# INFLUENCE OF SERVICE INTEGRITY ON CUSTOMER RETENTION: PERSPECTIVES OF RATED HOTELS ALONG THE KENYAN COASTAL TOURISM HUB

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## ABSTRACT

*Kenya's coastal region, a rich tourist hub endowed with world renowned pristine beaches, tourist sites and classified hotels has been facing a slump partly occasioned by insecurity in the region, seasonality challenges and constant travel advisories. This is despite the hotel industry's phenomenal growth globally in the last ten years. While other tourism destinations affected by calamities are highly resilient to such shocks, thanks to their innovative management strategists that enhance customer retention, it is not clear whether the same applies to Kenya's coastal tourism hub. This study therefore sought to establish whether there was a relationship between service integrity and customer retention in classified hotels in Kenya's coastal tourism hub. It targeted hotel customers of the 15 classified hotels in Mombasa County, based on a descriptive research design. A stratified sampling technique was adopted where three strata based on the hotels' star-rating were formed settling on the 384 customers, 26 for each of the hotels. A questionnaire and interview schedule were developed for data collection. The results revealed that there was a significant relationship between service integrity and customer retention in classified hotels in Mombasa county (R=0.314; P=0.000) This results serve as a wake-up call to the County government of Mombasa, Hotel practitioners and policymakers for the need of re-inventing the customer service integrity strategies used so as to maximise on hotel performance.*

## ABBREVIATIONS

CR: Customer retention.

## INTRODUCTION

The hotel industry has grown remarkably in the last ten years. This is epitomized by the annual growth rate of 6%, resulting from, not only an increase in the number of customer flows, but also retention strategies employed by most of the destinations. As such, the industry significantly contributes to foreign exchange earnings and enhanced economic growth which in turn fosters development of many

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countries (Ivano, Singh & Webster, 2017).

Customer retention (CR) is an integrated approach, that incorporates marketing, field support, sales, customer service, and other aspects that affect customers (Xu, Tse & Chan, 2002), with a view to enhance the profitability. CR also applies to strategies that may be applied by organisations to shield themselves from fluctuating markets dictated by dynamic economy (Gee, Coates & Nicholson, 2008). Since, unlike other industries, the hospitality industry doesn't have a constant customer base that they can draw business from, it is apparent that in order for them to remain competitive they should embrace CR strategies. This is because, as suggested by (Syaqirah & Faizurrahman, 2014) retaining an existing customer is cheaper in the long run than gaining a new customer whose acquisition costs are five times higher. According to Dominici & Guzzo (2010) success in the market can be achieved by implementing policies geared towards customer retention (gaining their satisfaction and loyalty) rather than attracting new customers. To foster customer satisfaction, loyalty, and profitability, the hotels should concentrate on exploring CR strategies that aim to find, collect and capture the right information, evaluate and pass it on to the organization (Moreno, Lockett & Morales, 2014).

In Kenya, the widespread ascent in the country's economy and secure customers' earnings have resulted in the extension and developments of hotels. The expansion has been occasioned by insistent advertisement in the domestic and international markets, which has seen the number of hotel bed-nights occupancy rise. This is occasioned by an increase of both local conferences and international conferences. Unlike the general national performance of the industry, the coastal region of Kenya, the country's main tourism hub, faces fluctuation in occupancy rates (KNBS, 2017), despite the region having world renown pristine beaches, tourist sites such as the Fort Jesus Museum, Mombasa Marine Park, Bamburi nature trail (Haller Park), Old town, Mombasa tusks and a considerable number of classified hotels which offer a variety of services and accommodation to customers from different economic backgrounds (The Standard, 2016) .This is partly occasioned by cases of insecurity in the region, seasonality challenges and constant travel advisories.

