further explored as those who do not feel empowered are at the front line and guests tend to be more satisfied if their problems are solved quickly.

Employees were also asked what happened when a verbal complaint was received and 10 said they would deal with the problem. Six stated that complaints were referred to management and it was interesting that the night auditor and finance supervisor were in this group of respondents. The other four were front line employees in the housekeeping department, the restaurant and the front office. Two responded that the question was not applicable to their job and four others made general comments like “*don’t know*” and “*not aware of verbal comments*”. Five employees did not respond to this question, all of these were in front-line positions in the hotel including housekeeping, functions and the cocktail bar. These findings indicate that over 50% of employees either refer complaints to management, aren’t aware of verbal complaints or did not respond which may be because they are not aware of verbal complaints.

The city hotel endorsed two employee reward schemes and the GM said that “*having a strong reward programme [leads to] staff retention and positive guest experiences*”. Star Performers is one of the reward programmes. The HK commented “*there are criteria for being a star performer and if they perform within that range we will reward them a star and they can collect the points from that and when they get enough they can cash them in at various levels for different coupons, vouchers (car parking or petrol), or movie tickets*”. Employees were asked whether they thought the Star Performers reward system was appropriate for their job and 23³⁵ said “*yes*”. When asked to explain their response 18 made positive comments, e.g.: “*it’s always great to be acknowledged*” and “*motivate staff to go the extra mile*”. Five made negative comments, e.g.: “*process needs to be*

³⁵ Three said ‘no’; one did not respond

consistent” and *“they are not given out appropriately”* and four did not comment. While it appears that most survey respondents were in favour of this scheme management should investigate further the negative comments and reasons why some employees did not comment.

The other employee reward scheme mentioned by the GM is the Anniversary Night (AN) where employees get to stay in the hotel once they have worked there for 3 months (the package includes dinner, bed and breakfast for two people). When employees were asked whether they had received the AN, 17 said “yes”, two commented that *“they didn’t get the AN until they had worked for one year”* and *“it took longer than 3 months”*. A further eight said they hadn’t used it yet. Of these, seven were part-time although only five had been employed for longer than 3 months. The full-time person who had not used the AN was in a managerial position and may not have needed a hotel familiarisation night.

When asked if the AN helped them to better understand how the hotel operates, 16 employees said “yes”, five said “no” and six did not respond. When asked for specific comments, 14 made positive comments about how it made them more aware of the operation of the hotel as a whole and where their department fitted. One commented, *“good to put ourselves in the guests’ shoes”*. When asked what they found most useful about the AN only one employee focused on work benefits, responding *“it means that you’re appreciated for being loyal to the hotel”*. Other comments related to personal gains, for example: *“a free night out”* and *“a break away from routine”*.

The city hotel has a specific process in place to deal with both positive and negative comments, which was expected in a hotel where there is a stated focus on guest satisfaction. Guest comment forms are provided in all the rooms and the GM commented *“once forms are filled out they are hopefully sealed by the guest for the attention of the GM only... so that we don’t get any screening – like staff throwing shitty ones into the bin”*. The HK, was also confident that most questionnaires got back to the GM, commenting

“we have done a few plants to find out whether they do come through or not and they have come through so that’s good”.

The GM explained that once the forms were received comments were noted and read out at the daily management meetings where *“we will talk about any issues that can be dealt with straightaway”*. Guests who make general comments are sent a standard letter thanking them for their feedback but each complaint is dealt with singly. He also commented *“I will personally respond to every single one via a letter”* and while there are no set rules about compensation *“occasionally I will give away a night’s accommodation with breakfast ... or I might just offer an upgrade on their next stay”*.

The HODs in the city hotel are expected to follow up every complaint and report back to the GM about what is being done to solve the problem. The HK said *“I highlight issues and address them with my staff, if it’s a bad issue then I get it fixed and checked and I might talk to the person one on one”*. Twenty employees³⁶ confirmed they are informed about specific complaints and the following comments were made in the survey: *“memo is normally issued to dept and staff are briefed on complaint”* and *“customer feedback forms are highlighted and given to respective person”*. These responses indicate that complaint procedures are being followed in this hotel, however, 20³⁷ employees agreed (12 strongly agreed) that they would like to be more informed about guest feedback.

The main focus in the city hotel appeared to be guest satisfaction with the GM commenting that if a guest has a positive experience they will return and both the F&B Manager and HK mentioning the aim is 100% satisfaction. There were three questions in the employee survey that related to guest service and indirectly to satisfaction. All 27 respondents to the survey agreed (23 strongly agreed) that providing a high level of guest

³⁶ Two responded “no”; five did not respond

³⁷ Five disagreed; two did not respond

service is important, while 25³⁸ agreed (17 strongly agreed) that they understood what they had to do in their job to provide a high level of guest service. There were similar results in response to the statement ‘I feel confident that I provide a high level of service for guests’ with 26³⁹ agreeing (16 strongly agree). Comments made by employees when asked what strategies they use to ensure high levels of service showed they were aware of both the tangible and intangible aspects associated with service. Comments included *“being polite and asking guests if they require anything”*, *“go out of boundaries to help them, instead of passing on the job”* and *“ensuring guests get any mail which comes to admin or any faxes”*.

Seventeen employees thought the period of training was long enough to help them understand how to provide a higher level of guest service. However, six said “no”, two replied “don’t know”, and two did not respond. When asked to explain responses to this question two employees made specific comments: *“to be able to provide a high level of guest service is a skill that you gradually build on. You can’t learn everything in a certain period of training time given”* and *“my boss at the time was very aware of service to both internal and external customers. He believed we should treat our guests with respect and be as helpful as possible”*. In her interview the HK said *“training staff in quality customer service is vital to the level of service we provide”*.

When discussing retention the GM said *“I think that holding on to a customer is way way cheaper than attracting new customers ... and if there are any issues [feedback] when I’m responding to it my ultimate goal is to keep them as a guest”*. He also appeared to understand that retention was related to satisfaction and said *“if he/she has a positive experience he/she will become a return customer”*. In terms of following up whether guests who have had a problem resolved are returning to the hotel the GM stated *“we don’t specifically do this, however there is a field in the new property*

³⁸ Two did not respond

³⁹ One did not respond

management system where you can include comments". This field in the property management system will be available to employees who can check on guest preferences and past requests which will help to make their current stay more enjoyable, hopefully leading to satisfaction and retention.

The GM estimated their guest retention rate was about 40% and described the one specific retention/loyalty strategy they had implemented. *"We have a series of guest expressions that we put into the rooms, for example, on the first visit there will be note from the Duty Manager welcoming them ... on the fifth visit a small gift will be left in the room, then every 10th, 15th 20th up to a stage where if you stay 100 times you get a framed picture"*. Building relationships with guests was acknowledged as important by the managers and is facilitated by a cocktail hour held every evening and hosted by a senior manager. The GM commented *"it's a good opportunity to get to know your customers and for them to get to know us ... putting a face to some of the behind-the-scenes staff"*. This awareness was also commented on by the F&B manager, *"you can't quantify it but certainly anecdotally you get comments from guests saying that one of the reasons they come back is because people know them"*. The HK realised that the guest cocktail hour was *"part of retaining the market"* and she said *"a lot of my work is behind the scenes so I don't get to see the guests ... but being able to be out there doing that puts me in the front a wee bit more"*.

When employees were asked whether they understood the importance of guest retention all 27 agreed, with 19 indicating strong agreement. When asked what strategies they used in their job to encourage guests to return, there were 16 written responses with most mentioning politeness, friendliness and providing good service. Specific responses included, *"providing best services"*, *"conversation, friendliness towards customers"*, and *"greet them with a smile"*.

8.4 Answering the Second Research Objective

The owner of the motor lodge displayed an informal management style and this was reflected in his approach to employee management. There were no written policies or procedures relating to employee recruitment or training, and there were no reward schemes. However, employees appeared to know how to do their jobs and turnover was very low. They also agreed that they felt confident they provided a high level of service to guests and understood the importance of returning guests. One employee, however, felt that they were not valued by management. If not addressed this could lead to employee dissatisfaction and ultimately guest dissatisfaction.

The approach taken to guest management was also very informal and there were no written policies or procedures. It was clear from the interview that the owner believed that guest satisfaction was very important and he also understood the importance of retention and the value of returning guests. Building relationships, solving problems as they occurred, and ensuring guests were satisfied were all part of the day to day interaction with guests in the motor lodge. The owner believed that guests would return if they were satisfied with the service received and a personal relationship was developed.

With an average annual occupancy rate of 60%, an estimated retention rate of 40% and an estimated 65% of guests being from within New Zealand there is an opportunity for the motor lodge to increase their occupancy rates by encouraging guest retention. However, the owner was happy with the business they already had and did not plan to make any changes in the future.

In the resort hotel it was apparent from the interviews that the GM's role was to increase occupancy rates. While he understood that current guests were important he had implemented two strategies to increase occupancy; enquiry conversion and encouraging lapsed business to return. The GM did

not appear to enjoy dealing with employees or guests and the CM was responsible for the day-to-day running of the hotel.

The negative comments made by the CM about employee training and reward schemes in his interview suggested that he does not understand the importance of satisfied employees. Despite this, employee turnover was relatively low, the majority felt they had received adequate training, and agreed they knew what to do if a guest complained. Most employees agreed providing a high level of guest service was important and that they made a valuable contribution to guest retention. However, only 50% felt they had the training required to provide a high level of service and only 58% agreed that staff training helped them to understand the importance of guest retention. When asked whether they felt that management valued their staff only eight agreed. Leading to similar concerns raised about the motor lodge where employee dissatisfaction could lead to guest dissatisfaction in the future.

The managers in the resort hotel did not appear to understand the importance of satisfied employees and the link to satisfied guests. While the GM focused on increasing occupancy the CM did not appear to have any interest or understanding about guest retention stating *“I don’t monitor retention or regular use of the hotel. I see that as the rooms division manager’s job or front of house”*. This is an important comment by the CM and illustrates that the management in the resort hotel may not be working towards the same goals which could lead to greater dissatisfaction among employees and guests in the future.

The average annual occupancy at the resort hotel was 65%. This comprised 50% conference and business travellers, 25% family groups and 25% weekend packages, sports groups and wedding parties. Guest retention was estimated at 60% by the GM and he believed that it could be higher as most of their business (96%) was domestic travellers. Encouraging lapsed business to return appeared to be a major strategy in this hotel, however,

there were no processes in place to measure and/or monitor the success of this strategy.

An informal management approach is possible in small establishments with a flat organisation structure where the owner/manager has daily contact with guests. However, a more formal management approach is required in larger accommodation establishments with a hierarchical organisation structure. Typifying such an establishment, the city hotel has at least five levels between the GM and front-line employees. Daily meetings facilitate the flow of information between departments and ensure that managers and HODs are kept in touch with what is happening in the hotel.

There were formal policies and procedures in place to manage both employees and guests in the city hotel and the interviewees discussed these in some detail. The GM explained the processes in place to recruit, induct, and train employees and most employees agreed that they were happy with the induction process and training they received. All managers agreed that some employees are empowered and most employees agreed they know how to solve a guest problem. The two reward schemes were generally well received and employees agreed they were appropriate to their jobs. While there was high employee turnover this is not unexpected in a large hotel. Exit interviews elicited reasons related to issues other than the work environment and 25% of respondents to the employee survey had been working in the hotel for longer than 5 years.

Issues relating to guest management (guest feedback, service and retention) were also discussed in the three interviews. There was a formal process in place to deal with guest feedback and employees confirmed they are told about complaints. All managers mentioned the importance of guest satisfaction and all 27 employees agreed providing a high level of service was important, with 26 feeling confident they provided high levels of service to guests.

The GM, F&B manager and HK all appeared to understand the link between employee satisfaction and guest satisfaction and retention and they all discussed the importance of building relationships with guests. All employees who responded to the survey agreed they understood the importance of returning guests, with 25 feeling they made a valuable contribution to guest retention in the hotel. When employees were asked if they felt valued by management in the city hotel seven disagreed. Most of these were front line staff (i.e., food and beverage and front office) but also included one senior person in the hotel.

It was clear that the management focus in the city hotel was guest satisfaction although building relationships with guests was also seen as important. There is definitely a possibility of increasing the occupancy rate in the city hotel with an average annual occupancy rate of 75%, domestic guests being 70% of the business and an estimated retention rate of 45%. The GM appeared to be very interested in developing specific guest retention strategies to increase occupancy. He felt that measuring and monitoring of guest satisfaction and retention would be enabled by the new property management computer system.

Based on the findings discussed above the following research objective is answered.

To investigate what guest retention strategies are used in three
New Zealand accommodation establishments.

It was interesting to note that similar strategies were implemented in both the motor lodge and city hotel to manage guest retention. The motor lodge owner felt that building personal relationships with guests was important and focused on ensuring that guests were satisfied with their stay. Similarly in the city hotel, managers were encouraged to build relationships with guests and guest satisfaction was the most important focus in the hotel. In the resort hotel the GM was working on a specific guest retention strategy by encouraging lapsed business to return, although this strategy was not being measured or monitored.

8.5 Conclusion

Managed by the owner, the motor lodge was the smallest establishment in the case study. Whilst an informal management style was displayed the owner appeared to understand the links between guest satisfaction and retention, and he felt that building relationships with guests was very important.

The mid sized establishment (resort hotel) was owned by a licensing trust that employed a GM to operate the hotel. The GM was employed to increase the occupancy whilst the CM managed the day to day operation of the hotel. These two managers did not appear to be working towards a specific goal which could lead to problems with employee satisfaction, guest satisfaction and retention in the future.

The largest establishment in the case study was the city hotel which is owned by an overseas hotel company. A formal management style was implemented in this hotel with a clear management focus on guest satisfaction. The GM outlined processes in place to manage employees (e.g. training and reward schemes) and manage guests (e.g. empowerment and dealing with feedback).

In the final section of this chapter the second research objective was answered:

To investigate what guest retention strategies are used in three
New Zealand accommodation establishments.

The findings showed that all owner/managers thought guest satisfaction was the main focus in their establishment. Both the motor lodge and the city hotel as both saw building guest relationships as important, while the focus in the resort hotel was encouraging lapsed business to return.

Chapter 9

Weaving the Threads Together

9.1 Introduction

This study was based on an integrated approach to management presupposing that elements in the service system need to be coordinated and integrated, in order to guarantee employee satisfaction and retention, ensure service excellence for external customers, encourage customer retention, and lead to enhanced organisational effectiveness. The New Zealand accommodation sector provided the empirical context in which this integrated approach was studied with a particular focus on guest retention strategies.

While researchers had expounded the positive benefits of guest retention and explained an integrated approach, no empirical studies had been undertaken in the New Zealand accommodation sector when this study was undertaken. The accommodation sector contributed \$1.7 billion to the New Zealand economy which is 10% of the contribution made by the travel and tourist industry which is a major contributor to New Zealand's GDP. It is, therefore, an important sector to study and retaining guests will mean that accommodation establishments can increase their overall occupancy rates and profitability.

In this chapter the findings from the mail survey and case study are presented and the research question which frames this study is answered. The findings from one question in the mail survey are further elaborated and discussed in relation to relevant theory in the next section. The contribution that this thesis makes to knowledge is discussed in the final section of this chapter.

