The role of a Customer-Oriented Service Culture in influencing Customer Retention in the Hotel Industry

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The role of a Customer-Oriented Service Culture in influencing Customer Retention in the Hotel Industry

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Abstract

The purpose of this study was to assess the influence of customer-oriented service culture on customer retention in the Hotel Industry in Rwanda. The study followed a mixed methods design comprising of descriptive, comparative and correlation research designs. A questionnaire survey was applied to 152 resident guests in 7 of the star rated hotels in Kigali city. The study revealed an average rating of customer orientation practices across the categories of hotels studied. The rating on customer retention was average for lower rated hotel categories, but high for the higher star rated hotels. Lack of strong bonds and true customer loyalty was noted in hotels of lower grade. Positive and moderately significant relationship between customer orientation practices and customer retention was evident. Deficiencies were noted across the customer orientation practices assessed which included development of customer-oriented culture, management of staff and designing service processes for quality service delivery.

Keywords: Service culture, customer retention, hotel industry, customer orientation, Rwanda

Introduction

Globalization, increased sophistication of consumers and advances in information and communication technology, has led to increased competition, greater customer choice and erosion of customer loyalty and retention. To survive in the global markets, focusing on the customer has become a key factor for all businesses. Customer retention has been shown to be a primary goal in firms that practice relationship marketing (Coviello, Brodie, Danaher & Johnston, 2002). Aspinall, Nancarrow, and Stone (2001) argue that while the precise meaning and measurement of customer retention can vary between industries and firms there appears to be a general consensus that focusing on customer retention can yield several economic benefits. As customer tenure lengthens, the volumes purchased grow and customer referrals increase. Simultaneously, relationship maintenance costs fall as both customer and supplier learn more about each other. Because fewer customers churn, customer replacement costs fall. Finally, retained customers may pay higher prices than newly acquired customers, and are less likely to receive discounted offers that are often made to acquire new customers. All of these conditions combine to increase the net present value of retained customers (Lawrence & Buttle, 2006).

Customer orientation can be defined as a set of beliefs that prioritize customer's interests while it does not neglect stakeholders like owners, managers and employees in order to establish a company with long-term profitability (Bellou, 2007). Customer-orientation points to an extent in which organization and its members concentrate their efforts on customer's understanding and satisfaction (Huff & Kelley, 2005). Customer-orientation is described as an aspect of the

organizational culture which increases both customers' interests and organizational success (Korunka, Scharitzer, Carayon, Hoonakker, Sonnek, Sainfort, 2007). It should therefore be noted that the basics and principles of serving the customers are necessary in creating a trustable organizational culture because customers are the surviving force for any organization and there is no alternative for good services to customers. The successful organizations' breed good relations and quality services to customers and in return is customers' loyalty and retention (Stanley, 2007). Therefore, this study purposed to assess the influence of customer-oriented service culture on customer retention in Hotel Industry in Rwanda.

Statement of the Problem

The Government of Rwanda identified tourism sector as one of the priority sectors in achieving Vision 2020 and contributor to the eradication of poverty in the country (Republic of Rwanda 2007). Despite the good performance of the tourism sector in Rwanda, available studies, documents and experiences indicate that the tourism and hospitality sector in Rwanda faces some challenges that need to be addressed. Among them is the quality of customer service which lacks consistency and generally poor compared with neighboring countries like Kenya (Lwakabamba, 2009). On average, 25% of tourists had bad customer experience during their stay in Rwanda. The most cited problems include poor attitude, unhelpfulness/inattentiveness, slowness and rudeness of service providers. Rwandan cultural norm against complaining and the organizational cultures do not seem to encourage a focus on hard work. The situation is not very different to date with similar observations being echoed in the daily newspapers, service magazines and public forums in Kigali (Rwanda Focus, December 2012; Skills Sector Survey 2012; New Times Rwanda, February 2014). This study therefore aimed to assess the influence of customer-oriented service culture on customer retention in Hotel Industry in Rwanda.

Research Questions

The following research questions guided the study:

1. What is the perception of customers on the extent of customer orientation in service delivery in terms of existence of customer oriented culture, staff management, and service process design in Rwandan hotel industry?
2. What is the perception of respondents on customer retention in Rwanda hotel industry?

Literature Review

Customer-Oriented Culture

Culture can be defined as the set of beliefs, norms and values which forms the basis of collaborative human behavior and makes human actions to some extent predictable and directed towards a set of commonly held purposes or the maintenance of some commonly accepted state. The creation of a consumer-oriented culture requires the production of commonly held purposes. This means that the organization's strategy, its definition of its activities in relation to its environment, is an essential element of the development of culture. The generation of an appropriate set of beliefs, norms and values in an organization which is providing services which consumers need or want will produce a real consumer orientation. Many companies claim to be customer centric, but few are. A customer-centric firm will be resourced and organized to understand and satisfy customer requirements profitably (Iriana & Buttle, 2006).