**Problem statement**

Though much effort has been made to market Kenya's as a destination of choice, the hotel performance particularly at its coastal region has been fluctuating. This is evident from the slow growth of returns posted each financial year (KNBS, 2017). It is not clear whether initiatives to increase CR exist and if so, their effectiveness in classified hotels.Globally, studies regarding customer retention strategies have been made (Sim, 2005; Jani & Han, 2014; Stutts & Wortman, 2005; Khan, 2013; Dawkins & Reichheld, 2010; Forozia, Zadeh & Gilani, 2013; Konishi & Yurtseven, 2013). Similarly, studies have been made on service integrity (Gregory & Hicks, 2002; Sulzner, 2014; Du, Dean, Tan, Gu &Yu, 2014; Scheuing & Edvardsson, 1994). While (Sim, 2005; Jani & Han, 2014; Stutts & Wortman, 2005) concentrated on the consequences of CR in various hotels in Europe and Asia (Forozia, Zadeh & Gilani, 2013) found out that attitudes and motivations influenced customer retention in Dubai hotels. On the other hand, Dawkins & Reichheld (2010) found that customer retention can increase the present net value in a firm. Locally, Soita (2016) researched on CR strategies used by internet service providers in Kenyan hotels, while Kimutai (2015) carried out a study on the factors influencing

customer retention among hotels utilizing mobile telephone services in Kenya. Conversely, while (Gregory & Hicks, 2002; Sulzner, 2014) delved on service integrity in public administration, (Du, Dean, Tan, Gu, & Yu, 2014; Scheuing & Edvardsson, 1994) centered on it on management information systems.

Evidently, empirical studies on relationship between service integrity and customer retention are scarce, more so in the hospitality sector. This study, therefore, sought to assess the impact of service integrity on customer retention in classified hotels in Mombasa County, Kenya based on the hypothesis;

H02: There is no significant relationship between Service Integrity and Hotel performance in classified hotels in Mombasa County.

## LITERATURE REVIEW

Service integrity is a part of service quality linked to the creation of a competitive front in the hotel industry by upholding professionalism and sincerity during service delivery. Fostered service integrity promotes loyalty and retention, components of customer satisfaction, thereby ensuring a competitive edge against opponents (Grönroos, 1998). However, the main aspect which restricts many classified hotels' ability to attain lofty customer satisfaction levels is the standardization of products and services. Unlike in other industries, services in the hospitality industry have certain generic characteristics; the customer often participates directly and actively in the production process. Due to its intangible nature, it is difficult for the provider to explain and the customer to assess services before buying. Since most services are closely tied to employees, it is difficult to separate them from their performers. As such, the quality of the service relies on customers' perception of the package and his relationship with the service provider. Since these service processes are standardised, this reduces the possibility of hotels customising the services offered to meet specific customer needs.

Service integrity can play a mitigatory role in sorting the above-mentioned challenges. For instance, since the customer experiences what actually takes place during the production process, he is likely to notice integrity in the services offered; he may note if employees are rude to customers or if they have a negative attitude. Interaction between customers and staff thus becomes integral. Additionally, one should only promise what he is capable of fulfilling this is important as customers often assess a service based on the knowledge, motivation, actions and integrity displayed by the service provider (Soita, 2016). As such, integrity is a vital determinant of customer perception of service quality which determines their satiety hence determines their retention. Indeed, Zeithaml, Bitner and Gremler (2009). contend that quality service integrity are assets to customer retention as they encourage memorable customer encounters, reduces dissatisfaction, and promote effective profit returns thereby leading to gaining a competitive edge against similar challenges. Similarly, customers in the hospitality sector incline to assess services and constantly commend it and to companions and contacts. Rungting (Rust & Zahorik, 1993) avers that service quality has a positive link to customer satisfaction, loyalty, and repeat customer retention, and customers are always yearning for quality service however much they are paying.

A study by Weinstein (2002) on how quality service integrity dimension relates to the retention of customers using territorial hotels found out that the greatest effect on customers' retention with units of hotels was human resources who are the service provider. Kandampully (2000) contends that frontline employees in the hotel industry such as front desk, waiting staff, door and bellmen, stewards and maids,

should be well trained as regards standardized customer service as there is a direct connection between them and the customers as they market the organization.

Furthermore, Sepula & Shirandula (2017) noted that urgent concerns should be channeled on the quality of the service rendered to meet the customers' requirements. Motivated staff will always be willing to offer quality services to customers, which will normally lead to a fulfilled relationship. Hence a satisfied customer will repurchase because of the guaranteed alignment to the hotel. For Kenya's coastal tourism hub, it was not clear whether service integrity may have any influence on customer retention.