9.2 Answering the Research Question

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 of service recovery; and, understand how loyalty schemes lead to guest retention (Research Objective 1). However, very few strategies were used to manage guest retention in the three accommodation establishments studied. The approaches varied considerably ranging from informal management styles, through to encouraging lapsed business to return, to a focus on 100% guest satisfaction (Research Objective 2). These findings answer the research question:

What strategies are used in New Zealand accommodation establishments to manage guest retention?

One question in the mail survey asked respondents to score four strategies out of 100 depending on how important each strategy was in their establishment. The findings to this question were interesting and are discussed below with case study findings and relevant literature. The mean scores for each strategy are shown below along with how each case establishment ranked each strategy (1 = most important):

Table 9.1: Survey mean score and case establishment ranking for each strategy

	Mean score from survey respondents	Motor Lodge Ranking	Resort Hotel Ranking	City Hotel Ranking
Satisfying guests	38.14	1	2	2
Retaining existing guests	23.04	2	1	1
Acquiring new guests	20.29	3	3	3
Developing guest loyalty	16.98	4	4	4

Satisfying guests was scored as the most important strategy by the majority of respondents to the mail survey, and four establishments gave satisfying guests 100 points. Responses to related Likert Scale items further supported the notion that satisfying guests was important and satisfaction was discussed, to some degree, by all case study interviewees. Satisfaction, as an individual concept, has long been a dominant theme in the service

management literature and, along with dissatisfaction, has been the focus of hundreds of theoretical and empirical studies (Perkins, 1991, in Gundersen et al., 1996).

The ranking of satisfying guests as the most important strategy by New Zealand accommodation establishments was not surprising for three reasons. First, satisfaction is a popular concept which has long been a topic of discussion in practitioner journals, on the internet, and in more mainstream magazines and newspapers. Second, guests are very aware of satisfaction and to be successful owners and managers of accommodation establishments need to understand satisfaction and what it means to guests. Finally, instruments which purport to measure guest satisfaction have been widely discussed in practitioner journals and it might be expected that owners and managers of accommodation establishments would be more familiar with a concept which can be measured.

Retaining existing guests was scored as the second most important strategy by mail survey respondents and they further indicated their understanding by responses to related Likert Scale items. Case establishments also recognised the importance of retaining existing guests with the resort and city hotels ranking it as most important and the motor lodge ranking it second. However, no specific retention strategies were discussed in any establishment. Customer retention has recently emerged as a separate theme in the service management literature. Studies have shown that customer retention has a positive impact on organisational profits (Cranage, 2004; Hansemark & Albinsson, 2004; Reichheld & Sasser, 1990) and should be operationalised as part of an integrated management approach (Heskett et al., 1994; Johnston, 1994; Schlesinger & Hallowell, 1993; Schneider, 1994).

The strategy ranked third in the survey was 'acquiring new guests' and it was not surprising that this was ranked lower than 'satisfying guests' or 'retaining existing guests' as respondents to the mail survey and case study demonstrated an understanding of the importance of both guest satisfaction and retention. Also a new theme in the literature, Customer Relationship

Management, expounds a change in focus from acquisition to retention of customers and is a strategy designed to optimise customer satisfaction and increase profits (Bland, 2003; Chen & Popovich, 2003; Crosby 2002; West, 2002). Evidence from empirical studies showed that some organisations still focus on acquiring new customers (Ahmad, 2002; Stiefbold, 2003; Weinstein, 2002). This is not surprising as not all organisations have customers who can physically return, for example, a hotel that caters exclusively for overseas tourists.

In the mail survey 38% (55 establishments) reported that 50% or more of their guests were from overseas and because many are on coach tours this necessitates building a retention relationship between the tour company and the establishment. Whilst it is important to ensure that all guests were satisfied with their stay, so that they would make positive word of mouth comments, establishments also need to advertise for new guests as many of the international guests will not return to New Zealand.

Developing guest loyalty was ranked as the least important strategy which was surprising for two reasons. First, the benefits of guest loyalty have become a major theme in the services literature and empirical studies have been discussed and reported in management articles. Second, loyalty schemes that have become common in the service industry and particularly in the travel and tourist industry, for example, airline frequent flyer points; gifts for hotel guests who stay for a minimum number of nights; and discount cards used by restaurants and cafes.

A multitude of loyalty programmes have emerged since the 1980s when the first frequent flier programme with American Airlines was established. This was closely followed by hotel frequent guest programmes (Toh et al., 1988). Loyalty programmes according to Kandampully and Suhartanto (2000), are commonly used to gain competitive advantage. The majority of respondents to the mail survey demonstrated an understanding of loyalty schemes agreeing that loyalty schemes were successful and will encourage guests to return. Given these findings it was surprising to learn that the owners and

managers in the case establishments were not particularly enthusiastic about loyalty programmes. Therefore, there appears to be an opportunity to both develop and implement loyalty schemes as a way of encouraging guest retention in the New Zealand accommodation sector.

While it is important for managers of accommodation establishments to implement guest retention strategies they should not be seen in isolation but as part of an integrated approach to management. The Service Profit Chain (SPC) shows an integrated approach to service management and it is important to see guest retention as one of the links in the chain. In order to develop a retention strategy it is important to consider the preceding links in the chain such as employee satisfaction, retention and productivity and guest satisfaction. Whilst the literature would have managers believe that guest retention strategies are becoming more commonplace in service organisations this is not always supported by empirical findings. The results from this study demonstrate that while New Zealand accommodation managers understand critical concepts related to guest retention, there were few retention strategies actually implemented in the three case establishments studied.

9.3 Contribution to Knowledge

This study expounded an integrated approach to service management using the Service Profit Chain (SPC) as the theoretical basis. The literature relating to these concepts and links between concepts in the SPC was reviewed in Chapter Three.

The debate in the literature about the relationship between loyalty and retention had a direct impact on this study. Some researchers believe that customer loyalty comprises both behavioural and attitudinal components. However, Ennew and Binks (1996) argued they are separate constructs and that loyalty is how the customer feels about the service (attitude) while

retention is how the customer acts (behaviour). It was acknowledged in the literature that it is easier to measure behaviours than attitudes and this has added to growing interest and studies about retention. Whilst Zemke (2000) stated that customer retention had not been addressed in the literature, this is beginning to change and it has been proven empirically to be less expensive to retain an existing customer rather than acquiring a customer. The view of retention as customer behaviour and a separate measurable concept was adopted in this study.

Positive benefits of retaining guests cannot be underestimated and the New Zealand accommodation sector is characterised by relatively low average annual occupancy rates. Occupancy rates are also affected by the increasing numbers of accommodation establishments and low barriers to entry in the sector. The implications of this research for managers are threefold. First, owners and managers who responded to the mail survey were sent a summary of the findings allowing them to see how other establishments responded to questionnaire items. They can then compare their responses and if different they may want to investigate further to find out the reasons. Second, findings from each of the establishments in the case study were sent back to the owner and general managers. This enabled them to identify the gaps in what they thought (and reported) was happening and what the employees actually said in their survey. Third, while the owners and managers appeared to understand the importance of guest retention the majority stated that satisfying guests was the most important strategy in their establishment. This study explained how guest retention leads to higher occupancy rates and increased profitability, outlined some retention strategies and discussed how they can be measured and monitored.

As well as implications for the individual establishments, publishing these research findings can be beneficial to the accommodation sector generally. It cannot be assumed that accommodation managers in New Zealand are familiar with the academic research undertaken about customer retention. Making the findings available to owners and managers means there is the possibility of generating discussion about guest retention among individual

establishments and also between sector organisations like the Hotel Association of New Zealand and the Motel Association of New Zealand.

The findings from this study add to the theoretical and empirical literature published about service management and specifically customer retention in the New Zealand accommodation sector. The majority of respondents to the mail survey said they worked to retain their guests; knew the value of guest retention; understood the links between guest satisfaction, loyalty and retention; understood the specific reasons behind guest defections; understood the importance of service recovery; and understood how loyalty schemes lead to guest retention.

The three establishments who took part in the case study appeared to understand the importance of guest retention. However, they tended to view it as part of a broader notion of guest satisfaction. In the literature reviewed for this study the relationship between satisfaction and loyalty is debated as is the idea that loyalty comprises both attitudinal and behavioural aspects. Retention is a relatively new concept that (according to Ennew and Binks (1996)) encompasses customer behaviours. Retention has been the focus of more recent studies as behaviours are easier to monitor and measure than attitudes (Opperman, 2000 in Petrick, 2004; Reichheld, 2003). So while the benefits of retention are not disputed in the literature (Reichheld, 1996; Reichheld & Sasser, 1990; Venetis & Ghauri, 2004), there is little discussion about what actual retention strategies are.

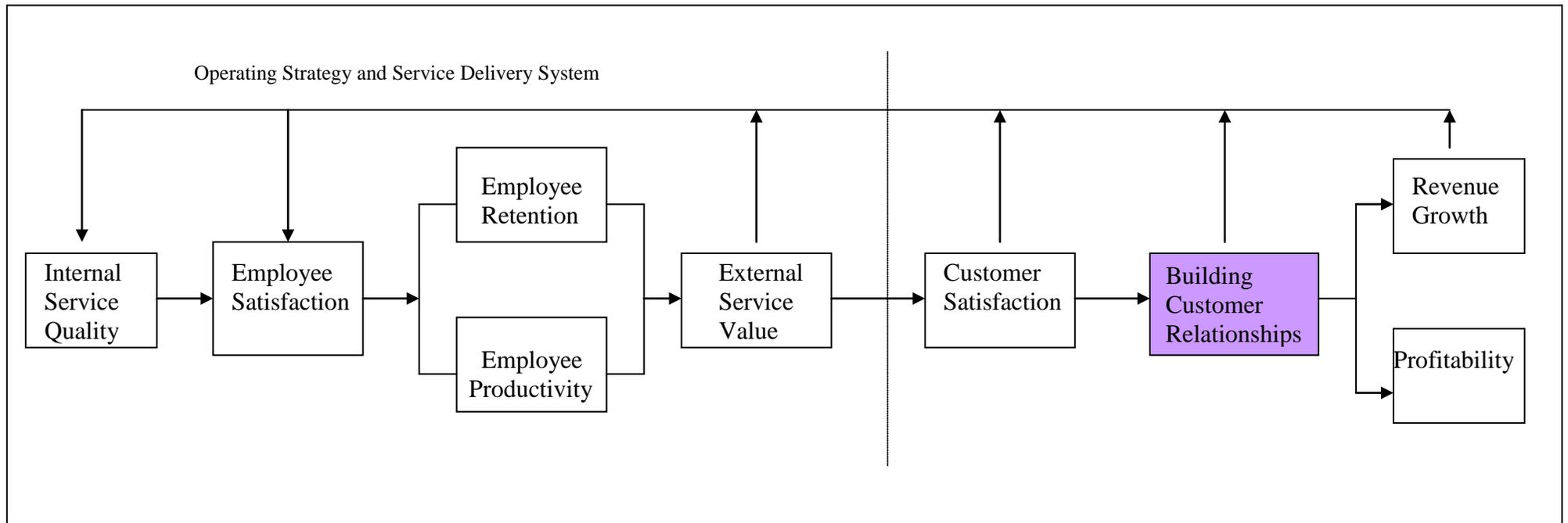
Although the literature expounds the importance of retention and measuring behaviours, the findings from this mail survey showed that guest satisfaction was scored as the most important strategy, although guest retention was ranked second. Specific guest retention strategies discussed in the literature include defections management, service recovery, and complaints management. This study elicited that none of these strategies were used in the three New Zealand case establishments to manage guest retention. While, the motel owner and managers in the city hotel did not discuss any specific guest retention strategies they believed that it was most important to

ensure guests were satisfied and to build personal relationships with guests. In the resort hotel there was a focus on encouraging lapsed business to return, however, this was neither measured nor monitored.

Owners and managers in this study saw retention as a proxy for satisfaction, as evidenced by the findings from the motor lodge and city hotel. The original SPC may, therefore, be amended (see Figure 9.1) to include a broader concept 'Building Customer Relationships' rather than using concepts such as loyalty or retention as the link between satisfaction and increased profits. Building customer relationships was a strategic focus in two of the case establishments in this study and was understood by the owners and managers, whereas, loyalty and retention were not specifically discussed in the interviews. Leading to the assumption that guest satisfaction and relationship building were the most important strategies in the establishment and are, therefore, the two links in the amended chain proposed in Figure 9.1.

While, this study related specifically to the New Zealand accommodation sector it has provided a framework to enable further work to be undertaken about the management of guest retention strategies worldwide. Further research ideas are discussed in Chapter Ten.

Figure 9.1: Customer relationship profit chain



Chapter 10

Final Comments

In this chapter the limitations of this study are discussed and ideas for further research are outlined. An overview of the thesis completes this chapter.

10.1 Limitations

Three limitations were encountered during the conducting of this study. First, a database of New Zealand accommodation establishments that provided accommodation, meals and had a license to sell liquor was not available. The sampling frame was developed from two marketing publications and while this was as comprehensive as possible there is no guarantee that the population generated was, in fact, exhaustive.

The second limitation was discovered in the mail survey. The survey was specifically designed with a six point Likert Scale so that respondents could not 'sit on the fence'. This scale actually made the analysis of findings more difficult because there was no clear distinction between those who agreed and those who disagreed with each item. However, what it has done is minimise the aggregate of responses around a neutral stance.

The third limitation relates to how the three accommodation establishments were finally chosen to take part in the case study. Once establishments were identified as potential participants a decision was made about their participation based on accessibility and cost considerations. This meant that all establishments had to be easily accessibly.

Whilst these limitations should not have had a major impact on this study it is important that they are acknowledged and discussed so that the data is understood within this framework. Future researchers should also take into account the impact that these or similar limitations may have on their study.

10.2 Future Research

While this study focused on how guest retention is managed in New Zealand accommodation establishments there were a range of topics identified that require further study. These include topics relating directly to:

- the New Zealand accommodation sector,
- the overseas accommodation sector, and
- other service industries in New Zealand.

Three further studies could be undertaken in the New Zealand accommodation sector. First, in-depth research could be undertaken to investigate what owners and managers actually understand about guest satisfaction, loyalty and retention and whether they view these as similar or different concepts. This research would provide further data to support or refute this thesis which proposed that New Zealand accommodation owners and managers see both loyalty and retention as a proxy for guest satisfaction. There is also on-going discussion and debate in the literature about these terms and further empirical findings would add to the discussion and understanding of the issue.

Second, research about guest loyalty programmes could be undertaken. It is purported in the literature that loyalty schemes are commonly used to gain competitive advantage. Given their proliferation in other travel and tourism organisations (e.g. airlines) it was surprising that survey respondents in this study ranked developing loyalty programmes as the least important strategy in their establishment. Further investigation would allow researchers to explore the reasons why guest loyalty programmes are not commonly used in the New Zealand accommodation sector. These findings may be useful for practitioners as they might provide insights into why guests return to particular accommodation establishments. With reported annual occupancy rates of less than 60% New Zealand accommodation establishments may find that loyalty schemes will help to increase guest retention. The findings

will also add to the rich tapestry of literature available by providing a view of customer loyalty from the New Zealand accommodation sector.

