Prevalent Level of Customer Retention in Five Star and Five Star Deluxe Hotels in NCR.

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Abstract

Hospitality Industry which is selling an intangible product can only give memorable experiences to its customers. This makes the situation complicated and tough for the service providers and also the rapidly increasing competition has created an environment where everybody is trying to lure the customer. So, the best way is to gain the loyalty and retain the customers. In this paper an attempt has been made to examine the prevalent level of customer retention in five star and five star deluxe hotels in NCR by applying item wise percentage analysis using SPSS 18 version. It was found that the Hotels are able to gain the loyalty of the customers but to some extent needs improvement in gaining the promise of customers that they will not switch to any other brand.

Introduction

The hotel Industry today is growing and evolving at a very fast pace with producers and consumers spread around the world. Staying in the hotel and using the facilities like lavish rooms, restaurant, health clubs, night clubs and pubs is no more a luxury now. Moreover, the ever growing competition which provides the customers so many options in the market makes it even more challenging.

Every organization wants to be profitable and needs to develop a competitive advantage .There are two strategies most commonly used by the hotel managers for the same, one is low cost leadership through price discounting and the other is developing customer loyalty by offering unique benefits to customers. But rather than applying low cost leadership hotels should concentrate on customer retention as researchers have shown that a 5 per cent increase in customer loyalty can produce a profit increase of 25 per cent to 85 per cent (Reichheld and Sasser, 1990).

Hospitality Mangers hold a belief that profitability can be increased by satisfying customers but satisfaction alone is not enough as there is no guarantee that satisfied customers will return back for repurchasing so the need of the hour is gaining the loyalty of customers and using various strategies to retain them for long run. So, in this paper an attempt has been made to study the prevalent level of customer retention in five star and five star deluxe hotels in NCR.

Review of Literature

Lindgreen, Davis, Brodie and Buchanan (2000), for example, computed that "it can be [up to] ten times more expensive to win a customer than to retain a customer – and the cost of bringing a new customer to the same level of profitability as the lost one is up to 16 times more."

Bowen and Chen, (2001) there were three distinctive approaches to measuring retention; behavioural measures, attitudinal measurement, and composite measurement. **Day** (1996) The behavioral approach which focuses only on repeat purchases, has been criticized for the lack of conceptual basis.

Customer Retention also has an attitudinal construct in it which can be demonstrated by his emotional and psychological attachment to the brand (**Bowen and Chen,**2001) and spreading a positive word of mouth and recommending it to other customers. (**Ziethaml, Berry and Parasuraman**, 1996).The third approach has combined the behavioral, attitudinal, and cognitive aspect of customer retention. (**Bloemer**,**Ruyter and Peeters**1998).

It has been recognized that most of the profits are generated from loyal customers, so companies continually seeks to concentrate on and improve long term profitable customer relationship.(**Day and Van den Bulte,** 2002).

Ryals and Knox in 2001and **Zablah, Bellenger and Johnston** in 2004in the same context also professed that proactively building and maintaining long term relationships with customers is the most efficient and the only way out to achieve customer loyalty.

Many researchers have proved that recruiting new customers is difficult and costlier than maintaining long lasting relationships with existing customers which is even more profitable and leads to customer retention and previous studies have also suggested that long term success of any organization is dependent on customer retention than customer acquisition.(**Gummesson,**1987;**Hollensen,** 2003; **Payne and Frow,** 2006; **Frow and Payne,** 2009).

In today's environment if organizations want to retain customers and gain the economic benefits, maintaining customer relationship is very essential and it also helps in gaining competitive advantage.(**Verhoef,** 2003;**Kandampully and Duddy,** 1999)

Reichheld and Sasser in 1990 conducted a study on nine service organizations and concluded in their study that if there is a 5% increase in customer retention it can lead to 25% to 125% increase in profitability. **Acharyules** (1993) proposed the industry is facing aggressive competition and such a rivalrous environment urges the organizations to make customer retention as their focus of concern which is also very complicated and challenging.

In the same context **Dick & Basu** in 1994 and **Reichheld** in 1996 stated that in today's time when there is neck to neck competition marketers are forced to shift their focus on customer retention and loyalty.

So, in this alarming competition and changing business scenario customer retention has become the need of the hour which motivated researcher to conduct study of this burgeoning issue.