## MATERIALS & METHODS

This study targeted hotel customers of the 15 classified hotels in Mombasa County. It was based on a descriptive research design using a survey approach. A stratified sampling technique was adopted where three stratum based on the hotels' star-rating (i.e. four-star, three-star and two-star) were formed while simple random sampling was applied, using Fisher, Foreit, Laing, Stoeckel & Townsend (2002) formula, to settle on the 384 customers, 26 for each of the hotels. A questionnaire was developed for data collection. A pre-tested for reliability using Cronbach test, returned a reliability coefficient of 0.923, signifying that the questionnaire was highly reliable. The data from the questionnaire were condensed to get rid of errors and guard uniformity. Simple linear regression analysis was used to assess the relationship between customer service and productivity. Care was observed to protect sensitive or privileged information. While a permit was obtained from Kenya's 'National Commission for Science, Technology and Innovation' (NACOSTI).

## RESULTS & DISCUSSION

To establish the influence of service integrity on customer retention in classified hotels in Mombasa County, service integrity tenets were put on a Likert scale. The customers were then requested to rate their views of the extent to which the services meet their expectations. A scale of 1-5 was applied and all the tents were computed. The Likert scale ranged from 1= Do not meet to 5=Exceeds. Descriptive analysis was used to create standard deviation and mean for each tenet as shown in **Table 1**. 'Quality and value of the price paid ' (M=2.76, SD=0.860) 'Our hotel's safety and convenience' (M=3.00, SD=0.744) 'Our hotel's staff empathy with your needs' (M=2.87, SD=0.890) 'The consistency and reliability of service offered' (M=2.85, SD=0.852) 'Staffs emphasis on quality services and products' (M=2.86, SD=0.0958) 'Overall expectation of other services' (M=2.76, SD=0.814).

The findings **(Table 1)** suggests that the variables yielded mean scores in the range closer to 3 and a low standard deviation. The results reveal that respondents, 'when asked about how well the hotel services met their expectation'? (n=30, 11.9%) indicated do not meet 'Staff emphasis on quality services and products more so, respondents were neutral (meets) with (n=130, 51.6%) 'Quality and value of the price paid' (n=73, 29%) and strongly agreed (exceeds) with 'Staff emphasis on quality services and products (n=70, 27.8%).

To establish whether a relationship existed between service integrity and customer retention, a null hypothesis was set; "There is no significant relationship between service integrity and customer retention in classified hotels". The study hypothesized that there was no significant relationship between service integrity and customer retention in Mombasa County.

A Linear regression analysis technique was used to examine the relationship between service integrity and customer retention. Since the data was ordinal, it was first converted to interval data by generating composite scores for the two variables. Linear regression analysis was used by applying the model in **Table 2**.

The linear regression model was used is as follows:

$Y = a + \beta X + e$

Where;

Y=Hotel performance

$a$= Constant/ Intercept

$\beta$=Slope (beta coefficient for service integrity)

$X$= service integrity

**Table 1. Descriptive analysis of service integrity items by customers.**

|  | N | Mean | | Std. Deviation |
|---|---|---|---|---|
|  | Statistic | Statistic | Std. Error | Statistic |
| Quality and value of the price paid | 252 | 2.76 | 0.054 | 0.860 |
| Our hotel's safety and convenience | 252 | 3.00 | 0.047 | 0.744 |
| Our hotel staff's empathy with your needs | 252 | 2.87 | 0.056 | 0.890 |
| The consistency and reliability of service offered | 252 | 2.85 | 0.054 | 0.852 |
| Staff's emphasis on quality services and products | 252 | 2.86 | 0.060 | 0.958 |
| The overall expectation of other services | 252 | 2.76 | 0.051 | 0.814 |
| Valid N (list wise) | 252 |  |  |  |

**Table 2. Model Summary for effects of Service integrity on customer retention.**

| Model | R | $R^2$ | Adjusted $R^2$ | Std. The error of the Estimate | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
|  |  |  |  |  | $R^2$ Change | F Change | df$^1$ | df$^2$ | Sig.F Change |
| 1 | 420$^a$ | 0.314 | 0.311 | 5.10927 | 0.314 | 3.671 | 1 | 250 | 0.007 |

*$^a$ Dependent Variable: Hotel performance*

The R-value which denoted a simple correlation between the independent and dependent variables depicted that the relationship between service integrity and customer retention was 0.420 which implied that there was a moderate correlation. The R square value (0.314) indicated how much of the total variation in customer retention could be explained by service integrity (31.4%). To establish whether the regression model for service integrity could predict the dependent variable. Customer retention ANOVA statistic was run **(Table 3)**