Another study, related to the New Zealand accommodation sector, could focus on guests and investigate their perceptions and understandings of satisfaction, loyalty and retention. A study of guest perceptions about these concepts would add another dimension to the findings from this study and would provide owners and managers of New Zealand accommodation establishments with specific information about what guests' see as important. This knowledge would enable accommodation establishments to improve their service in areas that were important to guests, and to understand what guests understand about loyalty and retention. The current literature in the area of satisfaction, loyalty and retention has focused on studies in large countries and predominantly large industries. This study will add to the already established body of literature.

Similar studies to the three discussed above could also be undertaken in the accommodation sector of other countries. The findings would be applicable to practicing managers in New Zealand who would learn what is happening in overseas accommodation establishments, and they could use the data to benchmark themselves on a global scale. A best practice model could also be developed based on all the findings which if implemented would lead to a cycle of continuous improvement within individual accommodation establishments. The findings would enrich the literature by providing comparative data between New Zealand and overseas accommodation establishments which currently does not exist.

Finally, how customer retention strategies are managed and monitored in other service organisations in New Zealand could be investigated. This study would provide New Zealand accommodation establishments with another perspective on the management and monitoring of retention. These findings from other New Zealand service organisations could also be directly compared with the findings from this study. As very little empirical research has been done, with the exception of the banking industry, about

how New Zealand service organisations manage customer retention this study also provide a new perspective in the services management literature.

10.3 Conclusion

Underpinning this study was a positivist philosophy and the research process undertaken was proposed by Bourgeois in 1979. This seven step process ensured that the research question was answered in the most exhaustive and comprehensive manner possible.

The first step in the process necessitated developing a relevant research question, through a priori knowledge of the industry and a gap identified in the customer retention literature. Second, the topic under investigation was divided into two research objectives and the answers from these would then answer the research question. Third, context for this study was researched and the New Zealand accommodation sector was comprehensively discussed in Chapter Two. In Chapter Three service management literature was reviewed with a specific focus on customer retention literature.

The methods used in the deductive phase of this study were outlined and discussed in Chapter Four. The mail survey developed to test six research statements was discussed and reasons for undertaking a census were presented. The mail survey was implemented to answer the first research objective, and the findings were presented in Chapter Five and analysed and discussed in Chapter Six. The findings showed these New Zealand accommodation establishments appear to work actively to retain guests; know the value of retained guests; understand the links between acquiring new guest, guest satisfaction, guest loyalty and guest retention; understand the reasons why guests defect; understand how to recover from a service failure; and, understand how loyalty schemes lead to guest retention.

The methods used in the inductive phase of this study were outlined and discussed in Chapter Seven (step five). The criteria used to select the three

accommodation establishments to take part in the case study were discussed in this chapter. The data collection tools that were used were outlined and an overview of how the data were analysed was provided.

Chapter Eight presented a discussion of the findings from the case study and compared the responses from the owner/manager interviews and employee surveys in each establishment. The second research objective was answered and it was discovered that the motor lodge and city hotel focused on guest satisfaction and building relationships with guests while the resort hotel focused on encouraging lapsed business to return. However, the effectiveness of these strategies were not measured or monitored.

The research question was answered in Chapter Nine and how four strategies are ranked by New Zealand accommodation establishments were discussed in relation to relevant literature (step six). While guest retention was scored as the most important strategy by the resort and city hotel and as second most important by the motor lodge, none of these establishments measured and monitored the few strategies they had in place to manage guest retention.

The contribution that this thesis makes to knowledge is also discussed in Chapter Nine. The findings from this study will help owners and managers to New Zealand accommodation establishments to judge themselves against other respondents to the mail survey. The three case establishments will be able to identify gaps between what management think is happening and what employees are actually doing. The Service Profit Chain was revised in the form of a Customer Relationship Profit Chain, based on the fact that the case establishments viewed guest retention as a proxy for guest satisfaction.

The final step proposed by Bourgeois (1979) was a conclusion and this has been presented in three sections in this chapter.

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Appendices

Appendix 1—Research Statements and Literature

Research Statement	Theory	Author	Literature Summary
<i>One</i> Accommodation managers actively work to retain their guests.	Organisations focus on recruiting new customers, expending time, energy and resources chasing new business rather than concentrating on customer retention. Customer retention is either overlooked or devalued.	Ahmad, 2002; DeSouza, 1996	Customer retention should be part of an organisation's strategy; however, it is often overlooked and the focus is customer acquisition. Part of the problem with customer retention is that mechanisms are not in place to effectively track customer retention.
	Customer retention should be part of the organisational strategy, built into the long-term planning and part of the customer philosophy	Appiah-Adu, 1999; Hall, 2000; Johnson et al., 2000	
	Organisations collect data on customer problems but don't have the mechanisms to drive these data back into the organisation. Measurement systems are inadequate to manage the value being delivered to customers.	Stiefbold, 2003; Reichheld, 1994	
<i>Two</i> Accommodation managers know the value of guest retention.	There is agreement in the literature that retained customers have a positive effect on organisational profits.	Hansemark & Albinsson, 2004; Cranage, 2004; Reichheld & Sasser, 1990	Retained customers lead to increased profits for an organisation; however, there is evidence to show that managers do not understand the value of customer retention.
	There is high correlation between customer retention and company profitability.	Clark, 2002; Ennew & Binks, 1996	
	Service managers often disregard evidence that it is cheaper to retain a customer than attract a new customer.	Stiefbold, 2003	
	Organisations would put more emphasis on retaining existing customers if they considered the lifetime retention value.	Ahmad, 2002	
<i>Three</i> Accommodation managers understand the links between guest acquisition, satisfaction, loyalty and retention.	Many service organisations have moved to an integrated approach that requires all areas in the organisation act in a coordinated way to produce service excellence.	Schneider, 1994; Anderson & Mittal, 2000; Roth, Chase & Voss 1997, in Lau, 2000	For a customer retention programme to be successful, accommodation managers need to understand each of these individual concepts. They also need to understand the linkages between acquisition, satisfaction, loyalty and retention.
	Service profit chain – an approach to management that recognises the importance of all links in the chain leading to customer retention and increased profits.	Schlesinger & Hallowell, 1993; Heskett et al., 1994	
	Managers who understand the service profit chain develop and maintain a corporate culture centred on service to both internal and external customers.	Heskett et al., 1994	

Research Statement	Theory	Author	Literature Summary
Four Accommodation managers understand the specific reasons behind guest defections.	One way to reduce customer defections is to track defecting customers. Searching for root causes of defection can help fix the problem and win back customers.	Reichheld et al., 2000; Reichheld & Sasser, 1990	Agreement in the literature that tracking defecting customers and preventing future defections is important.
	Reasons for defections and potential cures are not understood.	Evans, 2002	
	Managers should make an extra effort to implement systems that track and measure customer defection.	Ahmad, 2002; Page et al., 1996	
	General consensus that preventing customer defections is a sound business strategy.	Anderson & Mittal, 2000; Zeithaml, 2000	
Five Accommodation managers understand the importance of service recovery.	Organisations are not always able to ‘get it right first time’ so recovery programmes are important. Managing complaints and customer recovery should be a key operational task within the organisation.	Cranage, 2004; Johnston, 2001; de Ruyter & Wetzels, 2000; McCollough et al., 2000; Reichheld et al., 2000	Service recovery is an important aspect of customer retention and organisations should build an organisational culture that makes it easy for customers to complain.
	Need to analyse service failures and implement recovery programmes that meet customer expectations.	Ahmad, 2002; Gess et al., 2003; Cranage 2004	
	Organisations should make it easy for customers to complain. Communication between managers and customers is an important aspect of complaint management.	Ahmad, 2002; Hueng & Lam, 2003	
Six Accommodation managers understand how loyalty schemes lead to guest retention.	Loyalty schemes are seen as one of the most successful marketing tools of the 1990s – the goal of customer loyalty programs is to build customer retention.	Bolton et al., 2000; Lewis, 2004; Uncles et al., 2003	Loyalty schemes have been touted as one of the main ways to build customer retention and increase profits although there is empirical evidence to show their effectiveness is limited.
	Customer loyalty programmes are popular because profits are increased by increasing purchases and increasing range of products bought by retained customers.	Uncles et al., 2003	
	Loyalty schemes today are easy for customers to use, and with the implementation of customer databases and other technology organisations can implement them more easily.	O’Malley, 1998	
	Although loyalty programmes are commonly used tools, empirical examinations of their effectiveness are limited.	Lewis, 2004	

Appendix 2–Establishment Questionnaire

It is assumed that completing this questionnaire implies consent. You have the right to decline to answer any specific questions in the questionnaire.

Section One includes questions relating to the establishment in which you work. Please complete these questions according to the instructions provided.

Section Two includes a range of statements and you are required to circle the number at the end of each statement that best matches your response. For example:

		Strongly Disagree			Strongly Agree				No Opinion
10.	In this establishment we actively work to keep our overnight guests coming back.	1	2	3	4	5	6	0	

Section three should be completed according to the instructions provided.

Section One:

1. What is your position in this establishment? (e.g., owner, general manager, house manager, etc.)

2. Is this establishment privately owned? (Please circle your response)

Yes No

3. If no, what company is your establishment affiliated with?

4. How many rooms (in total) are in this establishment? (Please circle your response)

0-10	11-30	31-50	51-70
71-90	91-110	111-130	131-150
151-170	171-190	More than 190	

5. Does your establishment have any type of quality rating system (for example Qualmark)? (Please circle your response).

Yes No

6. If yes, please state the company you are rated by and the actual rating of your establishment (for example: Qualmark, 4 star motel).

7. Please estimate the percentage of overnight guests per annum who are:

Returning guests _____ New guests _____

8. Please estimate the percentage of overnight guests per annum who are:

International guests _____ Domestic guests _____

9. Please indicate the MAIN reason why overnight guests stay in your establishment. (please tick one only)

Holiday/Leisure _____
 Business (e.g., commercial travellers) _____
 Conferences or conventions _____
 Other: (please indicate) _____

Section Two:

Please indicate the extent to which you agree or disagree with the following statements by circling the appropriate number after each question.

		Strongly Disagree					Strongly Agree	No Opinion
10.	In this establishment we actively work to keep our overnight guests coming back.	1	2	3	4	5	6	0
11.	Overnight guests who are satisfied are more likely to remain loyal to this establishment.	1	2	3	4	5	6	0
12.	This establishment does not know why overnight guests return.	1	2	3	4	5	6	0
13.	In this establishment we actively work to collect feedback from our overnight guests.	1	2	3	4	5	6	0

		Strongly Disagree				Strongly Agree		No Opinion
		1	2	3	4	5	6	0
14.	In this establishment only management staff are empowered to deal with overnight guest complaints.	1	2	3	4	5	6	0
15.	Loyalty schemes are not successful in this business.	1	2	3	4	5	6	0
16.	Comment forms/cards from overnight guests are always dealt with according to stated establishment procedures.	1	2	3	4	5	6	0
17.	In this establishment we understand the importance of recovering from a service failure.	1	2	3	4	5	6	0
18.	Retention strategies are unnecessary if overnight guests regularly return to the establishment.	1	2	3	4	5	6	0
19.	It is not important to know the dollar value of overnight guests who return to our establishment.	1	2	3	4	5	6	0
20.	In this establishment we believe that attracting new overnight guests is easier than keeping existing overnight guests.	1	2	3	4	5	6	0
21.	This establishment has policies in place to help understand why overnight guests do not return.	1	2	3	4	5	6	0
22.	In this establishment we believe that loyal overnight guests are more easily satisfied than new overnight guests.	1	2	3	4	5	6	0
23.	Returning overnight guests market our establishment by making favourable word of mouth comments.	1	2	3	4	5	6	0
24.	It is too expensive to develop strategies to ensure that overnight guests return to this establishment.	1	2	3	4	5	6	0
25.	Satisfied overnight guests are more likely to return to this establishment than unsatisfied guests.	1	2	3	4	5	6	0

		Strongly Disagree					Strongly Agree		No Opinion
		1	2	3	4	5	6		0
26.	If overnight guests are unhappy with the level of service they will not return to this establishment.	1	2	3	4	5	6		0
27.	The costs to this establishment of a loyalty scheme would outweigh the benefits.	1	2	3	4	5	6		0
28.	An overnight guest who has had a service problem resolved is more likely to be loyal to this establishment.	1	2	3	4	5	6		0
29.	This establishment spends more money marketing to new overnight guests than they spend trying to keep existing guests.	1	2	3	4	5	6		0
30.	Retaining overnight guests is not possible in this business.	1	2	3	4	5	6		0
31.	If you have a loyalty scheme in your establishment you need not be concerned about providing good service.	1	2	3	4	5	6		0
32.	In this establishment we believe that returning overnight guests spend more than new guests.	1	2	3	4	5	6		0
33.	Employees in this establishment are empowered to solve complaints made by overnight guests.	1	2	3	4	5	6		0
34.	In this establishment we do not believe that there is any relationship between satisfied overnight guests and returning guests.	1	2	3	4	5	6		0
35.	Loyalty schemes will not encourage overnight guests to return to this establishment.	1	2	3	4	5	6		0
36.	It is cheaper to attract new overnight guests than to keep existing guests.	1	2	3	4	5	6		0

Section Three:

37. Listed below are four important guest service strategies. I would like to know **how important each of these four strategies** is to your establishment. Please give a total of 100 points among these four strategies *according to how important each strategy is* – the more important a strategy is to your establishment, the more points you should give it. Please ensure that the points you give to the four strategies add up to 100.

Developing guest loyalty

Acquiring new guests

Retaining existing guests

Satisfying guests

Total Points Allocated 100

38. Do you have any further comments?

Thank you very much for taking the time to complete this questionnaire.

Please return the completed questionnaire in the reply paid envelope by _____

“This project has been reviewed and approved by the Massey University Human Ethics Committee, PN Protocol 02/113. If you have any concerns about the conduct of this project, please contact Professor Sylvia V Rumball, Chair, Massey University Campus Human Ethics Committee: Palmerston North, telephone 06 350 5249, email S.V.Rumball@massey.ac.nz.”

Appendix 3–Reasons for including classification items in survey

Item		Type of Response	Reasons for Inclusion in Survey
1	What is your position in this establishment? (e.g., owner, general manager, house manager, etc.)	Open ended	Responses used in cross tabulations with Likert Scale items.
2	Is this establishment privately owned?	Dichotomous Yes/No	Responses used in cross tabulations with Likert Scale items.
3	If no, what company is your establishment affiliated with?	Open ended	Further detail on previous item.
4	How many rooms (in total) are there in your establishment?	Ranges provided	Used to check for response rate bias. Responses used in cross tabulations with Likert Scale items.
5	Does your establishment have any type of quality rating system? (e.g., Qualmark)?	Dichotomous Yes/No	Used to check for response rate bias.
6	If yes, please state the company you are rated by and the actual rating of your establishment (e.g., Qualmark, 4 star motel).	Open ended	Further detail on previous item.
7	Please estimate the percentage of overnight guests per annum who are: Returning guests New guests	Own percentages required	Responses used to check whether the establishment would be suitable to use as a case study. Comparisons made between items 7 and 8.
8	Please estimate the percentage of overnight guests per annum who are: International guests Domestic guests	Own percentages required	Responses used to check whether the establishment would be suitable to use as a case study. Comparisons made between items 7 and 8.
9	Please indicate the <u>MAIN</u> reason why overnight guests stay in your establishment. (please tick <u>one</u> only) Holiday/Leisure; Business; Conferences or conventions; Other – please indicate.	Choices provided	Responses used in cross tabulations with Likert Scale items.