RESEARCH METHODOLOGY
OBJECTIVE
The main objective of the study is to examine the prevalent/ existing level of customer retention in Five Star Hotels and Five Star Deluxe Hotels in NCR.

DATA COLLECTION
SECONDARY DATA
Secondary data has been collected by reviewing research papers, thesis, journals, books, newspapers, magazines, proceedings of the conferences etc.

PRIMARY DATA
For collection of primary data a structured questionnaire was developed which was pre tested. To achieve the objectives of the study the questionnaire has been divided into two parts. The first

Part A has been made to collect the diverse demographic details of the respondents. Part B of the questionnaire consists of the questions related to customer retention.

SURVEY SAMPLE OF THE STUDY

The survey sample includes the guests visiting five star and five star deluxe hotels in Delhi, Gurgaon, Noida and Faridabad. A total of 700 questionnaires were sent to five star and five star deluxe properties in NCR and we got back 600 questionnaires out which 525 were complete and worth using for analysis.

STATISTICAL ANALYSIS OF DATA

To find out the prevalent level of customer relationship management item wise percentage analysis was done through SPSS 18 version.

ANALYSIS OF DATA AND DISCUSSION

PREVALENT LEVEL OF CUSTOMER RETENTION IN HOTELS IN NCR

To meet the objective of the study which is to study the existing level of customer retention in hospitality industry in the sampled hotels seven questions were designed in the questionnaire which are related to customer retention. Item wise percentage analysis of the responses of these questions was done and it has been displayed in bar diagrams.

TABLE: 1.1

You get the hotel services as promised.		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	43	8.2	8.2	8.2
	Neutral	55	10.5	10.5	18.7
	Agree	283	53.9	53.9	72.6
	Strongly Agree	144	27.4	27.4	100.0
	Total	525	100.0	100.0	

1.1

Promising the customer and not delivering those promises is a big setback and leads to a dissatisfied customer. Above table results prove that five star Hotels in NCR deliver the services as promised as 81% of the respondents agreed that hotel services are being delivered as promised. 11% gave a neutral response and 8% disagreed to it. 81% respondents have given positive response to this statement related to customer satisfaction.

TABLE: 1.2

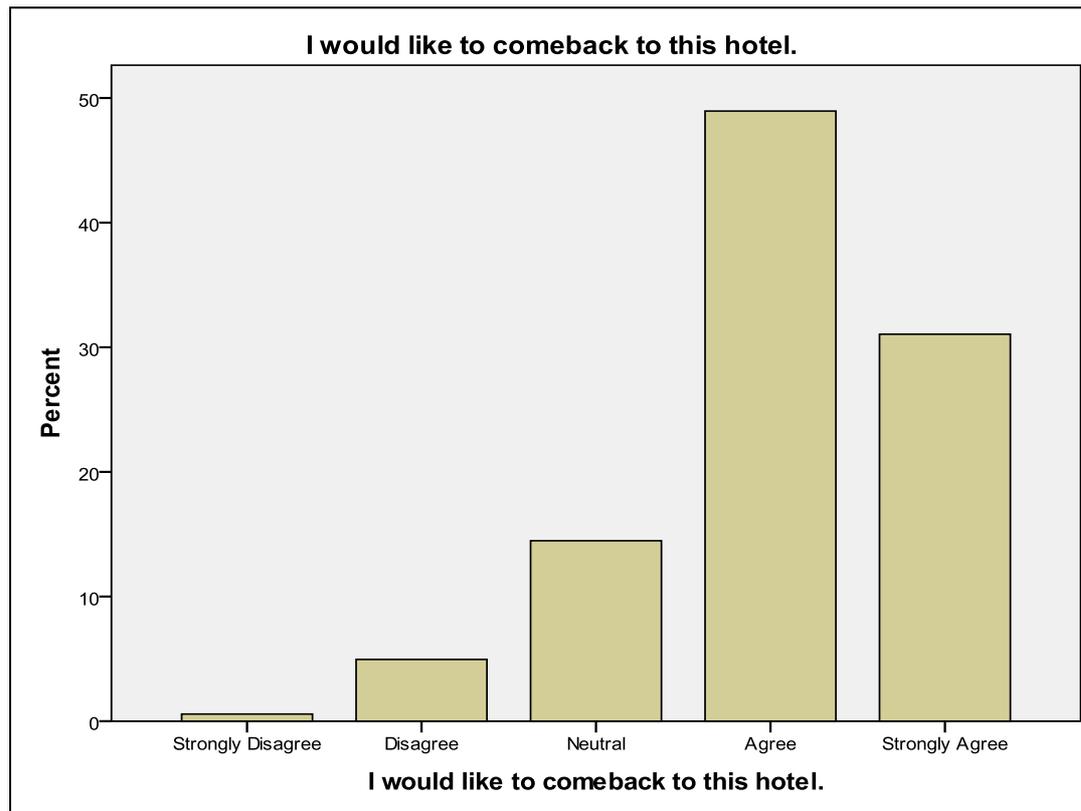| I would like to comeback to this hotel.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	.6	.6	.6
	Disagree	26	5.0	5.0	5.5
	Neutral	76	14.5	14.5	20.0
	Agree	257	49.0	49.0	69.0
	Strongly Agree	163	31.0	31.0	100.0
	Total	525	100.0	100.0	