Creating and instilling a "culture" of customer service in which employees are encouraged and expected to go to great lengths to satisfy customers is another hallmark of a successful organization. High performing organizations work to create an environment where employees focus on customer satisfaction in each encounter, every day. This requires a massive culture shift away from what is convenient for the organization to what is needed by the service users. "Customer is king", as a motto, leads the company to succeeding on the crowded and fiercely competitive market. From market orientation perspective, the company should learn how to adapt to customer and to changing consumer lifestyle and behavior. Studying and understanding consumer behavior, which provides insights into product, pricing, retail, advertising, and communication, is prerequisite to build up and strengthen the market place of a company (Roger, Miniard & James, 2001).

Staff Management

It is well established among marketing theorists that firms which focus their activities on the needs of their customers, i.e. behave in a customer-oriented way, perform better than those companies that do not (Donavan, Brown, and Mowen, 2004). Since customer satisfaction is strongly influenced by the interaction between customers and employees (Boshoff & Tait, 1996), examining employee behavior is critical. Employee behavior, though, is strongly influenced by the operating organizational culture (Chow, Harrison, McKinnon and Wu, 2002).

Specifically, researchers have identified employee-related aspects of the service as dimensions of the customer's service quality assessment. For example, three out of five service quality dimensions of SERVQUAL measure directly or indirectly address the behavior of employees. Similarly, Dabholkar, Sheperd and Thorpe (2000) identify personal attention and comfort as provided by a provider's employees as components of service quality. Brown and Gulycz (2002) define customer oriented service employee (COSE) as an "individual's tendency or predisposition to meet customer needs in an on-the-job context" and conceptualize it as two-dimensional. Hennig-Thurau and Thurau (2003) on the other hand defined COSE as the employee's behavior in person-to-person interactions and suggest a three-dimensional conceptualization of COSE, that is, an employee's customer oriented skills his or her motivation to serve customers, and his or her self-perceived decision-making authority.

Service Process Design

Customer service is a process that consists of actual steps to satisfy customer requirements and service processes generally involve customer contact and/or customer participation, which is often regarded as the most striking difference between manufacturing and service operations (Edvardsson & Olsson, 1996; Mohr & Bitner, 1995). Understanding the needs and expectations of customers is a pivotal factor of success in service design (Roth & Menor, 2003). Generally, the overarching purpose of the design activity is to create a service that matches or exceeds customer expectations. Good design therefore, ensures that both the service outcome and the process of service delivery are perceived as being of good quality by customers so as to generate customer satisfaction which in turns drives customer retention (Dabholkar & Overby, 2005).

The critical importance of retaining customers with the business is explained by the long-term value of loyal customers, the high costs associated with acquiring new customers, and the impact of negative word-of- mouth on the existing customer base. Designing a service in the right way therefore gives service businesses leverage to gain, or at least maintain, a competitive edge in the marketplace (Verma, Fitzsimmons, Heineke & Davis, 2002). Thus since a service process leads to an outcome resulting in the customer being either satisfied or dissatisfied with the service

experience, it is of paramount importance that service organizations' pay attention to designing the system by which service concepts are produced and delivered to customers (Mayer, Bowen and Moulton 2003). It is the role of 'delivery' to ensure that the expected service outcome is received by the customer (Goldstein, Johnston, Duffy and Rao, 2002).

Customer Retention

Creating superior customer value and keeping customers are critical strategic marketing issues for companies in today's highly competitive environment. The pressure on businesses today is further increased by a market where the customer acquisition rate is slowing, customer loyalty is decreasing and sales cycles are lengthening. In such an environment, losing a valuable customer to a competitor can have significant impact on profitability and growth. As a result, businesses have shifted their focus from customer acquisition to customer retention. Without customers there will be no reason for a business to operate (Kandampully & Sparks, 2001).

According to Petzer, Mostert and Steyn (2000) in Payne (2009) customer retention is the percentage of customers at the beginning of the period who still remains customers at the end of the period. Buttle (2004) defines customer retention as the number of customers doing business with a firm at the end of a financial year expressed as percentage of those who were active customers at the beginning of the year. He continues to argue that customer defection is the mirror image of customer retention and only the customers who have greatest strategic value to your company are prime candidates for your retention efforts.

The ultimate aim of any business is to ensure that the customer that buys its product or service is satisfied. Customer satisfaction can be described as the degree to which a business's product or service performance matches up to the expectations of the customer (Brink & Berndt, 2004). Customers' satisfaction on their purchase is a significant factor that leads business success and has gained new attention within the context of the paradigm shift from transactional marketing to relationship marketing (Grönroos, 2006). Customers who are satisfied with a purchase will buy the same product again, more often and will recommend it to others. Customer satisfaction is commonly related to two fundamental properties, including the customer's judgment of the quality of the product and his evaluation of the interaction experience he or she has made with the product provider (Reichheld, 2001). Kotler (2006) sums this up when he states that the key to customer retention is customer satisfaction. A study of South African fast-foods by Roberts (2009) supports the notion that providing quality products supported by friendly service ensures continuous customer satisfaction and customer loyalty. He identified that customer retention in the fast-food industry in South Africa would be enhanced by a stronger focus on the building of trust between the customers and the employees of the fast-food outlet, ethical behavior by the employees and management of the fast-food outlet, the keeping of promises, understanding the needs and wants of customers, respecting customers as individuals and the establishment of affection in the building of relationships with customers.