Appendix 4–Research statements, explanation and Likert Scale items

Research Statement	Explanation from Appendix.1	Item No.	Likert Scale Item
<p>One Accommodation managers actively work to retain their guests.</p>	<p>Customer retention should be part of an organisations strategy however, it is often overlooked and the focus is customer acquisition. Part of the problem with customer retention is that mechanisms are not in place to effectively track customer retention.</p>	10	In this establishment we actively work to keep our overnight guests coming back.
		18	Retention strategies are unnecessary if overnight guests regularly return to the establishment.
		29	This establishment spends more money marketing to new overnight guests than they spend trying to keep existing guests.
<p>Two Accommodation managers know the value of guest retention.</p>	<p>Retained customers lead to increased profits for an organisation, however, there is evidence to show that managers do not understand the value of customer retention.</p>	19	It is not important to know the dollar value of overnight guests who return to our establishment.
		23	Returning overnight guests market our establishment by making favourable word of mouth comments.
		32	In this establishment we believe that returning overnight guests spend more than new guests.
<p>Three Accommodation managers understand the links between guest acquisition, satisfaction, loyalty and retention.</p>	<p>In order for a customer retention programme to be successful accommodation managers need to understand each of these individual concepts. They also need to understand the links between acquisition, satisfaction, loyalty and retention.</p>	25	Satisfied overnight guests are more likely to return to this establishment than unsatisfied guests.
		34	In this establishment we do not believe that there is any relationship between satisfied overnight guests and returning guests.
		36	It is cheaper to attract new overnight guests than to keep existing guests.

Research Statement	Explanation from Appendix 1	Item No.	Survey Items
Four Accommodation managers understand the specific reasons behind guest defections.	Agreement in the literature that tracking defecting customers and preventing future defections is important.	12	This establishment has no idea why overnight guests return.
		21	This establishment has policies in place to help understand why overnight guests do not return.
		26	If overnight guests are unhappy with the level of service they will not return to this establishment.
Five Accommodation managers understand the importance of service recovery.	Service recovery is an important aspect of customer retention and organisations should build an organisational culture that makes it easy to customers to complain.	14	In this establishment only management staff are empowered to deal with overnight guest complaints.
		17	In this establishment we understand the importance of recovering from a service failure.
		28	An overnight guest who has had a service problem resolved is more likely to be loyal to this establishment.
Six Accommodation managers understand how loyalty schemes lead to guest retention.	Loyalty schemes have been touted as one of the main ways to build customer retention and increase profits although there is some empirical evidence to show that their effectiveness is limited.	22	In this establishment we believe that loyal overnight guests are more easily satisfied than new overnight guests.
		31	If you have a loyalty scheme in your establishment you need not be concerned about providing good service.
		35	Loyalty schemes will not encourage overnight guests to return to this establishment.

Appendix 5–Reasons for including extra Likert Scale items in questionnaire

Item No	Item	Reasons for Inclusion in Survey
11	Overnight guests who are satisfied are more likely to remain loyal to this establishment.	Item included to test theory.
13	In this establishment we actively work to collect feedback from our overnight guests.	Filter question for choosing case studies.
15	Loyalty schemes are not successful in this business.	Item included to test theory.
16	Comment forms/cards from overnight guests are always dealt with according to stated establishment procedures.	Item included to test theory.
20	In this establishment we believe that attracting new overnight guests is easier than keeping existing overnight guests.	Filter question for choosing case studies.
24	It is too expensive to develop strategies to ensure that overnight guests return to this establishment.	Filter question for choosing case studies.
27	The costs to this establishment of a loyalty scheme would outweigh the benefits.	Item included to test theory.
30	Retaining overnight guests is not possible in this business.	Used with item 10 to test the reliability (internal consistency) of the instrument. Filter question for choosing case studies.
33	Employees in this establishment are empowered to solve complaints made by overnight guests.	Used with item 14 to test the reliability (internal consistency) of the instrument.

Appendix 6–Changes made to questionnaire

There were three comments made about the questionnaire during the pre-testing and peer review phase. These comments were discussed and changes made to the final version of the survey.

Initial Question

How many rooms (total) are in this establishment?

Changed Question

How many rooms (in total) are in this establishment? (Please circle your response).

1–10	11–30	31–50	51–70
71–90	91–110	111–130	131–150
151–170	171–190	More than 190	

Justification

A colleague working in a hotel suggested that a clearer response would be obtained if owners and managers had to circle a fixed response. The reason was that many establishments have a range of room types (e.g., suite, deluxe, family unit, etc.), and some respondents would include numbers of each room type while others would respond with one total number.

Initial Questions

Does your establishment have a Qualmark star rating? (Please circle your response)

Yes No

If yes, please state the Qualmark star rating of your establishment.

Changed Questions

Does your establishment have any type of quality rating system (for example, Qualmark)? (Please circle your response)

Yes No

If yes, please state the company you are rated by and the actual rating of your establishment (e.g., Qualmark, 4 star motel).

Justification

A colleague working in a hotel suggested that a number of establishments may have a star rating with another accreditation group and the changed question allowed them to respond with the type of rating system they had.

The other change involved the term ‘accommodation property’, which was used in initial drafts of the survey; a University colleague suggested ‘establishment’ provided a clearer term that covered the range of accommodation types used in the research.

Appendix 7–Covering Letter



Name and Address

Date

Dear Sir/Madam

I know you probably get lots of requests to fill out questionnaires, but I would really appreciate it if you could take ten minutes of your time to help me with my research. My name is Shirley Barnett, and I am a PhD student with the Department of Management and Enterprise Development at Massey University in Wellington.

My PhD research topic focuses on customer retention strategies that are used in licensed accommodation establishments in New Zealand. The enclosed survey represents the first part of my research and is intended to provide me with an overview of the current situation. A series of six research statements were developed and the questions in this survey are intended to prove or disprove each of these statements.

This survey is being mailed to all properties listed in the New Zealand Automobile Association Guide 2002, the Jason's Business & Discerning Traveller 2002-2003 Guide and the Jason's Motels & Motor Lodges 2002 Guide which indicated that they are licensed, provide meals, and accommodation.

I would like to invite you to participate in this research by completing the enclosed survey and returning it to me in the reply paid envelope by Wednesday 9th October 2002. Filling out and returning the questionnaire implies that you consent to taking part in this research. Your identity and response will be kept completely confidential. Only aggregated results will be reported and individual respondents will not be identified. As a participant you also have the right to:

- decline to participate,
- refuse to answer any particular questions in the survey,
- withdraw from the study before 29th November 2002,
- ask questions about the study,
- provide information on the understanding that your property will not be identified, and
- be sent a copy of a summary of the findings from the survey

All completed questionnaires received by Wednesday 9th October 2002 will be entered into a draw for a book voucher. Please fill in the relevant information on the form that is included with this letter. The secretary in the Department of Management will conduct the draw for the book voucher and the winner will be notified by mail. Because of the confidential nature of this research I will not be able to inform anyone else about who the winner is.

Please feel free to contact my supervisors or myself if you have any questions about this research.

Yours sincerely

Shirley Barnett
PhD Research Student

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“This project has been reviewed and approved by the Massey University Human Ethics Committee, PN Protocol 02/113. If you have any concerns about the conduct of this project, please contact Professor Sylvia V Rumball, Chair, Massey University Campus Human Ethics Committee: Palmerston North, telephone 06 350 5249, email S.V.Rumball@massey.ac.nz.”

Appendix 8–Reliability Statistics

Cronbach's Alpha	No of items
.723	27

Item Statistics

Item	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
10	77.42	223.737	-.146	.734
11	77.08	221.581	-.091	.728
12	80.87	211.228	.177	.720
13	80.41	207.355	.255	.715
14	79.57	206.564	.182	.722
15	79.51	188.538	.466	.696
16	77.90	215.982	.038	.730
17	81.34	211.496	.287	.716
18	80.23	193.749	.465	.698
19	80.23	196.971	.414	.703
20	80.53	204.045	.349	.710
21	78.83	222.838	-.109	.743
22	79.17	207.917	.176	.722
23	81.28	213.316	.263	.717
24	80.24	184.424	.612	.684
25	81.46	213.521	.217	.719
26	77.64	214.550	.130	.722
27	79.43	190.469	.435	.699
28	78.00	219.873	-.028	.730
29	78.76	199.773	.390	.706
30	81.20	211.688	.216	.718
31	81.20	202.466	.376	.708
32	78.79	216.105	.006	.737
33	80.15	208.065	.199	.719
34	80.66	194.972	.425	.701
35	80.02	190.484	.501	.694
36	80.55	200.964	.327	.710

Appendix 9–Incentive Information

This page will be separated when your questionnaire is returned to ensure that your responses remain confidential.

In order to be eligible to enter into the draw for a \$200.00 book voucher, please fill in your details below.

Name: _____

Address: _____

Phone No: _____

E-mail: _____

Do you wish to receive a summary of the findings from this survey? (Please circle your response)

Yes No

Please remember to fill in contact details above.

Appendix 10–Estimated Percentages of Return and New Guests

Questionnaire Number	% of return guests	% of new guests	Questionnaire Number	% of return guests	% of new guests	Questionnaire Number	% of return guests	% of new guests
52	1	99	72	25	75	407	50	50
214	3	97	167	25	75	190	55	45
292	3	97	272	25	75	410	55	45
24	5	95	296	25	75	32	60	40
117	5	95	415	25	75	34	60	40
172	5	95	69	30	70	125	60	40
219	5	95	112	30	70	128	60	40
263	5	95	193	30	70	166	60	40
273	5	95	200	30	70	179	60	40
186	8	92	221	30	70	180	60	40
205	8	92	245	30	70	210	60	40
375	8	92	253	30	70	235	60	40
340	9	91	261	30	70	238	60	40
109	10	90	374	30	70	279	60	40
184	10	90	384	30	70	315	60	40
248	10	90	278	32	68	319	60	40
299	10	90	124	35	65	379	60	40
300	10	90	371	35	65	395	60	40
306	10	90	393	35	65	402	60	40
359	10	90	404	35	65	418	60	40
388	10	90	17	40	60	287	65	35
103	12.5	87.5	19	40	60	372	65	35
46	15	85	47	40	60	276	66	34
77	15	85	120	40	60	39	70	30
250	15	85	162	40	60	50	70	30
284	15	85	246	40	60	75	70	30
355	15	85	270	40	60	234	70	30
368	15	85	281	40	60	314	70	30
437	15	85	293	40	60	339	70	30
100	20	80	317	40	60	352	70	30
101	20	80	354	40	60	377	70	30
116	20	80	370	40	60	79	75	25
156	20	80	380	40	60	111	75	25
192	20	80	394	40	60	196	75	25
202	20	80	411	40	60	337	75	25
204	20	80	417	40	60	16	80	20
251	20	80	150	46.7	53.3	152	80	20
267	20	80	28	50	50	424	80	20
290	20	80	44	50	50	434	80	20
313	20	80	68	50	50	436	80	20
320	20	80	86	50	50	346	85	15
332	20	80	115	50	50	381	85	15
349	20	80	127	50	50			
351	20	80	160	50	50			
397	20	80	173	50	50			
295	21	79	353	50	50			
55	23	77	390	50	50			
30	25	75	406	50	50			

Appendix 11–Estimated Percentages of Domestic and Intern'l Guests

Questionnaire Number	% of domestic guests	% of intern'l guests	Questionnaire Number	% of domestic guests	% of intern'l guests	Questionnaire Number	% of domestic guests	% of intern'l guests
52	5	95	205	50	50	250	82	18
292	6	94	217	50	50	79	85	15
219	10	90	246	50	50	117	85	15
103	15	85	281	50	50	125	85	15
214	15	85	337	50	50	162	85	15
263	15	85	368	50	50	234	85	15
295	15	85	112	55	45	270	85	15
192	20	80	284	55	45	313	85	15
273	20	80	372	55	45	352	85	15
359	20	80	7	60	40	380	85	15
375	20	80	50	60	40	393	85	15
86	25	75	101	60	40	402	85	15
172	25	75	127	60	40	111	87.5	12.5
306	29	71	166	60	40	186	88	12
24	30	70	184	60	40	276	88	12
30	30	70	253	60	40	355	88	12
47	30	70	264	60	40	2	90	10
77	30	70	332	60	40	75	90	10
300	30	70	371	60	40	200	90	10
320	30	70	410	60	40	221	90	10
46	35	65	437	60	40	245	90	10
68	35	65	150	62.2	37.8	251	90	10
72	35	65	44	65	35	272	90	10
109	35	65	415	65	35	287	90	10
238	35	65	19	70	30	314	90	10
296	35	65	32	70	30	315	90	10
299	35	65	115	70	30	377	90	10
388	35	65	176	70	30	418	90	10
16	40	60	193	70	30	434	90	10
39	40	60	204	70	30	436	90	10
100	40	60	343	70	30	278	92	8
116	40	60	395	70	30	394	93	7
248	40	60	404	70	30	406	93	7
261	40	60	407	70	30	160	95	5
266	40	60	411	70	30	279	95	5
267	40	60	417	70	30	346	95	5
293	40	60	424	70	30	349	95	5
317	40	60	167	71	29	370	95	5
319	40	60	235	75	25	374	95	5
351	40	60	34	78	22	381	95	5
384	40	60	120	80	20	397	95	5
17	45	55	128	80	20	210	96	4
124	45	55	152	80	20	196	97	3
340	47	53	180	80	20	354	97	3
55	48	52	202	80	20	28	98	2
69	48	52	290	80	20	173	98	2
156	50	52	379	80	20	353	98	2
179	50	50	390	80	20	339	99	1
190	50	50	405	80	20			

Appendix 12–Actual Number of Responses to all Likert Scale Items

Item No.	Item	Strongly Disagree				Strongly Agree		No Opinion	Responses
		1	2	3	4	5	6	0	n =
10	In this establishment we actively work to keep our overnight guests coming back.	1	3	6	15	28	93	2	148
11	Overnight guests who are satisfied are more likely to remain loyal to this establishment.	0	0	3	6	21	117	0	147
12	This establishment does not know why overnight guests return.	79	45	11	4	2	5	2	148
13	In this establishment we actively work to collect feedback from our overnight guests.	2	9	13	20	50	51	3	148
14	In this establishment only management staff are empowered to deal with overnight guest complaints.	39	35	10	21	15	25	3	148
15	Loyalty schemes are not successful in this business.	37	39	17	16	8	12	17	146
16	Comment forms/cards from overnight guests are always dealt with according to stated establishment procedures.	6	6	15	17	32	48	20	144
17	In this establishment we understand the importance of recovering from a service failure.	1	1	1	6	30	109	1	149
18	Retention strategies are unnecessary if overnight guests regularly return to the establishment.	51	49	12	8	4	18	3	146
19	It is not important to know the dollar value of overnight guests who return to our establishment.	53	42	12	14	11	11	3	146

