Fostering Sustainable Competitive Advantage through Relationship Marketing in the Hospitality Industry: A Case of Hotels and Lodges in Masvingo City, Zimbabwe

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Abstract: Relationship marketing is a post modern development that has seen the practice of marketing evolving from a medieval production orientation in the early 1900s, when demand for goods and services exceeded supply to a period where organizations regardless of their sizes, nature of business and organizational objectives, have realized the strategic importance of entering into long term relationships with various stakeholders as a means of enhancing profitability. This research aimed at examining the extent to which Hotels and Lodges in Masvingo engage relationship marketing strategies at all the three tier levels as a means of fostering sustainable competitive advantage (SCA). A cross sectional descriptive research design was used to unravel the relationship between RM and customer retention. A drop and pick survey technique was administered on 51 respondents, comprising managers and section supervisors selected from firms in the sectors, using a structured undisguised questionnaire developed on the basis of a prior pilot study. The findings were indicative of the fact that indeed Hotels and Lodges in Masvingo use RM strategies to retain their customers as reflected by a strong perfect positive correlation. Firms in this sector however focus on a few strategies at each relational level, an aspect which does not guarantee a firm’s SCA in the long run. Executives and managers of these organizations need to embrace RM strategies in the three tier levels holistically in a manner that will enable them to foster strategic SCA in a highly competitive business environment.

Keywords: Relationship Marketing, RM Tenets, Sustainable Competitive Advantage, Hospitality Industry.

1. Introduction

Relationship marketing is a post modern development that has seen the practice of marketing evolving from a medieval production orientation in the early 1900s, when demand for goods and services exceeded supply to a period where organizations regardless of their sizes, nature of business and organizational objectives, have realized the strategic importance of entering into long term relationships with various stakeholders as a means of enhancing profitability. Firms across various sectors have realized then, that in this current competitive business environment, building, maintaining, sustaining long term relationships with customers and other important stakeholders is the key to creating mutual beneficial exchanges (Gronroos, 1996). This is supported by Peltier, Schibrowsky and Davis, (1998), claim that increased rivalry due to similarities in product and services, prices and other market conditions have awakened marketers across many industries to seriously consider the relevance entering into and sustaining buyer-seller relationships. Despite the growing awareness and acceptance of this concept among a number of marketing executives and practitioners, a small percentage of firms have managed to strike a balance between customer acquisition and retention. Firms have often misdirected their efforts by focusing on marketing endeavors aimed catching the customer while less efforts and financial resources are channeled towards retaining them. The concept of relationship marketing is premised on the understanding that firms may only acquire or maintain industry dominance if they nurture long term relationships with their immediate customers (Gronroos, 1991, Berry 1983, Gummesson1991, Levy 1983). The current business environment has been flooded by many players offering equally competing products and services and as such those firms which still have the “leaky bucket” syndrome (Palmer, 2005) will only lose fortunes by heavily investing in customer acquisition and at the same time failing to retain them. It is therefore cheaper to retain existing customers since it costs 5-10 times to acquire a new customer than to service an existing customer and it is also believed that current customers contribute more by 67% compared to new customers to the firm’s turnover (Rosenberg and Czepiel, 1984). Belch and Belch (2003) contend that “the dream of every business (large and small ) is to have a loyal customer base that consistently buys its products and or services and enthusiastically tells everyone they know to buy from the same business too”.