To ensure that the business satisfies the needs and wants of its identified target market, the business must focus on customer value. Consistent superior value to the customers will ensure customer satisfaction and loyalty and the achievement of high rate of customer retention. To be able to provide superior value to customers an understanding of the dimensions of customer value or value constructs is important. However, according to Wang, Lo, Chi and Vang (2004) although the significance of customer value is widely recognized, research about customer value is quite fragmented and there is no clear definition of the concept. Zeithaml, Rust and Lemon (2001) considered value to be the customer's overall assessment of the utility of a product or service based on the perception of what is received and what is given. Sirdeshmukh, Singh and

Sabol (2002) defined customer value as the consumer's perception of the benefits minus the costs of maintaining an ongoing relationship with a service provider. Horovitz (2000) argues that customers receive value when the benefits from a product or service exceed what it costs to acquire and use it. As Weinstein Johnston and Barrett (2004) explain, the concept of customer value is as old as ancient trade practices. Similar to early barter transactions, today's buyers must carefully evaluate sellers' offerings to assess if goods or services received meet or exceed trade items/costs. Hence, customer value is the trade-off between the benefits gained from the product versus the sacrifices required to obtain it.

From the above definitions it can be observed that there is a common understanding or agreement that customer value is the customer's perception of the balance between benefits received and sacrifices made to experience those benefits. However, traditionally the benefits and sacrifices have been equated to quality and price. Value is a complex construct with multiple dimensions which include social, emotional, epistemic and conditional value that may impact differently in various situations. Functional value is however, presumed to be of the greatest influence. Kandampully and Stalcup (2001) argue that given the nature of hospitality industry social and emotional aspects of customer value may also have significant implications for the customer service programs and the experience.

Customers who feel they have obtained value from a product or service may develop loyalty. Loyalty, in turn, breeds retention, which, translates into higher corporate profits. Customer defections have a stronger impact on the financial performance of an organization than other factors, as it pertains to gaining competitive advantage. Since there is a learning curve that both the company and customer must travel, research suggests the longer a company keeps a customer, the more profitable that customer becomes (Trasorras, Weinstein & Abratt, 2009).

In order to retain customers, it is important to know why customers leave. Not only does a company lose their future profit potential, but also negative experiences are shared with colleagues, and that may spur additional defections. Reichheld (2001) argued that without a form of utility (value), there is no loyalty. He argues that the delivery of superior value affects the service organization and creates internal loyalty among employees via pride and satisfaction in their work. Customers are thus more likely to be retained if there is a customer-oriented climate in which contact staff can deliver service quality efficiently and effectively. As competition increases, the need for customer loyalty and retention becomes increasingly important.

Research Methodology

The study followed a mixed methods design comprising of descriptive, comparative and correlational research designs. The study compared customer orientation in three hotel categories based on their grades. From 17 classified hotels in Kigali 7 were selected based on period of existence and total bed capacity. Then 152 questionnaires were administered to guests in the selected hotels. The sample was distributed proportionately based on average occupancy for each hotel. The data collected with the questionnaire were then analyzed by use of both descriptive and inferential statistics.

The questionnaires comprised of statements assessing each indicator for the study variables rated on a four point Likert - type scale. The mean ratings were interpreted as 3.50-4.00 representing a high rating; 2.50-3.49 representing average; 1.50-2.49 representing below average rating and 1.00-1.49 representing low rating. Research questions 1-2 were analyzed using descriptive statistics specifically means and standard deviations. ANOVA test was done for questions 3 and 4 and Pearson correlation to answer question number 5.

Results and Discussion

The findings on each of the research questions are presented as per defined categories of hotels. The categories included 4 and 5 star hotels making first category, 3 stars second category and 2 stars the third category.

Table 1.1: **Customers' Perceptions on Customer-Oriented Culture in 4 and 5 Star Hotels**

Customer-Oriented Culture (4 and 5 Star Hotels)	Mean	Std. Deviation
Staff makes effort to understand customers	3.30	.608
Employees go extra mile to satisfy customers	3.34	.718
Hotel puts customer concerns first	3.39	.517
Employees never see customers as a burden	3.43	.895
Staff customizes services for customers	3.49	.599
Hotel is responsive to customer complaints	3.56	.525
Hotel service aimed to ensure repeat visits	3.57	.524
Two way communication between employees & customers	3.61	.542
Accrued Mean	**3.46**	**.616**
Customer-Oriented Culture (3 Star hotels)	**Mean**	**Std. Deviation**
Staff makes effort to understand customers	2.19	.402
Staff customizes services for customers	2.61	.615
Employees go extra mile to satisfy customers	2.81	.654
Two way communication between employees & customers	2.97	.706
Hotel staff are responsive to customer complaints	2.97	.605
Hotel service is aimed to ensure repeat visits	3.00	.775
Hotel puts customer concerns first	3.03	.706
Customer never a burden to hotel employees	3.16	.638
Accrued Mean	**2.84**	**.638**
Customer-Oriented Culture (2 Star hotels)	**Mean**	**Std. Deviation**
Employees go extra mile to satisfy customers	2.41	.780
Staff customizes services for customers	2.55	.736
Customer never a burden to hotel employees	2.76	.689
Two way communication between employees & customers	2.79	.774
Hotel employees responsive to customer complaints	2.83	.658
Employees makes effort to understand customers	2.83	.711
Hotel service is aimed at ensuring repeat visits	2.83	.759
Hotel puts customer concerns first	2.90	.673
Accrued Mean	**2.74**	**.723**