Item No.	Item	Strongly Disagree					Strongly Agree		No Opinion	Responses
		1	2	3	4	5	6	0	n =	
20	In this establishment we believe that attracting new overnight guests is easier than keeping existing overnight guests.	55	51	13	17	6	5	2	146	
21	This establishment has policies in place to help understand why overnight guests do not return.	17	19	22	23	33	12	17	143	
22	In this establishment we believe that loyal overnight guests are more easily satisfied than new overnight guests.	24	22	25	23	28	19	6	147	
23	Returning overnight guests market our establishment by making favourable word of mouth comments.	1	0	2	10	38	96	0	147	
24	It is too expensive to develop strategies to ensure that overnight guests return to this establishment.	56	43	16	9	2	8	12	148	
25	Satisfied overnight guests are more likely to return to this establishment than unsatisfied guests.	2	0	1	4	18	123	1	149	
26	If overnight guests are unhappy with the level of service they will not return to this establishment.	2	3	11	19	37	74	4	148	
27	The costs to this establishment of a loyalty scheme would outweigh the benefits.	61	25	22	19	10	8	20	145	
28	An overnight guest who has had a service problem resolved is more likely to be loyal to this establishment.	3	2	14	28	57	40	3	147	

Item No.	Item	Strongly Disagree						Strongly Agree	No Opinion	Responses
		1	2	3	4	5	6	0	n =	
29	This establishment spends more money marketing to new overnight guests than they spend trying to keep existing guests.	17	15	19	44	29	11	12	147	
30	Retaining overnight guests is not possible in this business.	100	29	4	7	2	3	1	146	
31	If you have a loyalty scheme in your establishment you need not be concerned about providing good service.	114	16	3	0	1	6	5	145	
32	In this establishment we believe that returning overnight guests spend more than new guests.	21	14	24	33	20	9	25	146	
33	Employees in this establishment are empowered to solve complaints made by overnight guests.	9	9	9	35	33	48	3	146	
34	In this establishment we do not believe that there is any relationship between satisfied overnight guests and returning guests.	89	27	5	7	2	5	11	145	
35	Loyalty schemes will not encourage overnight guests to return to this establishment.	48	43	15	16	6	7	11	146	
36	It is cheaper to attract new overnight guest than to keep existing guests.	73	38	11	8	3	4	8	145	

Appendix 13–Total Points Allocated to Four Strategies (Q 37)

Question Number	Develop guest loyalty	Acquiring new guests	Retaining existing guests	Satisfy guests	Question Number	Develop guest loyalty	Acquiring new guests	Retaining existing guests	Satisfy guests
2	10	10	10	70	179	25	25	25	25
7	10	30	30	30	180	10	5	20	65
16	10	10	20	30	184	20	20	20	40
17	20	20	20	40	186	2	20	15	63
19	20	15	15	50	190	25	25	25	25
24		60	20	20	192	10	10	20	60
28	5	10	80	5	193	20	20	30	30
30	10	15	25	50	196	25	25	25	25
32	20	20	30	30	200	20	25	25	30
34	10	30	30	30	202	10	20	30	40
39	10	30	20	40	204	20	10	20	50
44	25	25	25	25	205	10	70		20
46	15	15	50	20	210	15	20	40	25
47	11	11	23	55	214				
50	23	23	23	31	217	20	30	10	40
52		25	5	70	219	20	20	10	50
55	25	25	20	30	221	25	25	25	25
68	20	30	25	25	234	25	15	30	30
69	30	20	25	25	235	25	25	25	25
72	25	25	25	25	238				100
75	7.5	7.5	15	70	245	5	20	25	50
77	25	25	25	25	246	20	15	25	40
79	25	25	25	25	248	23.3	30	23.4	23.3
86	25	25	25	25	250	10	20	20	50
100	20	25	25	30	251	30	15	25	30
101	22.5	22.5	27.5	27.5	253	20	40	10	30
103	10	30	10	50	261				
109	10	20	30	40	263	40	10	30	20
111	5	20	25	50	264	25	25	25	25
112	10	5	15	70	266	25	25	25	25
115	10	20	20	50	267	30	20	20	30
116	20	10	20	50	270	25	25	25	25
117	10	20	20	50	272	10	20	30	40
120				100	273				100
124	10	20	20	40	276	20	20	20	40
125	15	30	25	30	278	25	15	35	25
127	10	10	10	70	279	10	10	20	60
128	30	20	25	25	281	20	20	20	40
140	3	4	3	90	283	25	25	25	25
150	25	25	25	25	284	5	65	15	15
152				100	287	25	20	25	30
156					290	10	10	40	40
160	20	10	20	50	292	30	10	20	40
162	20	10	10	60	293	15	30	15	40
166	20	20	30	30	295	5	40	10	45
167	15	15	15	55	296	20	25	25	30
172	15	25	30	30	299	10	40	10	40
173	25	25	25	25	300	10	10	10	70
176	25	20	25	30	306	25	25	25	25

Question Number	Develop guest loyalty	Acquiring new guests	Retaining existing guests	Satisfy guests	Question Number	Develop guest loyalty	Acquiring new guests	Retaining existing guests	Satisfy Guests
307	25	25	25	25	377	40	10	25	25
313		30	30	40	379	20	20	20	40
314	25	20	25	30	380	10	10	10	70
315	25	25	25	25	381		10	75	15
317	20	10	30	40	384		10	20	70
319	5	20	15	60	388	25	25	25	25
320	10	20	10	60	390	5	40	50	5
332	20	20	30	30	393	20	30	25	25
337	20	20	30	30	394	12.5	12.5	25	50
339	25	25	25	25	395	30	15	30	25
340	5	15	30	50	397	15	25	20	40
343	25	25	25	25	402	25	25	25	25
346	15	15	40	30	404	20	20	30	30
349	10	20	10	60	405	10	20	20	50
351	25	13	12	50	406	10	10	10	70
352	20	30	20	30	407	20	20	40	20
353	10	10	10	70	410	15	15	35	35
354	25	25	25	25	411	10	15	40	35
355	5	5	10	80	415	25	25	20	30
359	25	25	25	25	417	20	20	20	40
368	25	25	25	25	418	10	20	30	40
370	20	20	20	40	424	25	25	25	25
371	10	20	30	40	434	20	10	30	40
372					436	25	20	30	25
374	20	10	30	40	437	10	20	20	50
375	10	15	15	60					

Appendix 14–Likert Scale Responses – 18 Items Related to Research Statements

	Item No.	Likert Scale Item	Rankings						x ²	df	p
			Strongly Disagree				Strongly Agree				
			1	2	3	4	5	6			
One Accommodation managers actively work to retain their guests.	10	In this establishment we actively work to keep our overnight guests coming back.	1	3	6	15	28	93	252.795	5	.001
	18	Retention strategies are unnecessary if overnight guests regularly return to the establishment.	51	49	12	8	4	18	92.507	5	.001
	29	This establishment spends more money marketing to new overnight guests than they spend trying to keep existing guests.	17	15	19	44	29	11	32.689	5	.001
Two Accommodation managers know the value of guest retention.	19	It is not important to know the dollar value of overnight guests who return to our establishment.	53	42	12	14	11	11	73.294	5	.001
	23	Returning overnight guests market our establishment by making favourable word of mouth comments.	1	0	2	10	38	96	219.156	5	.001
	32	In this establishment we believe that returning overnight guests spend more than new guests.	22	14	24	33	20	9	16.984	5	.001
Three Accommodation managers understand the links between guest acquisition, satisfaction, loyalty and retention.	25	Satisfied overnight guests are more likely to return to this establishment than unsatisfied overnight guests.	2		1	4	18	123	374.770	5	.001
	34	In this establishment we do not believe that there is any relationship between satisfied overnight guests and returning guests.	89	27	5	7	2	5	254.022	5	.001
	36	It is cheaper to attract new overnight guests than to keep existing guests.	73	38	11	8	3	4	168.825	5	.001

	Item No.	Likert Scale Item	Rankings						x ²	df	P
			Strongly Disagree				Strongly Agree				
			1	2	3	4	5	6			
Four Accommodation managers understand the specific reasons behind guest defections.	12	This establishment does not know why overnight guests return.	79	45	11	4	2	5	200.521	5	.001
	21	This establishment has policies in place to help understand why overnight guests do not return.	17	19	22	23	33	12	11.905	5	.002
	26	If overnight guest are unhappy with the level of service they will not return to this establishment.	2	3	11	19	37	74	155.644	5	.001
Five Accommodation managers understand the importance of service recovery.	14	In this establishment only management are empowered to deal with overnight guest complaints.	39	35	10	21	15	25	26.186	5	.001
	17	In this establishment we understand the importance of recovering from a service failure.	1	1	1	6	30	109	371.730	5	.001
	28	An overnight guest who has had a service problem resolved is more likely to be loyal to this establishment.	3	2	14	28	57	40	32.689	5	.001
Six Accommodation managers understand how loyalty schemes lead to guest retention.	22	In this establishment we believe that loyal overnight guests are more easily satisfied than new overnight guests.	24	22	25	23	28	19	1.936	5	.08
	31	If you have a loyalty scheme in you establishment you need not be concerned about providing good service.	114	16	3	0	1	6	334.929	5	.001
	35	Loyalty schemes will not encourage overnight guests to return to this establishment.	48	43	15	16	6	7	74.733	5	.001

Appendix 15–Cross Tabulations – Likert Scale Items with Size of Establishment and Respondent

Item No	Likert Scale Item	Small	Medium	Large	Owner/Manager	Senior Manager
14	In this establishment only management staff are empowered to deal with overnight guest complaints.	45% strongly agreed or agreed	25% strongly agreed or agreed	12% strongly agreed or agreed	22% strongly agreed or agreed	43% strongly agreed or agreed
15	Loyalty schemes are not successful in this business. (17% had no opinion)	22% strongly agreed or agreed	13% strongly agreed or agreed	9% strongly agreed or agreed	20% strongly agreed or agreed	33% strongly agreed or agreed
18	Retention strategies are unnecessary if overnight guests regularly return to the establishment.	24% strongly agreed or agreed	9% strongly agreed or agreed	1% strongly agreed or agreed		
21	This establishment has policies in place to help understand why overnight guests do not return. (23% had no opinion)	14% strongly agreed or agreed	40% strongly agreed or agreed	52% strongly agreed or agreed		
24	It is too expensive to develop strategies to ensure that overnight guests return to this establishment.	47% strongly disagreed or disagreed	84% strongly disagreed or disagreed	56% strongly disagreed or disagreed.		
27	The costs to this establishment of a loyalty scheme would outweigh the benefits. (21% had no opinion)	35% strongly disagreed or disagreed	50% strongly disagreed or disagreed	56% strongly disagreed or disagreed		
28	An overnight guest who has had a service problem resolved is more likely to be loyal to the establishment.	53% strongly agreed or agreed	51% strongly agreed or agreed	84% strongly agreed or agreed	76% strongly agreed or agreed	50% strongly agreed or agreed
33	Employees in this establishment are empowered to solve complaints made by overnight guests.	37% strongly agreed or agreed	65% strongly agreed or agreed	75% strongly agreed or agreed		

Appendix 16–Responses to Likert Scale Items

The establishments highlighted in green did not answer the Likert Scale item as required and were deleted from the study.

Questionnaires 372, 210 and 411 were the establishments chosen to take part in the case study.

Question-naire Number	Number of Rooms	% of Return Guests	% of Intern'l Guests	Likert Scale Items			
				30	24	20	13
75	Small	70	10	1	1	1	6
372	Small	45	35	1	1	2	5
287	Small	65	10	2	3	2	5
353	Small	50	2	2	3	2	5
407	Small	50	30	1	4	1	5
279	Small	60	5	2	2	3	4
315	Small	60	10	1	6	4	1
402	Small	60	15	1	3	2	4
379	Small	60	20	6	1	2	5
339	Small	70	1	1	2	3	6
314	Small	70	10	2	3	1	6
196	Small	75	3	2	2	1	3
79	Small	75	15	1	4	1	4
436	Small	80	10	1	1	2	5
152	Small	80	20	1	7	1	4
381	Small	85	5	1	7	2	4
28	Medium	50	2	1	1	4	4
173	Medium	50	2	1	2	2	5
160	Medium	50	5	1	2	2	6
115	Medium	50	30	1	1	2	4
125	Medium	60	15	1	3	3	4
235	Medium	60	25	1	2	2	4
276	Medium	66	12	1	1	1	5
234	Medium	70	15	1	1	3	6
111	Medium	75	12.5	1	2	2	5
390	Medium	50	20	1	1	1	2
418	Medium	60	10	1	1	1	6
128	Medium	60	20	1	2	1	5
32	Medium	60	30	2	7	5	5
424	Medium	80	30	1	2	3	6
346	Medium	85	5	1	1	2	6
377	Medium	70	10	1	1	1	5
150	Medium	46.7	37.8	1	1	1	5
406	Medium	50	7	1	2	2	5
210	Medium	60	4	1	2	1	5
180	Medium	60	20	1	7	1	6
34	Medium	60	22	2	2	1	3
434	Medium	80	10	1	3	1	5
411	Large	45	30	1	1	1	6
352	Large	70	15	2	2	2	5

Appendix 17–Information Sheet for Establishments

The Management of External Guests

Information Sheet for _____

Contact Details

Researcher:

Shirley Barnett
Massey University
PhD Student
Department of Management and Enterprise
Development
Private Bag 756
Wellington
Phone: (06) 350 5799 ext 2770
Email: S.J.Barnett@massey.ac.nz

Supervisor:

Dr Andrea McIlroy
Massey University
Head of Department
Department of Management and
Enterprise Development
Private Bag 756
Wellington
Phone: (04) 801 5799 ext 6631
Email: A.McIlroy@massey.ac.nz

Project Overview

I am a lecturer at Massey University currently completing my PhD. The data for this PhD research project is being collected in two stages the first stage was a mail survey completed in October 2002. Based on these results three case studies have been selected and data will be collected during 2004.

Data from each case will be collected using two sources:

- semi structured interviews with senior managers; and
- confidential survey questionnaire for front line employees.

Participant Recruitment

Three accommodation properties have been chosen to take part in the case study based on responses to the mail survey. The properties were identified using a normative approach and properties were further classified according to the number of rooms.

There are no foreseeable risks to the property or individuals who participate in this study.

Project Procedures

Data collection and analysis

Interviews with managers will be taped and responses transcribed. Data will be analysed using content analysis and only general themes will be discussed.

Responses from front-line employees to the survey questionnaire will be analysed using SPSS and only aggregate results will be discussed.

Storage of data:

All tapes, transcriptions, surveys, analysis and other written material will be kept in a locked filing cabinet in the researcher's office. All data collected will be destroyed once the PhD has been awarded.

Anonymity:

Individual interview and survey participants will not be identified and only aggregate data or themes emerging from questions will be discussed in the research.

Summary of findings:

A summary of the themes identified from the data collected will be available to all participants.

Participant Involvement

Two groups of participants will be involved in this research. Managers will be interviewed using a face-to-face semi structured questionnaire format. These interviews will be audio taped and will take approximately one hour.

Front-line employees will be asked to complete a survey questionnaire and this will take approximately 20 minutes.

Participant's Rights

Involvement in this research is a voluntary and all participants have the right to:

- decline to participate;
- decline to answer any particular question;
- ask any questions about the study at any time during participation;
- provide information on the understanding that their name will not be used;
- be given access to a summary of the themes identified in the research;
- if you are being taped, you have the right to ask for the audiotape to be turned off at any time during the interview.

Contacts

If you have any questions or queries relating to this research please contact the researcher or supervisor (details provided on page 1).