FIGURE: 1.2

Table 1.2 shows that when asked to the customers whether they would like to come back to this hotel 80% of the respondents agreed and only 6% disagreed while 14% gave a neutral response. It profess that Five star hotels in NCR are able to gain the confidence of their guests and their willingness to come back again (repurchase intention) one of the important determinant of customer retention.

TABLE: 1.3

I am loyal to this hotel					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	.6	.6	.6
	Disagree	44	8.4	8.4	9.0
	Neutral	129	24.6	24.6	33.5
	Agree	197	37.5	37.5	71.0
	Strongly Agree	152	29.0	29.0	100.0
	Total	525	100.0	100.0	

FIGURE: 1.3
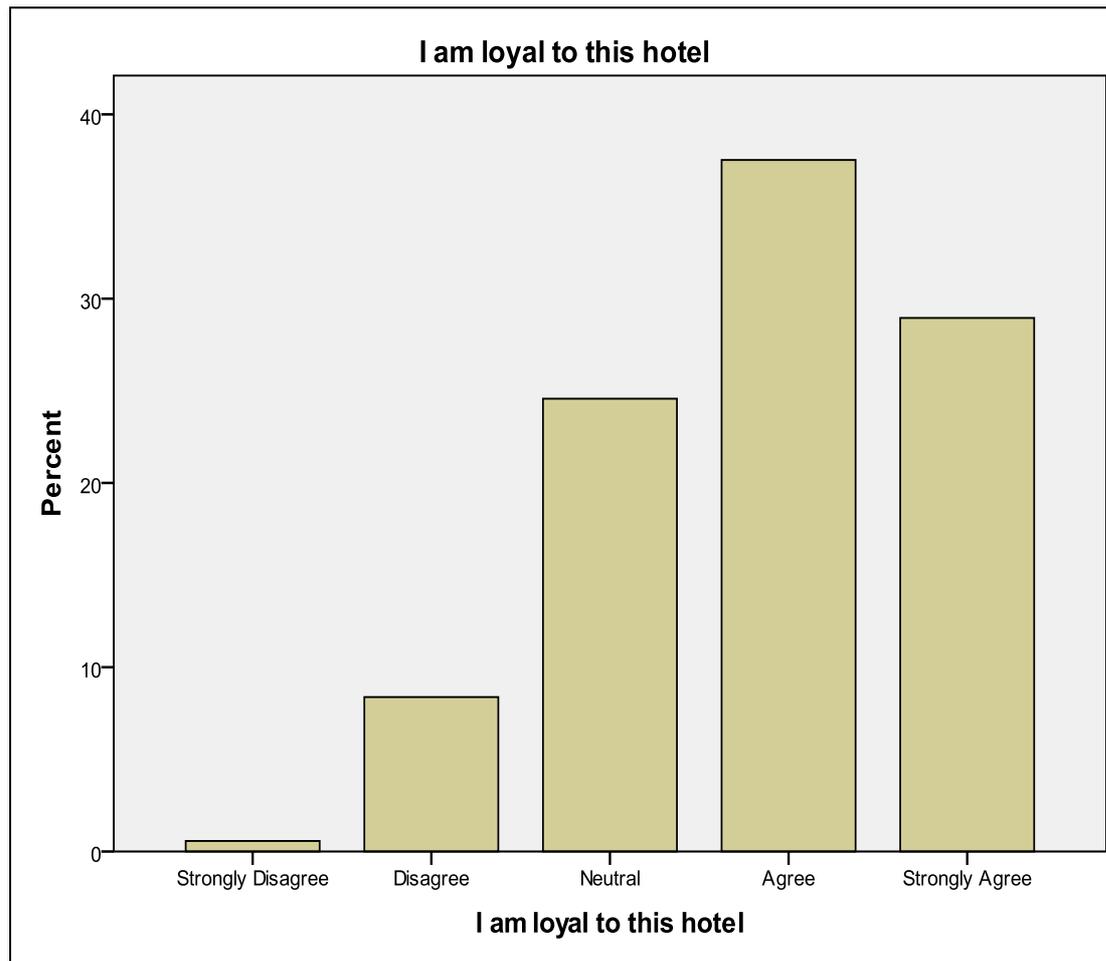
Gaining customer loyalty is one of the difficult as well as challenging task. Table above shows that when guests were enquired about their loyalty towards the hotel 67% of the respondents agreed that they are loyal to the hotel while 25% gave a neutral response which states that they are in a confused state of mind while only 8% disagreed to the statement. Loyalty is something which is very personal, one cannot take it for granted. Five star and Five star Deluxe Hotels in NCR are still on the higher side of gaining loyalty of customers.