The results indicate that the existence of customer-oriented culture in 4 and 5 star hotels is average, μ=3.46 (Table 1.1). "The hotels make efforts to learn customer needs" received the lowest ranking of μ=3.30 compared to other aspects of the indicator assessed. The average rating is an indication that the hotels are to some extent customer centric but improvement is needed. For 3 star hotels results indicate that the implementation of customer-oriented culture is average (μ=2.84). Despite the average rating of this indicator, the customers rated lower the aspects of staff making effort to understand individual customer needs (μ=2.19) and customizing services (μ=2.61) as compared to other aspects assessed for the indicator. Lastly, in 2 star hotels the results indicated that the implementation of customer-oriented culture rating was average (μ=2.74). The rating is lower compared to that of 3, 4 and 5 star hotels for the variable. Lower ratings are also evident for the aspects of the 2 star hotels working with customers to customize services offered (μ=2.55) and the employees going an extra mile to ensure customers are satisfied (μ=2.41) as compared to other aspects assessed for the indicator. Across the hotel categories none of the indicators of customer-orientation practices was rated being high indicating great need for improvement. According to Almotairi (2008) change in organizational culture and

6

promoting the customer orientation across all departments and hierarchical levels is essential for an organization to succeed in realizing its objectives.

Table 1.2: Customers' Perceptions on Service Process

Service Processes (4 and 5 Star Hotels)	Mean	Std. Deviation
Hotel provides customer information at every contact point	3.04	.768
Hotel has an easy reservation process	3.30	.875
Standard of customer service similar across departments	3.30	.586
Well-designed customer complaint handling process	3.32	.616
Employees always provide necessary customer information	3.43	.616
Frontline employees resolve most customer complaints	3.52	.553
Hotel service processes simplified for quick service	3.55	.575
Hotel has a smooth check-in process	3.69	.466
Accrued Mean	**3.39**	**.632**
Service Processes (3 Star Hotels)	Mean	Std. Deviation
Hotel provides customer information at every contact point	1.97	.315
Frontline employees resolve most customer complaints	2.71	.529
Hotel service processes simplified for quick service	2.90	.473
Standard of customer service similar across departments	2.90	.651
Hotel has a smooth check-in process	3.13	.499
Well-designed customer complaint handling process	3.16	.583
Employees always provide necessary customer information	3.29	.643
Hotel has an easy reservation process	3.29	.739
Accrued Mean	**2.92**	**.554**
Service Processes (2 Star Hotels)	Mean	Std. Deviation
Hotel provides customer information at every contact point	1.93	.884
Frontline employees resolve most customer complaints	2.48	.688
Standard of service is similar across departments	2.48	.634
Hotel has an easy reservation process	2.83	.759
Hotel service processes are simplified for quick service	2.93	.753
Well-designed customer complaint handling process	2.93	.651
Employees always provide necessary customer information	3.00	.598
Hotel has a smooth check-in process	3.14	.441
Accrued Mean	**2.71**	**.676**

The results indicated in Table 1.2 above that the rating of service processes in 4 and 5 star hotels was average (μ=3.39). However, the customers ranked lower the aspect of hotels ensuring individual customer information is availed in all customer services points (μ=3.04) as compared to other aspects of the indicator. For the 3 star hotels the rating was average (μ=2.92). The rating is however; lower compared to that of the same variable in 4 and 5 star hotels. A lower rating was evident on the aspects of providing individual customer information across service points (μ=1.97) and frontline employees being empowered and able to handle most of the customer complaints (μ=2.71) as compared to other aspects assessed for the indicator. Lastly, for the 2 star hotels the rating was also average (μ=2.71) but lower compare to the other two hotel categories. A lower rating was evident on the aspects of hotels providing individual customer information in every service point (μ=1.93) and frontline employees being empowered and able to resolve most of customer complaints during service delivery (μ=2.48) as compared to other aspects assessed for the indicator.

The lack of well-designed service processes affects service delivery and hence the levels of customer satisfaction. The service processes can be classified as front-of-the house, where interactions with customers take place, and back-of-the house, where the different departments support the delivery of services to the customers. The hotels particulary need to relook at the sharing of customer information arcoss contact points and simplify service process for enhanced customer convinience and faster service. Buttle (2004) states that processes need to be designed

and operated so that they contribute to the creation of value, or at least not to damage the value being created for customers. This implies both efficiency (low cost) and effectiveness of service processes for an organization to deliver the desired outcomes. It is therefore of paramount importance that service organizations' pay attention to designing the system by which service concepts are produced and delivered to customers (Mayer et al., 2003). It is the role of 'delivery' to ensure that the expected service outcome is received by the customer (Goldstein et al., 2002)

