Chapter 7
An Integrated Customer Relationship Model to Improve Retention in Hospitality Services

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ABSTRACT
Customer retention has received ongoing academic focus and scholars have specifically recognized the importance of customer loyalty within the services sector. There is general agreement within this body of work that achieving customer satisfaction alone is not sufficient to develop customer loyalty, particularly in a competitive business environment. Relationship development between businesses and customers is a key contributor to customer loyalty; however, many of the models that are presented within the literature are either product specific or business to business in nature. This chapter presents the results of an examination of a series of relationship development models that was designed to identify the antecedents of relationship development that are likely to have a positive impact on the delivery of hospitality services. We synthesize the key mediating variables of these models into a single customized model that has the capacity to influence relationship development in a hospitality setting. Within this model we emphasize the importance of trust, commitment and cross cultural communication in order to achieve repeat business and to facilitate positive word of mouth communication.

INTRODUCTION
Creating customer loyalty, which is manifested by the act of repurchase, is a major goal of service sector businesses because retaining existing customers generates more profit than attracting new ones (Bove and Johnson, 2000; Reichheld and Schefter, 2000; Reichheld and Detrick, 2003). This is particularly im-
portant in the hospitality industry which is a major growth industry representing 8% of total employment worldwide (Heath 2003). Globalisation has meant that the sector has experienced intense competition prompting Fyall and Spyriadis (2003) to call on the industry to adopt a more sophisticated approach to marketing. O’Mahony (2006) asserts that the industry needs to move away from a tendency to lower prices to create a relationship with customers that leads to repeat visitation. However, not every customer who repurchases a service is genuinely loyal to the service provider (Dick and Basu, 1994; Jones and Sasser, 1995), and in this regard Jones and Sasser (1995) assert that customers can be categorised as loyalists, defectors, mercenaries and hostages. Only two of these categories or groups of customers (loyalists and hostages) tend to repurchase. Furthermore, whilst loyalists are those customers who value and seek to continue in a relationship with a seller or service provider, a hostage is a customer who has little option but to remain in a relationship because there are barriers to exiting. Consequently, loyalists see the relationship as valuable and wish to maintain a relationship, while hostages are trapped in the relationship and in many cases are motivated to end the relationship at the first opportunity.

Early work on customer loyalty has focused on developing loyalists through the delivery of high levels of service quality (Parasuraman, et al.,1985: 1988). Berry (1983) was among the first to present relationship development as a determinant of customer loyalty defining relationship marketing as ‘… attracting, maintaining and – in multi-service organizations – enhancing customer relationships’ (p.25), maintaining that relationship marketing is advisable for firms that expect to have more than one business transaction with their customers but essential where there are alternatives available in the market.

The hospitality industry is entering an era of intense competition. This environment heightens the need for hospitality providers to develop true customer loyalty, where customers repurchase whilst having a positive attitude towards the firm (Dick and Basu, 1994; Jones and Sasser, 1995). According to Bowen and Chen (2001), who investigated the relationship between customer satisfaction and customer loyalty in a business hotel context, true loyalty consists of two simultaneous dimensions: repurchase intention and positive word-of-mouth communication.

Through an examination of a series of relationship development models, this article seeks to present a model of relationship development that is suitable for the hospitality industry by identifying the antecedents of relationship development. The authors then discuss the dimensions of the Key Mediating Variable (KMV) model and recommend its use, with some minor modifications, as the most appropriate model for a hospitality context.

LITERATURE REVIEW

The concepts of service quality, customer satisfaction and customer loyalty have permeated the marketing literature for some time. Much of this work has been concerned with the improvement of service quality in order to ensure a high level of customer satisfaction, ostensibly because customer satisfaction was proposed to be a major determinant of customer loyalty (Cardozo, 1965; Parasuraman et al., 1985).

In his early work, Cardozo (1965), who was among the first to propose that customer satisfaction leads to customer loyalty, advised marketers to pay more attention to uncovering the determinants of customer satisfaction. Further work confirmed this view and a services marketing orientation focussed primarily on providing high levels of service quality in order to gain the highest level of customer satisfaction developed (Parasuraman et al., 1985; Reichheld and Sasser 1990; Zeithaml et al., 1990). Anderson (1973) was among the first to propose a systematic way of measuring customer satisfaction arguing that