TABLE: 1.4

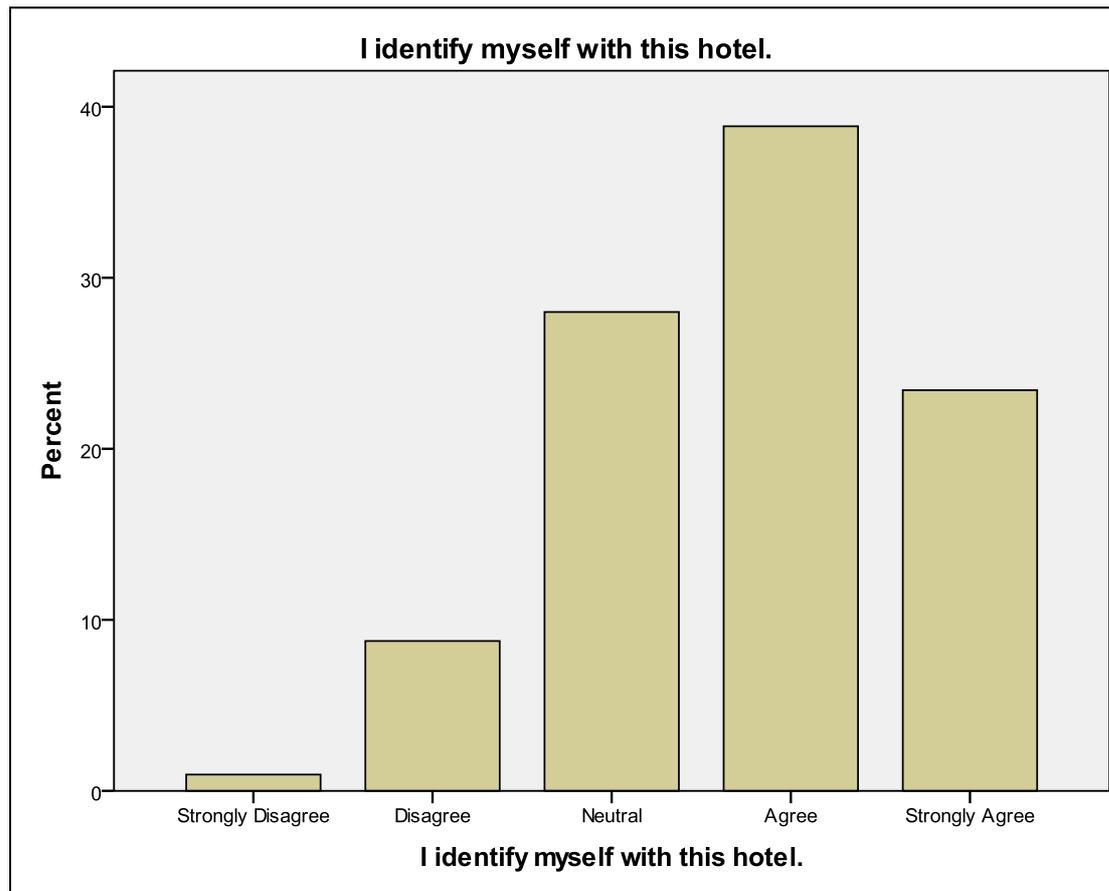| I identify myself with this hotel.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	5	1.0	1.0	1.0
	Disagree	46	8.8	8.8	9.7
	Neutral	147	28.0	28.0	37.7
	Agree	204	38.9	38.9	76.6
	Strongly Agree	123	23.4	23.4	100.0
	Total	525	100.0	100.0	