Table 1.3: Customers' Perceptions on Staff Management

Staff Management (4 and 5 Star Hotels)	Mean	Std. Deviation
Employees have good communication skills	2.84	.762
Employees have knowledge on quality customer service	2.99	.769
Employees resolve most of the customer problems	3.03	.688
Employees have practical skills for quality service delivery	3.10	.699
Employees work together in providing customer service	3.13	.817
Employees have the right attitude	3.14	.663
Hotel has adequate number of employees	3.21	.800
Employees take pride of their work	3.40	.693
Accrued Mean	**3.11**	**.736**
Staff Management (3 Star Hotels)	**Mean**	**Std. Deviation**
Employees have knowledge for quality service delivery	1.87	.885
Employees work together in providing customer service	1.87	.718
Employees have the right attitude	2.26	.575
Employees have practical skills for quality service delivery	2.29	.529
Employees resolve most of the customer problems	2.35	.551
Employees take pride of their work	2.71	.461
Employees have good communication skills	2.71	.529
Hotel has adequate number of employees	2.77	.717
Accrued Mean	**2.35**	**.621**
Staff Management (2 Star Hotels)	**Mean**	**Std. Deviation**
Employees work together in providing customer service	2.41	1.018
Employees take pride of their work	2.45	.827
Employees have the right attitude	2.48	.688
Employees have good communication skills	2.52	.688
Employees have knowledge for quality service delivery	2.55	1.021
Employees resolve most of the customer problems	2.62	.677
Employees have practical skills for quality service delivery	2.69	.712
Hotel has adequate number of employees	2.72	.591
Accrued Mean	**2.56**	**.778**

The Table 1.3 above describes customers' perceptions on staff management practices across the hotel categories. The results indicate that the rating of staff management practices in 4 and 5 star hotels is average (μ=3.11). Lower rating was evident on the aspects of staff having good communication skills (μ=2.84) and knowledge on quality customer service (μ=2.99) as compared to other aspects of the indicator assessed. For 3 star hotels results indicated that the rating of staff management practices was below average (μ=2.35). The rating is also lower compared to the mean rating of the same indicator in 4 and 5 star hotels. It was particularly evident that on the aspects of employees having knowledge on quality customer service (μ=1.87) and teamwork in service to customers, received a lower rating (μ=1.87) compared with other aspects assessed for the indicator. With poor staff management as evident from the results, ensuring a customer orientation in service delivery will be elusive. Lastly, for 2 star hotels results indicated that the rating of staff management practices was average (μ=2.56). The rating is however lower compared to the mean rating of the same indicator in 4 and 5 star hotels but higher than that of 3 star hotels.

Lower rating is particularly evident on the aspects of employees working as a team in providing service to customers (μ=2.41) and employees being proud of their jobs (μ=2.45) compared with other aspects assessed for the indicator. This is a threat to successful implementation of customer-oriented service in these hotels. Huma (2009) argues that people factor has played a very critical role in creation of customer oriented service culture, therefore they should be managed wisely. The above argument is also supported by Ivanovic, Mikinac and Perman (2011) who state that human resources are the most important factor in building customer relationship because they are in direct contact with customers, and may disclose all of their desires, needs and expectations.

Table 1.4: Customer's Perceptions on Customer Value

Customer Value (4 and 5 Star Hotels)	Mean	Std. Deviation
Prices of services in the hotel are reasonable	2.51	.941
Guests sacrifices matches the level of services provided	3.01	.752
Hotel delivers superior service to customers	3.18	.579
Hotel ensures consistency in service	3.23	.759
Hotel service gives pleasure to customers	3.36	.667
Compared to my sacrifices services met my expectations'	3.48	.553
Hotel has high quality guest facilities	3.65	.480
Hotels has a variety of guest facilities	3.66	.528
Accrued Mean	**3.26**	**.657**
Customer Value (3 Star Hotels)	**Mean**	**Std. Deviation**
Prices of services in the hotel are reasonable	1.90	.301
Hotel delivers superior service to customers	2.45	.506
Hotel ensures consistency in service	2.52	.508
Hotel service gives pleasure to customers	2.52	.508
Compared to my sacrifices the services meet my expectations'	2.71	.529
Hotel has high quality guest facilities	2.71	.529
The guests sacrifices matches the level of services provided	2.77	.425
Hotels has a variety of guest facilities	2.94	.359
Accrued Mean	**2.57**	**.458**
Customer value	**Mean**	**Std. Deviation**
Prices of services in the hotel are reasonable	1.66	.670
The guests sacrifices matches the level of services provided	2.59	.780
Hotel ensures consistency in service	2.62	.903
Hotel delivers superior service to customers	2.69	.712
Compared to my sacrifices the services meet my expectations'	2.76	.577
Hotel has high quality guest facilities	2.86	.693
Hotel service gives pleasure to customers	3.07	.704
Hotels has a variety of guest facilities	3.31	.604
Accrued Mean	**2.70**	**.705**