Ethics Committee Approval Statement

This project has been reviewed and approved by the Massey University Human Ethics Committee, PN. If you have any concerns about the conduct of this research, please contact Professor Sylvia V Rumball, Chair, Massey University Campus Human Ethics Committee: Palmerston North, telephone 06 350 5249, email S.V.Rumball@massey.ac.nz

Appendix 18–Consent Form for Establishment

The Management of External Guests

CONSENT FORM FOR ESTABLISHMENT

THIS CONSENT FORM WILL BE HELD UNTIL THE PhD IS AWARDED

I have read the Information Sheet and have had the details of the study explained to me.

My questions have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I agree that this organisation can participate in the study under the conditions set out in the Information Sheet for the Establishment.

Establishment: _____

Signature: _____

Full Name: _____

Date: _____

Appendix 19 – Information Sheet for Interviewees

The Management of External Guests

Information Sheet for Interviewees

Contact Details

Researcher:

Shirley Barnett
Massey University
Department of Management
Private Bag 11-222
Palmerston North

Phone: (06) 350 5799 ext 2770

Email: S.J.Barnett@massey.ac.nz

Supervisor:

Dr Andrea McIlroy
Massey University
Head of Department
Department of Management and Enterprise
Development
Private Bag 756
Wellington

Phone: (04) 801 5799 ext 6631

Email: A.McIlroy@massey.ac.nz

Project Overview

I am a lecturer at Massey University currently completing my PhD. The data for this PhD research project is being collected in two stages the first stage was a mail survey completed in October 2002. Based on these results three case studies have been selected and data will be collected during 2004.

Data from each case will be collected using two sources:

- semi structured interviews with managers and/or owners; and
- confidential survey questionnaire for front line employees.

Participant Recruitment

Managers and/or owners are being asked to participate in the semi structured interviews. There is no reimbursement or incentives offered nor are there any foreseeable risks to individuals who participate in this study.

Project Procedures

Data collection and analysis

Interviews with managers and/or owners will be taped and responses transcribed. Data will be analysed using content analysis and only general themes will be discussed.

Storage of data:

All tapes, transcriptions and other written material will be kept in a locked filing cabinet in the researcher's office. All data will be destroyed once the PhD has been awarded.

Anonymity:

Participants will not be identified by name or position and only aggregate data and general themes will be discussed in the research.

Summary of findings:

A summary of the themes identified from the data collected will be available to all participants.

Participant Involvement

You will be interviewed using a face-to-face semi structured questionnaire format. These interviews are voluntary and will be audio taped, they will take approximately one hour to complete.

Participant's Rights

Involvement in this research is voluntary and you have the right to:

- decline to participate;
- decline to answer any particular question;
- ask any questions about the study at any time during participation;
- provide information on the understanding that your name will not be used;
- be given access to a summary of the themes identified in the research;
- ask for the audiotape to be turned off at any time during the interview.

Contacts

If you have any questions or queries relating to this research please contact the researcher or supervisor (details on previous page).

Ethics Committee Approval Statement

This project has been reviewed and approved by the Massey University Human Ethics Committee, PN. If you have any concerns about the conduct of this research, please contact Professor Sylvia V Rumball, Chair, Massey University Campus Human Ethics Committee: Palmerston North, telephone 06 350 5249, email S.V.Rumball@massey.ac.nz

Appendix 20–Consent Form for Interviewees

The Management of External Guests

CONSENT FORM FOR INTERVIEWEES

THIS CONSENT FORM WILL BE HELD UNTIL THE PhD IS AWARDED

I have read the Information Sheet and have had the details of the study explained to me.

My questions have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I agree to the interview being audio taped.

I agree to participate in this study under the conditions set out in the Information Sheet for Interviewees.

Participant: _____

Signature: _____

Date: _____

Appendix 21–Owner/Manager Interview

Initial prompt questions about the establishment

- Who actually owns this property? What is the management arrangement?
- What is the organisational structure? Can you provide a diagram?
- How many employees in total? What is the percentage of full-time?
- Estimate of staff turnover?
- How many rooms in the establishment? How many room types?
- What is the affect of seasonality on occupancy? When is the high season? When is the low season?
- Estimate of how many guests return?
- Estimate of how many guests are international visitors?

Appendix 22–Owner/Manager Interview– Prompt Questions

Marketing:

- Is the focus new guests or return guests? Explain?

Loyalty programmes:

- Do you have any?
- How successful are they?
- How do you measure this success?

Staff Issues:

- Explain the recruitment process
- What are the methods of staff training used? How long is staff training?
- Do you have job descriptions available?
- Do you have training manuals for new staff?
- Are employees empowered to make decisions and solve guest complaints? Please explain?
- Do you encourage staff retention? Why and How?
- Explain rewards and recognition schemes.

External guests:

- How important is the interaction between employees and guests?
- How do you encourage guests to return?
- Why is retention important?
- How important is it to solve guest problems? Why?
- How do you deal with written guest complaints? How do you deal with verbal complaints? How do you respond to complaints?

Appendix 23–Motor Lodge Employee Survey

It is assumed that completing this questionnaire implies consent. You have the right to decline to answer any specific questions in the questionnaire.

Please clearly write your responses to each question in the space provided. If you are unable to answer any question, please state why (e.g. ‘no training provided’ or ‘already trained at another property’).

There are also a range of statements included and you are required to circle the number at the end of each statement that best matches your response. For example:

		Strongly Disagree			Strongly Agree		
11.	I understand the importance of returning guests at the Motor Lodge.	1	2	3	4	5	6

1. What is your job title at the Motor Lodge? (e.g. housemaid, waitress).

2. Please list the main activities involved in your job.

3. Who is your immediate supervisor?

4. How long have you worked for the Motor Lodge?

5. On average, how many hours do you work per week?

Guest Retention:

6. Please explain any specific strategies that you use in your job to ensure that guests return.

7. Please explain strategies that you use to ensure that guests are provided with a high level of service while they are staying at the Motor Lodge.

8. Please describe what happens to guest feedback forms that are completed and left in guest rooms.

9. If a specific complaint is received that relates to your particular area of responsibility are you informed about the problem? (Please circle response).

Yes No

10. Can you provide a specific example?

Please indicate the extent to which you agree or disagree with the following statements by circling the appropriate number after each question.

		Strongly Disagree					Strongly Agree
11.	I understand the importance of returning guests at the Motor Lodge.	1	2	3	4	5	6
12.	Providing a high level of guest service is important at the Motor Lodge.	1	2	3	4	5	6
13.	I understand what I have to do in my job to provide a high level of guest service.	1	2	3	4	5	6
14.	If a guest complains I know what I can do to solve their problem.	1	2	3	4	5	6
15.	I would like to be more informed about feedback from guests.	1	2	3	4	5	6

Staff Training/Uniforms:

16. Please describe any staff training that you received when you began working at the Motor Lodge.

17. Do you think that more staff training would help you to understand the importance of retention and how to provide a high level of guest service? Please explain.

18. Are you required to wear a uniform at the Motor Lodge? Please explain.

Please indicate the extent to which you agree or disagree with the following statements by circling the appropriate number after each question.

		Strongly Disagree					Strongly Agree
19.	I believe that staff training would help me to provide higher levels of service to guests.	1	2	3	4	5	6
20.	Staff training would have made it easier to learn my job when I first started.	1	2	3	4	5	6
21.	Training manuals which outline my job would be useful.	1	2	3	4	5	6
22.	I feel confident that I provide a high level of service for guests.	1	2	3	4	5	6
23.	Wearing a uniform makes me feel part of the team at the Motor Lodge	1	2	3	4	5	6
24.	Wearing a uniform is not important in my job.	1	2	3	4	5	6

General Questions:

Please indicate the extent to which you agree or disagree with the following statements by circling the appropriate number after each question.

		Strongly Disagree					Strongly Agree
25.	When servicing a room where the guest is staying over I always lock the room securely if I have to leave for any reason.	1	2	3	4	5	6
26.	I feel I am able to make a valuable contribution to guest retention at the Motor Lodge.	1	2	3	4	5	6
27.	I feel that the management at the Motor Lodge value their staff.	1	2	3	4	5	6

28. Do you have any further comments?

Thank you very much for taking the time to complete this questionnaire.
Please return the completed questionnaire in the reply paid envelope.

“This project has been reviewed and approved by the Massey University Human Ethics Committee, PN. If you have any concerns about the conduct of this project, please contact Professor Sylvia V Rumball, Chair, Massey University Campus Human Ethics Committee: Palmerston North, telephone 06 350 5249, email S.V.Rumball@massey.ac.nz.”

Appendix 24—Resort Hotel Employee Survey

It is assumed that completing this questionnaire implies consent. You have the right to decline to answer any specific questions in the questionnaire.

Please clearly write your responses to each question in the space provided. If you are unable to answer any question, please state why (e.g. 'no training provided' or 'already trained at another property').

There are also a range of statements included and you are required to circle the number at the end of each statement that best matches your response. For example:

		Strongly Disagree					Strongly Agree
33.	I understand the importance of returning guests to the Resort Hotel.	1	2	3	4	5	6

1. Which department are you employed in? (e.g. Kitchen, Restaurant, Housekeeping, Café, Maintenance, Front office)

2. Who is your immediate supervisor? (e.g. Functions Manager, Restaurant Supervisor, Housekeeper, Chef, General Manager)

3. What is your specific job title at the Resort Hotel? (e.g. housemaid, waitress, kitchen hand, receptionist)

4. Please list the main activities involved in your job.

5. How long have you worked at the Resort Hotel?

6. Is your employment? (Please circle your response).

Full-time Part-time Casual

7. On average, how many hours do you work per week?

Specific Staff Issues

8. How long was the initial staff training that you received when you began working at the Resort Hotel? (Please circle your response).

- | | | | | | |
|--------|---------------------|---------|----------------------|---------|----------------------|
| 1 day | 2 days | 3 days | 4 days | 5 days | 6 days |
| 1 week | More than
1 week | 2 weeks | More than
2 weeks | 3 weeks | More than 3
weeks |

9. Please briefly describe the staff training that you received when you began working at the Resort Hotel.

10. Do you think that the period of staff training you received was long enough to help you to understand the importance of guest retention? (Please circle your response).

- Yes No

11. Please explain your answer to question 10.

12. Do you think that the period of staff training you received was long enough to help you to understand how to provide a higher level of guest service? (Please circle your response).

- Yes No

13. Please explain your answer to question 12.

14. Do you think that staff training manuals would have made it easier for you to perform your job when you first began working at the Resort Hotel? Please explain.

Please indicate the extent to which you agree or disagree with the following statements by circling the appropriate number after each question.

		Strongly Disagree					Strongly Agree
15.	More detailed staff training would have made it easier to learn my job when I first started.	1	2	3	4	5	6
16.	I believe that staff training would help me to provide higher levels of service to guests.	1	2	3	4	5	6
17.	Training manuals which outline my job would be useful.	1	2	3	4	5	6
18.	I feel confident that I provide a high level of service for guests.	1	2	3	4	5	6
19.	Wearing a uniform makes me feel part of the team at the Resort Hotel.	1	2	3	4	5	6
20.	Wearing a uniform is not important in my job.	1	2	3	4	5	6

21. Do you think that you would be more motivated and interested in your job if you had a full-time position at the Resort Hotel?

Yes

No

22. Please explain your answer to question 21.

23. Do you think that a reward system should be in place for employees at the Resort Hotel? (Please circle your response).

Yes No

24. Please explain your answer to question 24.

25. Do you feel that an employee reward system at the Resort Hotel would increase employee motivation? (Please circle your response).

Yes No

26. Please explain your answer to question 25.

Guest Retention:

27. Returning guests are important to the Resort Hotel. Please explain any specific strategies that you use in your job to encourage guests to return.

28. Please explain strategies that you use to ensure that guests are provided with a high level of service while they are staying at the Resort Hotel.

29. Please describe what happens to guest feedback forms that are completed by guests.

30. Please describe what happens when a guest makes a verbal complaint in your department. Please provide a specific example.

31. If a specific complaint is received that relates to your particular department are you informed about the problem? (Please circle your response).

Yes No

32. Can you provide a specific example?

Please indicate the extent to which you agree or disagree with the following statements by circling the appropriate number after each question.

		Strongly Disagree					Strongly Agree
33.	I understand the importance of returning guests to the Resort Hotel.	1	2	3	4	5	6
34.	Providing a high level of guest service is important at the Resort Hotel.	1	2	3	4	5	6
35.	I understand what I have to do in my job to provide a high level of guest service.	1	2	3	4	5	6
36.	If a guest complains I know what I can do to try to solve their problem.	1	2	3	4	5	6
37.	I would like to be more informed about feedback from guests.	1	2	3	4	5	6

General Questions:

Please indicate the extent to which you agree or disagree with the following statements by circling the appropriate number after each question.

		Strongly Disagree					Strongly Agree
38.	I feel that I am empowered to deal with a guest complaint without having to call the supervisor or manager.	1	2	3	4	5	6
39.	I feel I am able to make a valuable contribution to guest retention at the Resort Hotel.	1	2	3	4	5	6
40.	I feel that the management at the Resort Hotel value their staff.	1	2	3	4	5	6

41. Do you have any further comments about guest service or guest retention at the Resort Hotel?

Thank you very much for taking the time to complete this questionnaire.

Please return the completed questionnaire in the reply paid envelope by Friday 17th December 2004.

“This project has been reviewed and approved by the Massey University Human Ethics Committee, PN. If you have any concerns about the conduct of this project, please contact Professor Sylvia V Rumball, Chair, Massey University Campus Human Ethics Committee: Palmerston North, telephone 06 350 5249, email S.V.Rumball@massey.ac.nz.”

This section will be separated from your questionnaire once it is returned to ensure that your responses remain anonymous.

If your completed questionnaire is received by Friday 17th December 2004 you will be eligible to enter the prize draw. ONE prize will be offered and the winner can choose either a \$50.00 book voucher OR a \$50.00 petrol voucher. Please fill in your details below.

Name: _____

Address: _____

Phone No: _____

Cell Phone : _____

E-mail: _____

Appendix 25–City Hotel Employee Survey

It is assumed that completing this questionnaire implies consent. You have the right to decline to answer any specific questions in the questionnaire.

Please clearly write your responses to each question in the space provided. If you are unable to answer any question, please state why (e.g. ‘no training provided’ or ‘already trained at another property’).

There are also a range of statements included and you are required to circle the number at the end of each statement that best matches your response. For example:

		Strongly Disagree					Strongly Agree
33.	I understand the importance of returning guests to the City Hotel.	1	2	3	4	5	6

1. Which department are you employed in? (e.g. Kitchen, A-la-carte Restaurant, Guest Services, Housekeeping, Maintenance)

2. Who is your immediate supervisor? (e.g. Functions Co-ordination Manager, Restaurant Supervisor, Reservations Manager, Executive Housekeeper, Executive Chef)

3. What is your specific job title at the City Hotel? (e.g. room attendant, waitress, guest services operator, kitchen hand)

4. Please list the main activities involved in your job.

5. How long have you worked at the City Hotel?

6. Is your employment ...? (Please circle your response).

Full-time Part-time Casual

7. On average, how many hours do you work per week?

Specific Staff Issues:

8. How long was the initial staff training that you received when you began working at the City Hotel? (Please circle your response).

- | | | | | | |
|--------|---------------------|---------|----------------------|---------|----------------------|
| 1 day | 2 days | 3 days | 4 days | 5 days | 6 days |
| 1 week | More than
1 week | 2 weeks | More than
2 weeks | 3 weeks | More than 3
weeks |

9. Please briefly describe the staff training that you received when you began working at the City Hotel.

10. Do you think that the period of staff training you received was long enough to help you to understand the importance of guest retention? (Please circle your response).