FIGURE: 1.4

Table 1.4 describes that when it was asked to the respondents that whether they identify them with the hotel 63% accorded with the statement as Hotels try to give a personalized touch to the guests and make an effort that guests can relate to the brand. 28% gave a neutral response and only 9% disagreed to it.

TABLE: 1.5

I will refer this hotel to my friends and relatives.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	.6	.6	.6
	Disagree	36	6.9	6.9	7.4
	Neutral	74	14.1	14.1	21.5
	Agree	257	49.0	49.0	70.5
	Strongly Agree	155	29.5	29.5	100.0
	Total	525	100.0	100.0	

FIGURE: 1.5

I will refer this hotel to my friends and relatives.
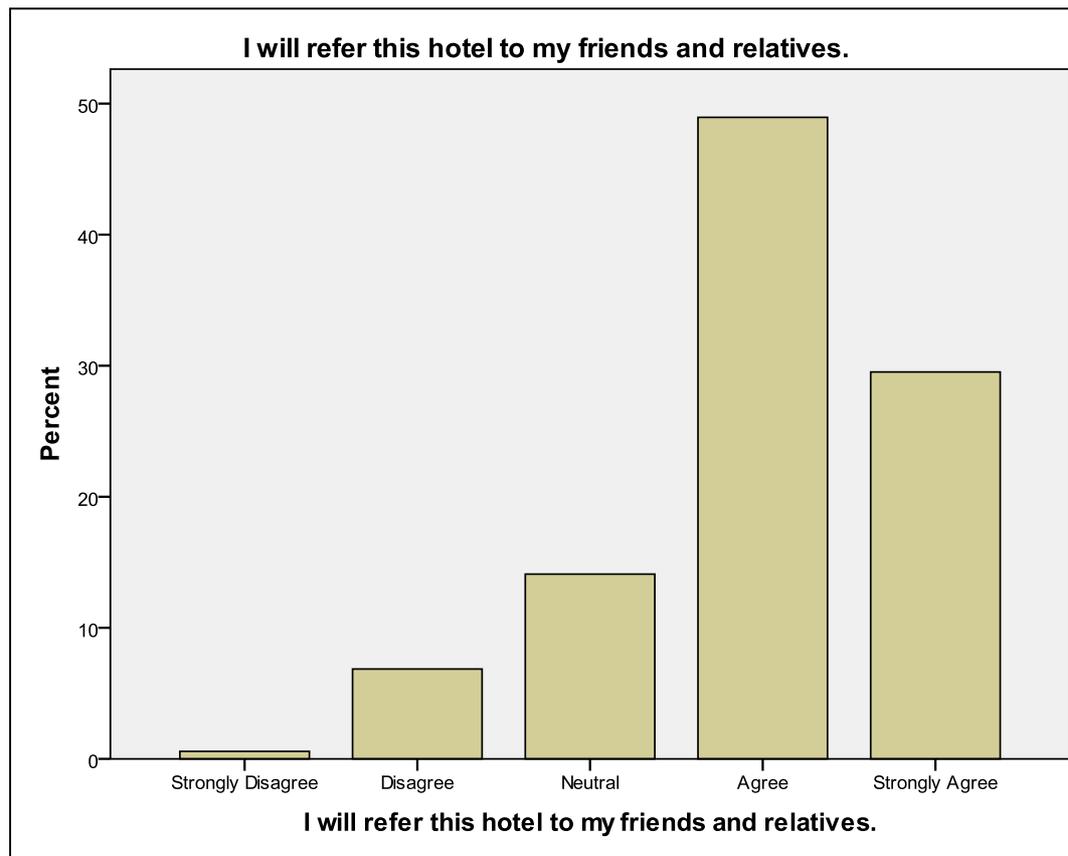
Word of mouth marketing is the strongest tool of promoting a product. It is not paid and hotel does not force any customer to praise it in public rather it is self generated if the customer is satisfied with the product. Table above establishes that when asked whether u will refer this hotel to your friends and relatives 79% of the respondents gave a positive response and only 7% denied whereas 14% gave a neutral response. It shows that Five star hotels in NCR are providing satisfactory services and able to gain the benefits of word of mouth marketing.