The results in Table 1.4 indicate that the perceived customer value in 4 and 5 star hotels was average (μ=3.26). A lower rating was evident on the aspect of the prices of hotels facilities and services (μ=2.51) as compared to other aspects of the indicator assessed. Most of the respondents tended to disagree that the hotel prices were reasonable. Despite the average rating of perceived customer value in the hotels and likely average levels of customer retention, there is need for improvement by the hotels to achieve high levels of customer satisfaction. For 3 star hotels results indicated that the perceived customer value was average (μ=2.57). However, a below average rating was evident on customers' perception on the prices of facilities and services being reasonable (μ=1.90). Lastly, for 2 star hotels results indicated that, the perceived customer value in 2 star was also average (μ=2.70) but also a below average rating customers' perception on the prices of facilities and services being reasonable (μ=1.66). Price is an important element

for consumers when purchasing. It therefore has a large influence on consumers' satisfaction judgments (Herrmann, Xia, Monroe and Huber, 2007). Johnson and Weinstein (2004) add that a strong competitive advantage can be gained through consistently providing superior customer value. One way customers measure the value of their transactions is via the service, quality, image and price (SQIP) approach. Roig, Garcia and Tena (2006) sums this up that the principle source of competitive advantage is for companies' to compose an offer that provides customers with a perceived value higher than that of the competition.

The results in Table 1.5 below indicate that the perceived customer satisfaction in 4 and 5 star hotels was high (μ=3.52). However, most of the respondents felt that the hotels did not exceed their service expectations (μ=3.19) with a lower rating being evident for this aspect compared to other aspects assessed under this indicator. The level of perceived satisfaction in these hotels gives them upper hand in ensuring customer retention. Expectations play a significant role in customer satisfaction. For 3 star hotels the results indicated that the perceived customer average (μ=3.00). However, they rated below average the aspects of having a pleasurable stay in the hotels (μ=2.48) and the hotels adequately suiting their needs (μ=2.81) as compared to other aspects of the indicator. For customer retention to be achieved the customers should feel fully satisfied with the services offered. The below average rating of the above two aspects may have a negative effect on the customer retention efforts in these hotels. Lastly, for 2 star hotels results indicate that the perceived customer satisfaction was rated as average (μ=2.89). However, they rated below average the aspect of the hotels exceeding their service expectations (μ=2.34) and lower compared to other aspects of the indicator. The overall rating of customer satisfaction still indicated a lot needed to be done by the hotels to increase the satisfaction levels of customers and even exceed their expectations.

Table 1.5: Customer's Perceptions on Customer Satisfaction

Customer Satisfaction (4 and 5 Star Hotels)	Mean	Std. Deviation
Hotel service exceeded my expectations'	3.19	.608
Had a pleasurable stay in the hotel	3.43	.548
This hotel suits my needs	3.43	.524
Had a memorable interaction with service employees	3.44	.550
Employees provided needed information clearly	3.56	.573
Am satisfied with choice of this hotel	3.65	.507
I did right thing to choose this hotel	3.70	.488
I enjoyed the hotel facilities	3.78	.417
Accrued Mean	**3.52**	**.527**
Customer Satisfaction (3 Star Hotels)	**Mean**	**Std. Deviation**
This hotel suits my needs	2.81	.601
I did the right thing to choose this hotel	2.81	.477
Am satisfied with choice of this hotel	3.00	.632
Hotel service exceeded my expectations'	3.10	.790
Employees provided needed information clearly	3.23	.669
Had a memorable interaction with service employees	3.26	.729
I enjoyed the hotel facilities	3.32	.541
Accrued Mean	**3.00**	**.626**
Customer satisfaction (2 Star Hotels)	**Mean**	**Std. Deviation**
Hotel service exceeded my expectations	2.34	.553
I did right thing to choose this hotel	2.83	.468
This hotel suits my needs	2.90	.557
Had a memorable interaction with service employees	2.90	.772
Employees provided needed information clearly	2.97	.731
Had a pleasurable stay in the hotel	2.97	.680
Am satisfied with choice of this hotel	3.07	.458
I enjoyed the hotel facilities	3.10	.557
Accrued Mean	**2.89**	**.597**

Ranaweera and Prabhu (2003) add that it is a held belief that the more satisfied the customers are, the greater is their retention. Fecikova (2004) believes that the key to organizational survival is the retention of satisfied internal and external customers. She proposes measuring satisfaction to manage it effectively. Grönroos (2006) argues that customers' satisfaction on their purchase is a significant factor that leads business to success. Kotler (2006) sums this up when he states the key to customer retention is customer satisfaction.

The results in Table 1.6 indicate that the perceived customer satisfaction in 4 and 5 star hotels was high (μ=3.57). However, most of the respondents expressed that they would not remain loyal if the hotels increased their rates (μ=3.30) or if other hotels in the same category reduced their rates (μ=3.30). The loyalty expressed by customers may to some extent also be influenced by limited choice at this level of hotels with only one 5 star hotel in Kigali and only two 4 star hotels at the time of the study. This follows a feeling of most respondents that the hotel rates are unnecessarily high. The very high rating of perceived customer loyalty is good news to the hotels as they aim to retain their valuable customers.