**Table 4** above shows information to establish whether service integrity significantly contributed to the model applied. From the table, the regression equation was expressed as follows: (customer retention =16.610 +0.153 (Service integrity) this equation means that for every additional element of service integrity, customer retention would be expected to rise by the value indicated in the

unstandardized coefficients column (0.153). The probability significance (commonly referred to as P-value) was 0.000 i.e. (P=0.007) meant that the relationship between service integrity and customer retention was statistically significant. These findings are generalizable to the population from which the sample was drawn. The null hypothesis was therefore rejected and the alternative; there was a significant relationship between service integrity and customer retention in Mombasa County, accepted.

**Table 3. ANOVA for the effects of Service integrity on customer retention.**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|--|----------------|-----|-------------|------|------|
| 1 | Regression | 95.833 | 1 | 95.833 | 3.671 | 0. 007[b] |
| | Residual | 6526.167 | 250 | 26.105 | | |
| | Total | 6622.000 | 251 | | | |

[b] *Predictors: (Constant), Integrity*

**Table 4. Coefficient for effects of service integrity on customer retention.**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | 95.0% Confidence Interval for B | |
|-------|--|------|------------|------|--------|-------|-------------|-------------|
| | | B | Std. Error | Beta | | | Lower Bound | Upper Bound |
| 1 | Constant | 16.610 | 1.400 | | 11.867 | 0.000 | 13.853 | 19.367 |
| | Integrity | 0.153 | 0.080 | 0.120 | 1.916 | **0.007** | -0. 309 | 0.004 |

*a Dependent Variable: Hotel Performance*

These findings correspond with those of the customers who strongly agreed with 'Staff's emphasis on quality services and products (n=70, 27.8%) and neutrally agreed with 'Quality and value of price paid' (n=130, 51.6%). There is a possibility that the line managers are aware of customers' rating of service integrity as a means of measuring performance and thus do all it takes to uphold service integrity and meet these needs.The results of the study revealed that customers have high expectations of service integrity at the hotel, thus hotels should design integrity standards that promote reliability to customers, consistency in service delivery, and not promising more than they can deliver. This in turn may enhance customer retention.

The descriptive analysis of service integrity implications on customer integrity revealed that the six tenets under investigation yielded mean scores in the range of 3 if rounded off to the next digit and low standard deviations. Thereby implying a low variation in the respondent's responses. This suggested that the variables yielded mean scores in the range closer to 3 and a low standard deviation.

These findings are consistent with (Mmutle, 2017) who acknowledged that the desired attributes of service integrity comprise of efficient internet availability, empathetic staff, frequent service reviews and evaluation, quality food and drink services, and good quality customer reception on arrival coupled with an outstanding customer-staff relationship. Since these findings revealed that customers had high expectations of service integrity at the hotel, hotels should design service standards

that promote integrity to customers, consistency in service delivery, and not promising more than they can deliver.

## CONCLUSION

The significant relationship observed between service integrity and hotel performance can be accredited to classified hotel staff striving to maintain integrity from guest arrival and through their stay. If emphasis should be placed on service integrity, hotel performance would be expected to increase by the value of the unstandardized coefficient (0.604). Classified hotels provision of service integrity implies more customer commendation, increased visitation rate, and hence a hike in bed nights per visit.

These findings have important implications for the County government of Mombasa, other Counties in Kenya, policymakers like Kenya Association of Hotel keepers and Caterers (KHC), and Pubs, Entertainment and Restaurants Association of Kenya (PERAK). These stakeholders need to re-invent the service integrity strategies used in hotels, restaurants and any other eateries with the perspective of maximising on the hotel performance. It is hoped that such an approach would not only minimize customer churn, but also aid in improving customer retention and hence better hotel performance.

## RECOMMENDATION FOR FUTURE RESEARCH

Even though the results of this study showed that service integrity strategies had a statistically significant effect on hotel performance, there could be some factors such as customer marketing strategies, targeting customers with special needs, and personalizing follow-ups that may influence hotel performance. Further research considering these factors, need to be undertaken since the connection between the service integrity strategies and hotel performance is now eminent.

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