TABLE: 1.6

| I will not go to any other hotel.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	28	5.3	5.3	5.3
	Disagree	102	19.4	19.4	24.8
	Neutral	166	31.6	31.6	56.4
	Agree	111	21.1	21.1	77.5
	Strongly Agree	118	22.5	22.5	100.0
	Total	525	100.0	100.0	

FIGURE: 1.6
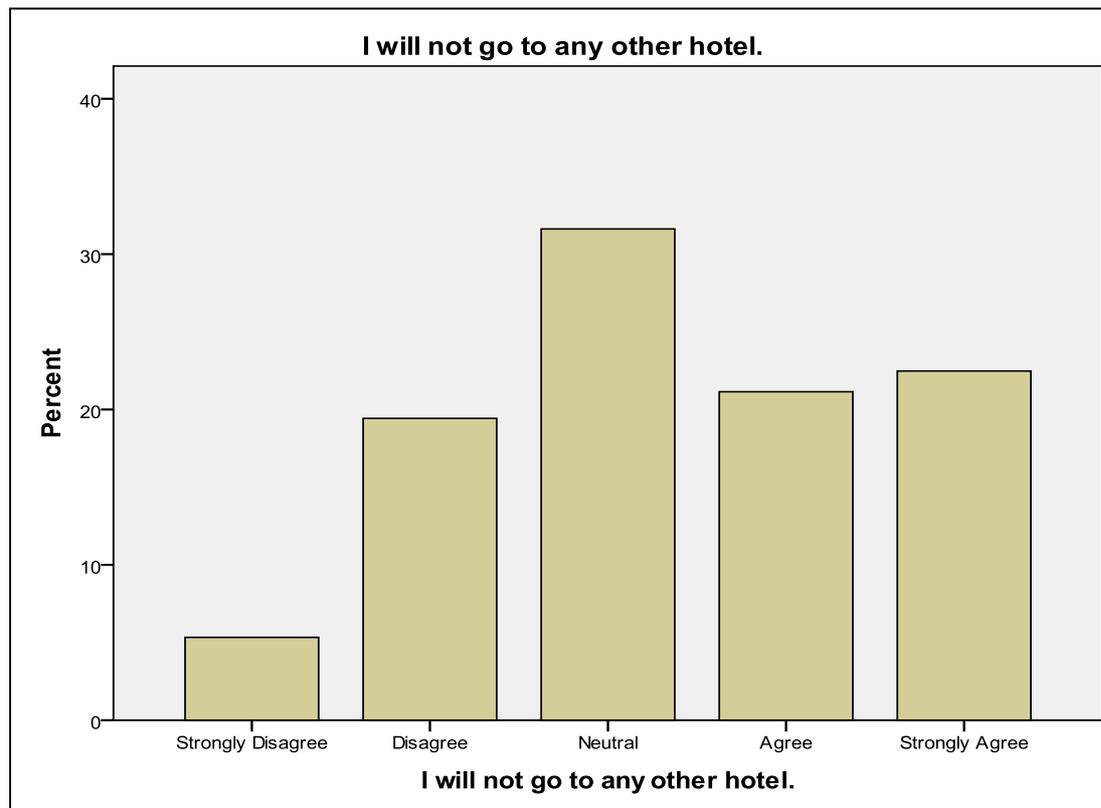
Above said is the only statement in which the percentage of agreement is less than 50%. 44% of the respondents agreed that they will not go to any other hotel while 32% gave a neutral response as it is a tricky question and difficult to answer and 24% disagreed to the statement. Hotel can satisfy the customer, gain the confidence and loyalty but cannot gain the promise that they will not go to any other hotel.