Table 1.6: Customer's Perceptions on Customer Loyalty in 4 and 5 Star Hotels

Customer Loyalty	Mean	Std. Deviation
May not consider changing hotel even if rates are increased	3.30	.796
Even if other hotels lowers rates will remain in this hotel	3.30	.670
This hotel will always be my first choice in Kigali	3.52	.576
Have stayed more often in this hotel than others in Kigali	3.55	.660
Have spent more money in this hotel than others in Kigali	3.57	.594
This hotel will be my first choice in my next visit	3.71	.483
Will remain a regular customer in this hotel	3.78	.417
Will recommend this hotel to friends and relatives	3.82	.421
Accrued Mean	**3.57**	**.577**
Customer loyalty	**Mean**	**Std. Deviation**
This hotel will always be my first choice in Kigali	2.35	.608
May not consider changing hotel even if rates are increased	2.71	.783
Even if other hotels lowers rates will remain in this hotel	2.71	.643
Will recommend this hotel to friends and relatives	2.97	.482
Have spent more money in this hotel than others in Kigali	3.03	.706
Have stayed more often in this hotel than others in Kigali	3.10	.908
This hotel will be my first choice in my next visit in Kigali	3.16	.523
Will remain a regular customer in this hotel	3.29	.588
Accrued Mean	**2.92**	**.655**
Customer Loyalty	**Mean**	**Std. Deviation**
Have stayed more often in this hotel than others in Kigali	2.17	.759
May not consider changing hotel even if rates are increased	2.31	.712
This hotel will always be my first choice in Kigali	2.38	1.015
Even if other hotels lowers rates will remain in this hotel	2.59	.682
Have spent more money in this hotel than others in Kigali	2.66	.553
This hotel will be my first choice in my next visit in Kigali	2.97	.731
Will remain a regular customer in this hotel	3.03	.626
Will recommend this hotel to friends and relatives	3.10	.618
Accrued Mean	**2.65**	**.712**

For 3 star hotels the results indicated that the perceived customer satisfaction was high (μ=3.92). However, most of the respondents expressed that they would not consider the hotel as always their first choice (μ=2.35) and may not remain loyal if the hotels increased their rates (μ=2.71). This gives a clear indication that the customer loyalty is for the moment and not a long-term bond especially if the customer got a better choice. Lastly, for 2 star hotels results indicated that the perceived customer satisfaction in 2 star hotels was average (μ=2.65). On the aspect of the guest

having stayed more often in the hotels was a below average rating (μ=2.17). Most of the respondents also tended to disagree that they would remain in the hotel if they increased their rates. This like in the case of 3 star hotels gives a clear indication that the customers are less loyal to the hotels and would consider moving elsewhere with a better choice. According to Weinstein and Abratt (2009) Customers who feel they have obtained value from a product or service may develop loyalty. Loyalty, in turn, breeds retention, which translates into higher corporate profits. Dalton (2003) cites three factors that drive customer loyalty – value, trust and going the extra mile.

Table 1.7: Multiple Comparisons on Customer Orientation Practices in the Hotel Categories

Dependent Variable		(I) Hotel Category	(J) Hotel Category	Mean Difference (I-J)	Sig.
Customer-Oriented Culture	Scheffe	4-5 Star Hotels	3 Star Hotel	.61830*	.000
			2 Star Hotels	.72397*	.000
		3 Star Hotel	4-5 Star Hotels	-.61830*	.000
			2 Star Hotels	.10567	**.617**
Service Process		2 Star Hotels	4-5 Star Hotels	-.72397*	.000
			3 Star Hotel	-.10567	**.617**
	Games-Howell	4-5 Star Hotels	3 Star Hotel	.61830*	.000
			2 Star Hotels	.72397*	.000
Staff Management		3 Star Hotel	4-5 Star Hotels	-.61830*	.000
			2 Star Hotels	.10567	**.655**
		2 Star Hotels	4-5 Star Hotels	-.72397*	.000
			3 Star Hotel	-.10567	**.655**
	Games-Howell	4-5 Star Hotels	3 Star Hotel	.75068*	.000
			2 Star Hotels	.54948*	.000
		3 Star Hotel	4-5 Star Hotels	-.75068*	.000
			2 Star Hotels	-.20120	**.182**
		2 Star Hotels	4-5 Star Hotels	-.54948*	.000
			3 Star Hotel	.20120	**.182**

The results in Table 1.7 above indicate post hoc tests, to examine which two groups differ significantly from the three groups. This was done for each of the customer orientation indicators across the three hotel categories. Games-Howell post-hoc test was selected as equal variances were not assumed for the indicators; staff management and services processes and Scheffe post hoc test was selected for customer-oriented culture as equal variances were assumed. Post-hoc Games-Howell tests revealed statistically significant differences between 4 and 5 hotel and other two hotel categories in staff management and service processes. Between 3 star hotels and 2 star hotels there was no significant difference in the three customer orientation indicators.

The fact that the higher rated hotels had significantly higher customer orientation practices than lower rated hotels gives them an advantage in achieving higher levels of customer satisfaction and retention. More is required of 3 and 2 star hotels to be able to meet customer expectations. As for 3 star hotels they seem to face intense competition from 2 star hotels as customers perceive them as not being significantly different from the 2 star hotels.