- Yes No

11. Please explain your answer to question 10.

12. Do you think that the period of staff training you received was long enough to help you to understand how to provide a higher level of guest service? (Please circle your response).

- Yes No

13. Please explain your answer to question 12.

14. Do you think that staff training manuals would have made it easier for you to perform your job when you first began working at the City Hotel? Please explain.

Please indicate the extent to which you agree or disagree with the following statements by circling the appropriate number after each question.

		Strongly Disagree					Strongly Agree
15.	More detailed staff training would have made it easier to learn my job when I first started.	1	2	3	4	5	6
16.	I believe that staff training would help me to provide higher levels of service to guests.	1	2	3	4	5	6
17.	Training manuals which outline my job would be useful.	1	2	3	4	5	6
18.	I feel confident that I provide a high level of service for guests.	1	2	3	4	5	6
19.	Wearing a uniform makes me feel part of the team at the City Hotel.	1	2	3	4	5	6
20.	Wearing a uniform is not important in my job.	1	2	3	4	5	6

21. Did you use the Anniversary Night that is awarded three months after starting work at the City Hotel? (Please circle your response).

Yes

No

22. Did you find that the Anniversary Night helped you to understand how the hotel operates and the level of guest service provided by the other departments? (Please circle your response).

Yes

No

23. Please explain your answer to question 22.

24. Please explain what you found most useful about the Anniversary Night?

25. Do you feel that the Star Performers reward system is appropriate for your job? (Please circle your response).

Yes

No

26. Please explain your answer to question 24.

Guest Retention:

27. Please explain any specific strategies that you use in your job to encourage guests to return to the City Hotel.

28. Please explain strategies that you use to ensure that guests are provided with a high level of service while they are staying at the City Hotel.

29. Please describe what happens to guest feedback forms that are completed by guests.

30. Please describe what happens when a guest makes a verbal complaint in your department. Please provide a specific example.

31. If a specific complaint is received that relates to your particular department are you informed about the problem? (Please circle your response).

Yes No

32. Can you provide a specific example?

Please indicate the extent to which you agree or disagree with the following statements by circling the appropriate number after each question.

		Strongly Disagree					Strongly Agree
33.	I understand the importance of returning guests to the City Hotel.	1	2	3	4	5	6
34.	Providing a high level of guest service is important at the City Hotel.	1	2	3	4	5	6
35.	I understand what I have to do in my job to provide a high level of guest service.	1	2	3	4	5	6
36.	If a guest complains I know what I can do to try to solve their problem.	1	2	3	4	5	6
37.	I would like to be more informed about feedback from guests.	1	2	3	4	5	6

General Questions:

Please indicate the extent to which you agree or disagree with the following statements by circling the appropriate number after each question.

		Strongly Disagree					Strongly Agree
38.	I feel that I am empowered to deal with a guest complaint without having to call the supervisor or manager.	1	2	3	4	5	6
39.	I feel I am able to make a valuable contribution to guest retention at the City Hotel.	1	2	3	4	5	6
40.	I feel that the management at the City Hotel value their staff.	1	2	3	4	5	6

41. Do you have any further comments about guest service or guest retention at the City Hotel?

Thank you very much for taking the time to complete this questionnaire.

Please return the completed questionnaire in the reply paid envelope by Friday 10th December 2004.

“This project has been reviewed and approved by the Massey University Human Ethics Committee, PN. If you have any concerns about the conduct of this project, please contact Professor Sylvia V Rumball, Chair, Massey University Campus Human Ethics Committee: Palmerston North, telephone 06 350 5249, email S.V.Rumball@massey.ac.nz.”

If you would like to receive a copy of the aggregate results from this survey please tick the box and write your address in the panel below.

This section will be separated from your questionnaire once it is returned to ensure that your responses remain anonymous.

If your completed questionnaire is received by Friday 10th December 2004 you will be eligible to enter the prize draw. ONE prize will be offered and the winner can choose either a \$50.00 book voucher OR a \$50.00 petrol voucher. Please fill in your details below.

Name: _____

Address: _____

Phone No: _____

Cell Phone : _____

E-mail: _____

Appendix 26 – Letter for Employees



Date 2004

Dear Participant

I know you probably get lots of requests to fill out questionnaires, but I would really appreciate it if you could take twenty minutes of your time to help me with my research. My name is Shirley Barnett, and I am a PhD student with the Department of Management and Enterprise Development at Massey University in Wellington.

My PhD research topic focuses on strategies that are used to encourage overnight guests to return to accommodation establishments. The _____ is one of the establishments that I am studying and employees are being asked to complete this questionnaire. I would like to invite you to participate in this research by completing the enclosed questionnaire and returning it to me in the attached freepost envelope by _____ 2004. Filling out and returning the questionnaire implies that you consent to taking part in this research.

As a participant you also have the right to:

- decline to participate,
- refuse to answer any particular questions in the survey,
- ask questions about the study,
- provide information on the understanding that you will not be identified, and
- be sent a copy of a summary of the themes identified in the research (if requested).

The General Manager, _____ endorses my research and I have his permission to undertake this employee survey. The _____ will be provided with themes from the survey results; however, they will not have access to individual responses and all steps will be taken to ensure your responses remain anonymous.

All completed questionnaires received by _____ 2004 will be entered into a draw and the winner can choose from either a book voucher or a petrol voucher. Please fill in the relevant information on the last page of the questionnaire. The secretary in the Department of Management will conduct the draw and the winner will be notified by mail. Because of the confidential nature of this research, information about the winner will not be available to other respondents.

Please feel free to contact my supervisors or myself if you have any questions about this research.

Thank you for taking the time to participate in my study.

Yours sincerely

Yours sincerely

Shirley Barnett
PhD Research Student

General Manager

Student:

Shirley Barnett
Department of Management
Massey University
Private Bag 11-222
Palmerston North
Phone: (06) 350 5799 x 2770
Email:
S.J.Barnett@massey.ac.nz

General Manager :

Address and contact details of the relevant establishment was included here.

PhD Supervisor:

Dr Andrea McIlroy
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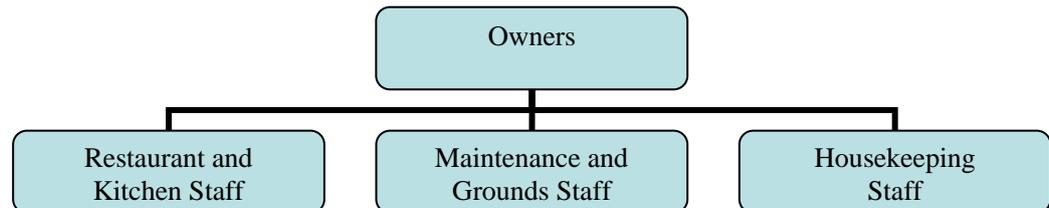
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Appendix 27 – Motor Lodge Description

Ownership/Management

The present husband and wife team have owned the motor lodge for 6 years and between them make all the business decisions.

Management Structure



Property

This motor lodge has 30 accommodation units set in three hectares of grounds. All units are ground floor with wide patio doors for easy access and a covered walkway provides protection from the weather. Car parking is available outside each unit and parking is also available for boats and trailers.

Guest Services

• 30 accommodation units	• Sauna
• Conference room / equipment	• Swimming pool
• Licenced restaurant and bar	• Private spa pools
• Games room	• Children's play area
• Guest laundry	• Drying room
• Tennis court	• Fish room / smokehouse

Accommodation and Rates

Two types of accommodation units are available:

- Studio units accommodate two people with rates ranging from \$85.00 per night for single or double occupancy.
- Family units accommodate up to six people with rates ranging from \$108.00 per night for single, twin or double occupancy, extra children (under 12) \$10.00 per night and extra adults \$15.00 per night.

Group and long stay rates are available on request and packages can be arranged that include meals.

Restaurant and Bar

The restaurant and bar are situated beside the office, and there is seating for 30 in the bar and 50 in the restaurant. The restaurant is open daily for breakfast and dinner; lunch can be catered by arrangement. Regular specials are offered on the à la carte dinner menu and the wine list includes a good selection of New Zealand wines. The bar is open during dinner hours and closing time is flexible, depending on guest requirements.

Conference Facilities

The conference room is situated close to the restaurant, and well back from the main road to ensure minimal disturbance. Catering for up to 40 people it has good natural light and a small kitchen and toilets are also available. A range of equipment is provided, including overhead projector, screens, electronic whiteboard and flip charts.

Occupancy

The peak accommodation period “*Christmas to Easter*” with a second peak during the ski season July to September which is “*very important for the winter but over the scale of 12 months it does come in second, definitely*”. Off-peak months are May and June, October, November and the beginning of December. The owner estimates average annual occupancy is 60%.

Overnight Guest Mix

Approximately 65% of overnight guests are domestic tourists. Fifty percent are family groups on holiday and the other 10–15% is made up of conference and business travellers. International tourists make up the other 35%, which is predominantly coach tour business. There are also a small percentage of FITs (free, independent travellers) who are travelling around New Zealand on their own schedule.

Affiliations

The motor lodge is not affiliated with any quality rating system like Qualmark; however, they are affiliated with the Motel Association of New Zealand (MANZ), which is a national trade body with over 1000 member properties that provide general support for motel owners. The owner commented “*if there is something I don’t know that will be the first place I would look. If you can’t find what you need on the MANZ website then you can phone or email them*”. They are able to help solve a lot of issues because “*just about every conceivable issue has been thought up at some stage, chances are what you are dealing with is not new and the answer will be there*”. Other benefits of belonging to MANZ include; a free web page to promote the motel, bulk purchasing discounts, free legal advice, insurance packages, and updates of changes in legislation.

They are also part of the Best Western Chain, which is the largest lodging chain in the world with more than 4100 independently owned and operated hotels and motels. Best Western provide a web site listing all properties, produce the Best Western International Travellers Guide and Road Atlas (four million copies). They also provide a multilingual consolidated reservations centre accepting phone and email enquiries and reservations (www.bestwestern.com).

Competition

There 21 motels, lodges and motor lodges, two licensed hotels, one luxury lodge, two backpackers and numerous home stays all providing accommodation within a 10 km radius of the motor lodge. The motels and hotels in the area are the direct competitors and many of these have been operating longer, therefore, they have more established properties and gardens. Some of these motels also have larger units for family groups; however, they are not situated on a main highway. The owner believes this is an advantage *“people don’t look for a motel until they need one. They don’t drive through town and see this Motor Lodge and think oh I’ll stay there one day, they don’t even see the sign until they need a motel”*.

Marketing

This is an area of the business where the owner of the motor lodge indicated that he did not feel comfortable and is not sure whether what they are currently doing is achieving the desired results. He stated that they had a specific marketing plan and find that *“one third of our advertising is good, one third maybe and one third no good”*; this is without employing a professional marketing organization and *“getting into that expense”*.

We *“try to allocate 65% of our resources to domestic advertising”* as 65% of the business is domestic and therefore most of the advertising tends to be within New Zealand. They also advertise in the Automobile Association Accommodation Guide and *“are actively into collective advertising”* with the Regional Tourism Organization (RTO). The RTO *“... promotes the area for events, for conferences, for just general holidaying and they do a fantastic job”*.

In terms of marketing to the international visitor, the owner stated *“we have advertised in foreign magazines”* and we are members of the Motel Association of New Zealand (MANZ) *“who attend Tourism Rendezvous New Zealand (TRENZ) the biggest annual tourism international tradeshow in New Zealand. We are also members of Best Western and they also go to TRENZ”*.

Appendix 28 – Resort Hotel Description

Ownership/Management

This hotel is owned by a Licensing Trust but all decisions are made by the General Manager (GM) who is responsible for the day-to-day running of the hotel.

Management Structure

See diagram on the next page.

Property

This resort hotel 101 rooms set in 9.7 hectares of park-like grounds. All rooms are on the ground floor and 80% have a view of the outdoor gardens, swimming pool, or barbeque area. Car parking is provided around each of the accommodation wings. Although structurally sound the hotel is 20 years old, the décor is very dated and there has been little done in terms of refurbishment or updating of either accommodation or public rooms.

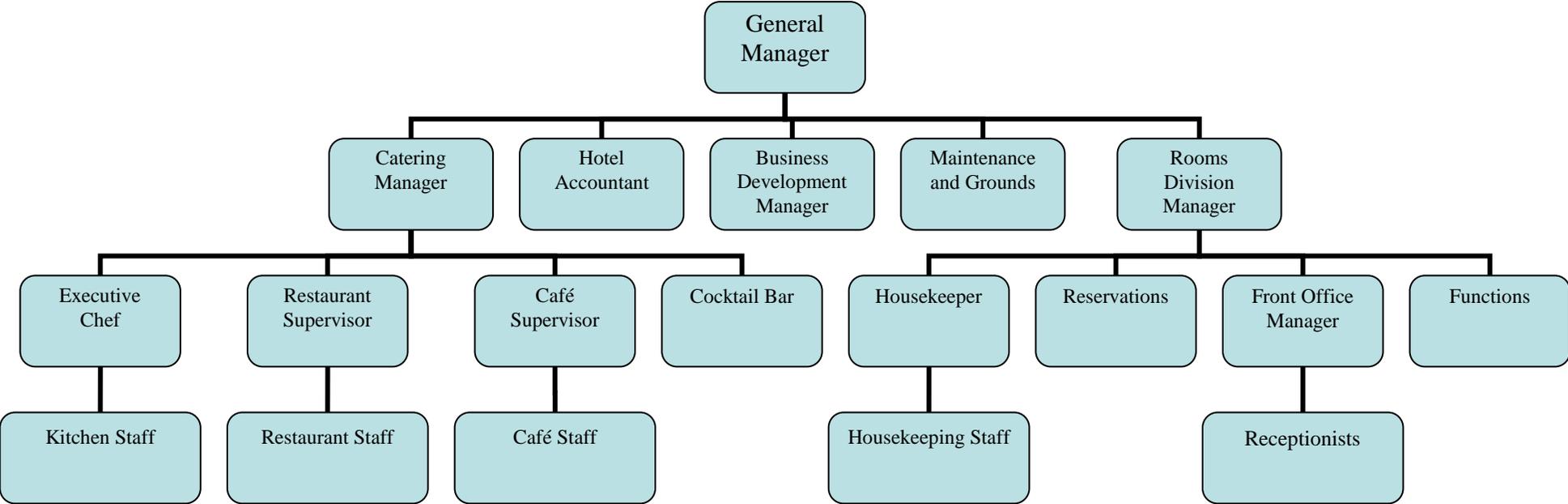
Guest Services

• 101 accommodation units	• 8 conference rooms
• A la carte restaurant	• Licensed café
• Cocktail bar	• Indoor/Outdoor pools
• Kids Club	• 2 spa pools
• Fitness centre	• Tennis court
• Petanque court	• Squash court
• Jogging track	• 10 bay golf driving range
• Obstacle course	• Trampoline
• Sauna	• Volley ball court

Accommodation and Rates

This hotel has five different room types including suites, deluxe, standard, apartments, and motel units. The suites, deluxe and standard rooms are typical hotel rooms; however, the apartments and motel units have fully equipped kitchens a lounge area and separate bedrooms. The apartments accommodate two people while the motel units accommodate up to six people

Accommodation rates vary depending on the time of year, the type of room required, the number of people in the room and the specials that are being offered. For instance the “Spring into Summer” promotion offers six different packages (including The Family Getaway, Romantic Affair, Gourmet Escape) which are all priced differently.