TABLE: 1.7

My values and those of this hotel are very similar.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	69	13.1	13.1	13.1
	Neutral	147	28.0	28.0	41.1
	Agree	191	36.4	36.4	77.5
	Strongly Agree	118	22.5	22.5	100.0
	Total	525	100.0	100.0	

FIGURE: 1.7

My values and those of this hotel are very similar.
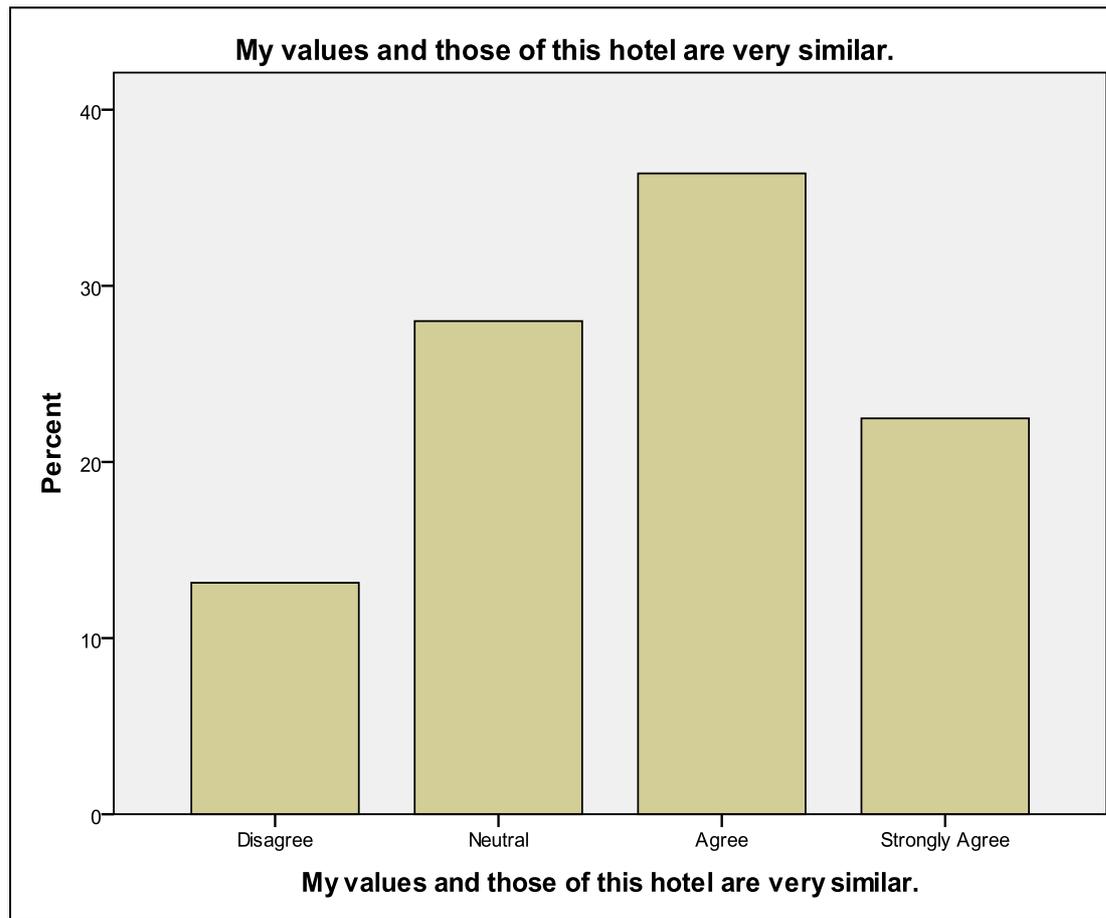
59% of the respondents agreed to the statement that customer values and those of the hotel are very similar whereas 37% kept themselves neutral to this statement and 13% gave a negative response.

Conclusion:

From the analysis of these above stated questions which were designed to examine the retention level of customers in five star hotels in NCR it is found that hotels have been successful in gaining the confidence of guests and their willingness to visit again, have even procured their loyalty, hotels have been successful to identify the brand with the guests value system but not the guarantee that they will not go to any other hotel even though they are satisfied with services delivered. It exhibits that Hotel are able to satisfy the customers as well as gain their loyalty but the competitors are always active in luring the customers with various schemes so they cannot get the guarantee that the guests will not visit any other hotel in future. So, the customer retention level is not very high in five star and five star deluxe hotels in NCR. Hotels need to strengthen their retention policies to cope up with the competitors.

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