This poses a big challenge to the 3 stars in achieving customer loyalty and high levels of retention. It can be interpreted that the value customers receive from the two hotel categories were similar despite high sacrifices (price of service and facilities) by customers in obtaining service in the 3 star hotels.

Table 1.8: Multiple Comparisons on Customer Retention

Hotel Category	(J) Hotel Category	Mean Difference (I-J)	Std. Error	Sig.
Customer Value Games-Howell				
4 & 5 Star Hotels	3 Star Hotels	.64*	.05	.00
	2 Star Hotels	.51*	.10	.00
3 Star Hotels	4 & 5 Star Hotels	-.64*	.05	.00
	2 Star Hotels	-.13	.10	**.38**
2 Star Hotels	4 & 5 Star Hotels	-.51*	.10	.00
	3 Star Hotels	.13	.10	.38
Customer Satisfaction Scheffe				
4 & 5 Star Hotels	3 Star Hotels	.52*	.08	.00
	2 Star Hotels	.64*	.08	.00
3 Star Hotels	4 & 5 Star Hotels	-.52*	.08	.00
	2 Star Hotels	.12	.10	**.47**
2 Star Hotels	4 & 5 Star Hotels	-.64*	.08	.00
	3 Star Hotels	-.12	.098	**.47**
Customer Loyalty Scheffe				
4 & 5 Star Hotels	3 Star Hotels	.57*	.08	.00
	2 Star Hotels	.84*	.09	.00
3 Star Hotels	4 & 5 Star Hotels	-.57*	.08	.00
	2 Star Hotels	.26*	.10	**.04**
2 Star Hotels	4 & 5 Star Hotels	-.84*	.09	.00
	3 Star Hotels	-.26*	.10	**.04**

The results in Table 1.8 above indicate post hoc tests to determine if there was significant difference in customer retention across hotel categories. This was done for each of the customer retention indicators across the three hotel categories. Games-Howell post-hoc test was selected as equal variances were not assumed for the customer value and Scheffe post hoc test was selected for customer satisfaction and customer loyalty as equal variances were assumed.

Post-hoc Games-Howell tests revealed statistically significant differences between 4 and 5 hotel and other two hotel categories in customer value and no significant difference between 3 star hotels and 2 star hotels. Similarly, for customer satisfaction and customer loyalty significant difference only existed between 4 and 5 star hotels and the other two hotel categories. The fact that 4 and 5 star hotels had relatively high customer orientation practices may be the reason behind high customer retention levels as compared to 3 and 2 star hotels.

However, the fact that there were fewer 4 and 5 star hotels in Kigali and thus less competition in this category may have contributed to the retention levels. The only 5 star hotel in Kigali was also from an international chain thus enjoying the brand name from the mother group. With increase in hotels in future in this category and hence more competition there is possibility of decrease in retention rates for these hotels.

The hotels across the categories investigated thus need to cultivate stronger bonds by increasing customer satisfaction levels and loyalty from average to high levels, ensure strong attitudinal attachments with customer so as to secure their existing market share.

Table 1.9: Correlations between Customer-Orientation Practices and Customer Retention

		Customer- Oriented Culture	Staff Management	Service Processes
Customer Value	Pearson Correlation	.67**	.70**	.63**
	Sig. (2-tailed)	.00	.00	.00
Customer Satisfaction	Pearson Correlation	.69**	.57**	.67**
	Sig. (2-tailed)	.00	.00	.00
Customer Loyalty	Pearson Correlation	.72**	.59**	.57**
	Sig. (2-tailed)	.00	.00	.00

Results indicated that for the three indicators of both customer retention and customer orientation (see Table 1.9), the P-Values were less than 0.01 significance level (P=.000). Hence, indicating that there was a significant positive relationship between customer retention and customer orientation practices in the three categories of hotels in Kigali. The relationship however, was moderate for the three indicators as the R-values were between 0.3 and 0.8. The hotels in Kigali should thus focus keenly on the effective implementation of customer oriented service if they are to improve their customer retention rates.

Conclusion

There was generally average level of customer orientation practices across the three hotel categories, with none of the hotel categories rated to have a high level of customer orientation practices. This indicated a need for improvement for all customer orientation indicators across the hotel categories. Concerning customer retention, average levels of retention across the hotels categories were evident, with 4 and 5 star hotels having relatively high retention levels compared to 3 and 2 star hotels. The relatively lower retention levels in the lower hotel categories indicated weaker bonds between customer and the hotels and the likelihood of customers shifting on getting better alternatives. The customers thus lacked strong attitudinal attachments and true loyalty to these hotels. Across the three hotel categories, customers felt that the prices of services were unnecessarily high and unreasonable and thus of less value for their sacrifices. In relation to differences in customer orientation practices across the three hotel categories it was noted there was a significant difference between 4 and 5 star hotel category and other hotel categories. However, no significant difference was evident between the two lower hotel categories.

Finally, in regard to relationship between customer orientation practices and customer retention it was concluded that there was a moderate and positive relationship between customer orientation practices and customer retention across the three hotel categories. Thus need for hotels to practice customer orientation to increase their customer retention rates.

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