Food and Beverage Facilities

The main restaurant is open for both breakfast and dinner offering an à la carte dinner menu six days a week with a Sunday night buffet. Lunch is catered by arrangement and offered as part of the conference packages. The restaurant is a large split-level room; however, there are no windows which make it appear dark and uninteresting. The cocktail bar is open from 4pm daily and is situated next to the restaurant.

There is also a licensed café on the premises which is open from 9 am to 7 pm daily. The café is situated next to the golf driving range with outside seating and a secure children's play area. There is also a view of the indoor swimming pool, sauna and sap pool. A range of pre-prepared food is available along with choices from a limited menu.

Conference Facilities

Three fairly large conference rooms are available which can be separated by sliding doors to make seven smaller rooms. There is also a self-contained lodge available which has a separate lounge, kitchen area and bathroom facilities. Marquees can be erected in the grounds for larger conference groups. The Resort Hotel can supply all equipment required for conferences and also have in-house business and secretarial services.

Only two of the large conference rooms have windows, therefore, the natural light is limited; however, the rooms are well lit with ceiling lights. All conference rooms are located in the main area of the hotel close to the restaurant, lounge area and bar.

Occupancy

The GM reported that average annual occupancy was 65% and “*fairly steady, although July and August are fairly quiet*”. He also stated that weekends were very busy with family groups and wedding packages and added that “*the key to this business is your Sunday to Thursday occupancy which as to be addressed through conferences*”.

Overnight Guest Mix

The resort hotel has a very few international visitors, only 4% of the total business according to the GM. The domestic market is, therefore, the focus and this is made up primarily of conferences (50%) and family groups (25%). The other 25% is a mix of sports teams, wedding parties, weekend packages for couples and business guests (i.e. travelling reps). The GM estimated that 60% of business was returning guests.

Affiliations

The resort hotel is not affiliated with any New Zealand quality rating system like Qualmark. However, they are involved in a marketing franchise with an overseas company which is Singapore owned. The GM stated *“We are in this purely as a marketing franchise ... and access to their central reservations and their sales and marketing”*. He also said they are pulling out of the franchise as *“it is costing us more than we are getting in business”*.

Competition

There are 16 motels and motor lodges, one licensed hotel, three luxury lodges, five bed and breakfasts, and a range of campgrounds and backpacker hostels all providing accommodation within a 20 km radius of the resort hotel. The direct competitors (based on the business the GM outlined above) would be the motels and hotels in the area; however, none provide the facilities or the large number of rooms available in this resort hotel.

Specific Business Strategies

In the interview, the GM talked about ‘enquiry conversion’ as a specific strategy to build business in the resort hotel. He viewed an enquiry *“as somebody ringing and telling you ‘I want to spend my money, how do I spend it?’”* and commented they have to be proactive in dealing with these enquiries. This strategy is paying dividends: in August 17% of enquiries were converted into confirmed bookings for about \$22,000 *“in September this went up to 60% for \$108,000”*.

The GM was passionate about enquiry conversion and said that it is stressed to employees that *“we confirm the sale ... it’s not good just sending people information”*. This strategy is also measured by using revenue generation sheets which list the total net enquiries and how many are converted into actual business. For example the conference manager *“... received 41 net enquiries in October and she has converted 26 of them for about \$66,000 worth of business”*.

The other strategy that had been implemented to increase business in the hotel was a focus on lapsed business. The GM commented *“since I came here a lot of what I have been concentrating sales and marketing efforts on is regaining what I call the lapsed business that used to come here and perhaps doesn’t come here anymore for one reason or another. Rather than trying to reinvent the wheel and find completely new business”*. He further stated that people who have stayed in the hotel before are *“much easier to convert into customers than having to start right at scratch”* This strategy involved phoning past guests (particularly conference groups) and arranging to visit with a them with an updated power point presentation outlining what the hotel could offer.

Marketing

The resort hotel is linked through a marketing franchise to an Asian owned company that has a range of other hotels around the Pacific Rim. However the GM said that *“we have a strong business case for pulling out of this franchise. It’s not perceived value to us. I feel that our name without the franchise company ... is a more recognisable brand”*. Also *“they [franchise company] are costing us more than we are getting in business”*.

In terms of specific marketing for the hotel one of the things they do is *“keep a leisure data base of all of our guests as they check in through the front office”*. When they launch new leisure packages *“we mail out to everybody with a nice letter saying hey there’s a new manager here we’d love to see you again – you know here’s our new package”*. However, they had no real idea of how successful this type of marketing was as the responses weren’t measured *“it would mean everybody that rang we would have to ask ‘where did you learn about us’ and we didn’t do this”*.

The GM has also employed a Business Development Manager (BDM) who is based in the hotel but *“ideally I need to have someone knocking on doors down in the main cities. With the lapsed business they know the hotel, but with new business you need to call on them with a brochure and convince them to make a site visit”*. The BDM would also be responsible for following up conference business *“which is a cut-throat market, when somebody enquires about a conference and wants a quote let’s have somebody [in the city] that hand delivers it with a nice laptop and power point presentation and lots of photographs. You know, you’ve got to be ahead of anybody else, especially to pick up new business that hasn’t been here before”*.

Appendix 29 – City Hotel Description

Ownership/Management

This hotel is owned by an international hotel group which operates properties around the Pacific Rim. All decisions are made by the hotel General Manager (GM) who is responsible for the day to day running of the hotel.

Management Structure

See diagram on page 304 which shows the hierarchical nature of the hotel structure. The owner is shown at the top followed by the General Manager on the second level. The third level shows the senior managers: like Food & Beverage Manager (responsible for the restaurant, kitchen and functions); the Chief Engineer (responsible for maintenance); and the Rooms Division Manager (responsible for front office and housekeeping). Mid-level managers are on the next level, including, for example the Executive Chef, Functions Manager, Restaurant Manager, Front Office Manager and Housekeeper. The lower levels show the shift managers in each area of the hotel and finally the front-line employees in each area of the hotel.

Property

This hotel has 260 rooms in two main high-rise blocks linked by the conference rooms, restaurant, bars and reception area. It is situated in the city centre and has limited views from all but the very top floor rooms.

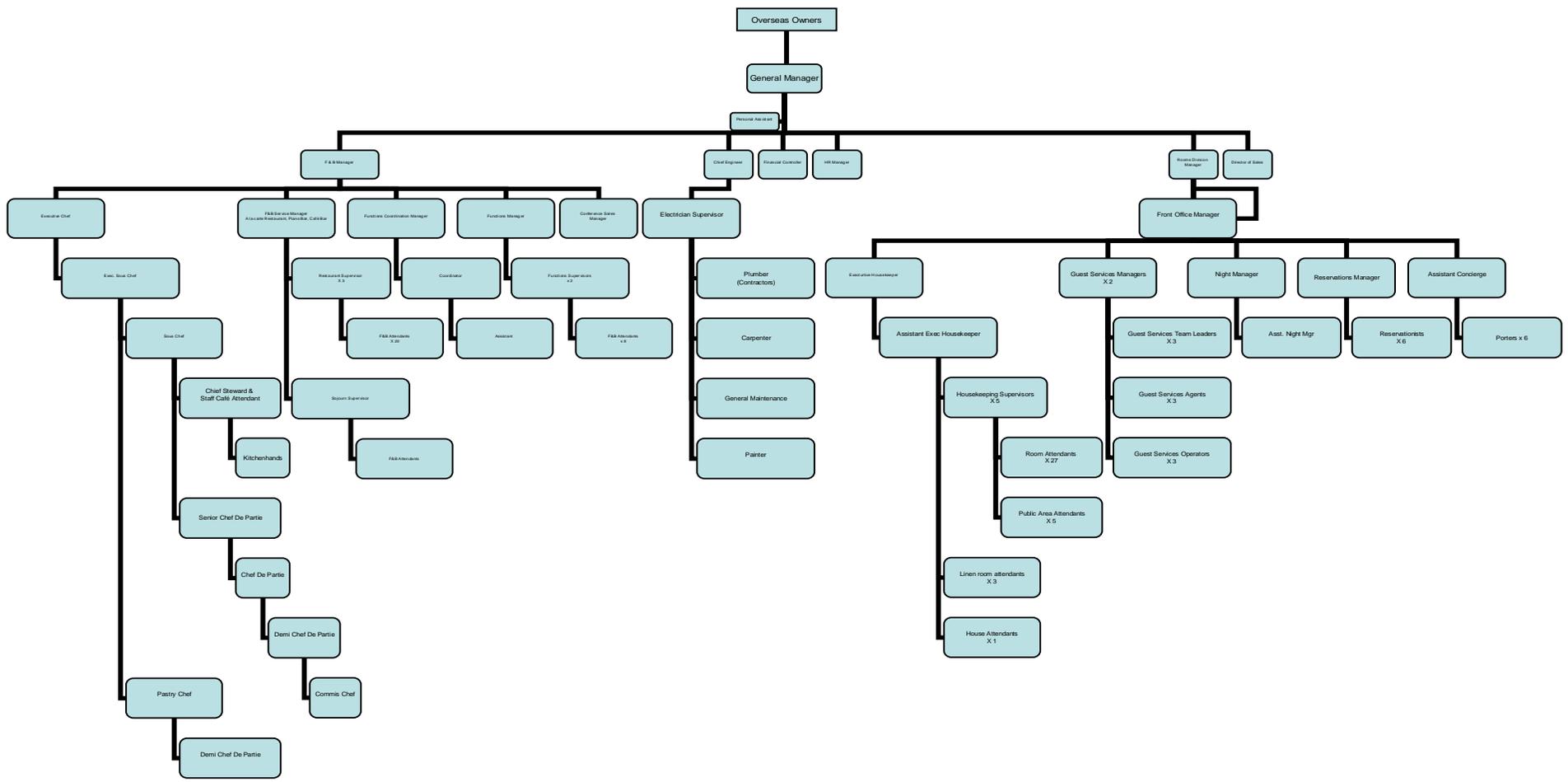
Guest Services

• 260 accommodation units	• 6 conference rooms
• A la carte restaurant	• Licensed café
• Cocktail bar	• Patisserie
• Free covered car park	• Valet car parking
• Fitness centre	• 24-hour concierge
• 24-hour room service	• 24-hour reception
• Business centre	

Accommodation and Rates

This hotel has 14 different room types including director city and terrace suites; premium, executive and standard rooms. The suites vary depending on the location in the hotel or numbers of beds, e.g., some have two double beds others have a harbour or city view. The premium, executive and standard rooms are typical hotel rooms, however, they differ depending on location in the hotel and numbers of beds, e.g., twin or double.

Accommodation rates vary depending on the time of year, the type of room required, the number of people in the room and the specials that are being offered. For instance, there are weekend specials offered on Friday and Saturday nights or for special events happening in the city. Weekday rates also vary. For example guests maybe corporate or conference, they may be independent travellers, or on a bus tour.



Food and Beverage Facilities

The main restaurant is open daily for breakfast, lunch and dinner and for brunch on Saturdays and Sundays. Breakfast and lunch are buffet meals and a comprehensive à la carte dinner menu is also offered 7-nights a week. The restaurant is a large room which can be divided by sliding doors making it much smaller when the hotel is less busy. There is a view of the harbour and it is decorated with plants and pictures.

Situated next to the restaurant is a cocktail bar which is open from 4.30 pm daily. There is entertainment every night and a harbour view from one side of this room.

On the entrance level of the hotel there is more informal licensed café and bar which is open from 6.30 am until late – Wednesday to Saturday.

Conference Facilities

This hotel has six conference rooms of differing sizes: three large rooms (seating approximately 100), two rooms seating 40–50, and one small boardroom seating 10 people. Two of the large rooms can be separated by sliding doors to make four smaller rooms. Apart from the smaller boardroom, the other conference rooms are all situated on two floors in the hotel which have been updated and renovated. These floors are just below the restaurant floor so all facilities are easily accessible by conference delegates.

Occupancy

The GM reported that they had some real peaks and troughs in the hotel, during the peak months of February, March, October and November they operate around 90% occupancy. The lowest months are “*December and January where we have about 60%*”. The shoulder months are in the winter “*April through September when we are somewhere in between*”. Average annual occupancy was reported by the GM to be somewhere in the vicinity of 75%.

The peak during the week is Tuesday to Thursday when they run at 90% or higher occupancy. Monday and Friday are the shoulder days and “*then the weekends Saturday and Sunday when we take whatever we can get*”.

Overnight Guest Mix

The city hotel has a split of 30/70 between international and domestic guests. Approximately 50% of the domestic business “... *is corporate, government and conference...*” the rest is a combination of leisure, sports, aircrews, tour groups and weekend packages. The General Manager also reported that they had a guest retention rate of 45%, which he thought was mainly conference and aircrew business.

Affiliations

This hotel is owned by an overseas hotel company that is based in Singapore. They are not a member of the any star-rating system or affiliated with any other brands.

Competition

Direct competition for this hotel would be other 22 hotels and serviced apartments in the main city area.

Marketing

The GM of the city hotel said they do not do any specific marketing to past guests *“but we do some target marketing for special programmes that we offer, for example, we might target the Kapiti Coast for a 3-night deal offered over Jan/Feb”*. *“Every promotion is analysed when it ends and ... I know what I have invested in it, I know exactly what I’m getting back at the end of it and we make a decision whether we want to be involved in this kind of thing again”*. Some promotions are very successful and they might make a few changes *“but why change a winning format”*.

The hotel has a number of other marketing strategies. The predominant one is knocking on doors and looking for new business for both the city hotel and its parent company. They also follow up past conference and functions that have been held in the hotel and solicit future bookings. Within the hotel a ‘Club Floor’ has been developed, and the Housekeeper (HK) said that *“it’s like being a member of the Koru Club at the airport, you buy a key access to that floor and you can book it so you pay [\$\$] to actually stay on the Club Floor and that will give you key access to the Club Lounge – also free continental breakfast, they also have access to the plasma screen TV, computers and a lounge they can relax in 24 hours a day. There is always tea and coffee available and a few nibbles and bits and pieces and that’s just like a private lounge, a private club”*. It is hoped that this facility will encourage guests to return to the hotel as they are getting extra value for their money. The Food & Beverage (F&B) manager commented that *“it would be nice to be able to upgrade loyal customers to these rooms”* but *“... it’s a limited inventory and as we have invested capital in that we need a return on it for our Asian owners”*.

The F&B manager is on the hotel sales and marketing committee and explained that some joint decisions were made at the operational level but *“the GM controls the marketing budget, what we spend and where we spend it. If I have any suggestions or recommendations then I’ll put those forward and we’ll talk about an idea in an open environmental and work on it from an operational point of view”*. The HK has little to do with advertising or marketing, but is involved with another retention strategy – guest cocktails *“as senior management in the hotel we are expected to go to guest cocktails every week ... it’s where I can actually get to meet the clients – a lot of my work is behind the scenes so I don’t get to see the clients very much”*. The HK mentioned that she gets good feedback (at the cocktails) from the clients, for example *“how nice the girls are and on the cleanliness of the rooms which is what it is all about”* and I believed it was a good way of *“getting people back”*.