2. Literature Review

2.1 Relationship Marketing

The traditional transaction marketing has been the foundation upon which the relationship marketing rests. Shrewd and astute marketers have now shifted focus from engaging in single sales aimed at maximizing profits for the marketer to mutually beneficial relationships with consumers and other parties. This conception is premised on Kotler and Armstrong (2004) ’s assertion that “build good relationships first and profitable transactions will follow”. The vast marketing literature points to the fact that the definitions of relationship marketing have taken an evolutionary path over time. Early proponents of this concept (Berry 1983, Levy, 1983) and other later contemporaries which include Jackson (1985) and Evans and Laskin (1994) look at relationship marketing from a myopic point of view in which the concept is seen as being responsible for “the identification, establishment,
enhancement and modification of relationships with customers”. All their definitional orientations are blinkered toward creating lasting relationships between two parties namely the organization and the customer. Their understanding of relationship marketing is limited to only two parties; an aspect which is merely a tip of the iceberg in as far as RM is concerned. Buttle (1996) claims that defining Relationship Marketing without first of all defining the term “Marketing”, will be an oversight, although he feels that definitions from predecessors like Chartered Institute of Marketing (CIM) and the American Marketing Association (AMA) only reflect, a traditional transaction based view of business in which a firm is concerned with its short term creation of value at the expense of the customer, a view which held sense in the era of the production philosophy (Kotler and Armstrong, 2004). While perspectives from CIM, AMA Berry, (1983) and Jackson (1985) and Evans and Laskin (1994) focus attention on relationships on only two principal parties, other orientations give an all embracing meaning of relationship marketing. A more substantiated definition of RM was muted Gronroos, (1991), Morgan and Hunt, (1994), Christopher et al, (1992) and Buttle, (1996), whose views of RM take a holistic dimension of RM in which protracted relationships with all key stakeholders namely customers, suppliers, recruitment markets, competitors and others are linked to the organization through a network of relationships which seek to create mutual benefits to the incumbent firm and to all the key stakeholders. This is echoed by Kerin et al (2011) and Freeman and Murphy, (1984) who claim that “a business is a coalition of several stakeholders not limited only to employees, stockholders, suppliers, customers, the public, competitors and investors.” Gronroos (1996) highlights that engaging in long term relationships should result in a “win-win” situation by meeting the objectives of partners through mutual exchanges and fulfillment of promises. Relationship marketing is designed to develop strong connections with customers by offering them information that bears on their needs and wants as well as promoting interactive communication. Effective RM improves positive viral marketing, encourages repeat business and enables the customer to unconditionally give the company free information.

Karadeniz (2010) posits that RM is manifested through a three tier levels in which the primary level makes use of pricing related incentives such as discounts, coupons, rebates, membership cards and other as inducements for building customer loyalty. The secondary tier is based social aspects of the relationship (referred to as social bonds by Berry and Parasuraman, 1991) which revolve around interactive communication, in which the firm constantly communicates with the customers so as to keep them posted to any developments in the organization. This is a vital relationship cog which fosters long term relationships between a firm and its immediate customers and as a result customers feel valued and are obliged to remain doing business with the incumbent firms. The tertiary level of relationship marketing is premised on what Berry (1995) claims to be the ability of the organization to solve the customers problems in the best possible manner. These he claims are structural abilities in the work processes that are capable of solving customer problems. This study therefore sought to establish the extent to which firms in the hospitality services sectors, particularly Hotels and Lodges engage the three marketing relational levels as a means to foster sustainable competitive advantage (SCA) defined the firm’s ability to retain profitable customers for a longer period of time.

2.2 Tenets of Relationship Marketing

2.2.1 Commitment

The concept of relationship commitment has its roots in the marriage institutions (Thompson and Spanier 1983). Egan (2011) looks at commitment, “as an implicit or explicit pledge, made by the partners, to continue the relationship.” Morgan and Hunt (1994) perceive the relationship commitment as a situation in which members to the relationship consider the ongoing engagement between them as vital to an extent that they fully commit themselves in order to perpetuate the relationship into the longer future. This view by Morgan and Hunt is backed by what Berry and Parasuraman (1991) posited that “successful relationships are anchored on mutual commitment”. The major question is that “what needs to be done by both firms and customers in order to secure a committed relationship to each other?” Commitment to a relationship may be for convenience as some of the continued business transactions with the customer and may not be out of desire but as a result limited choices or as a result of the need for convenience (Rowley, 2005; Bateson and Hoffman 2011). This thought is built on Newman and Werbel (1983)’s earlier findings that some repurchase behaviors are not as a result of customer commitment. Firms therefore need to nurture their relationships with customers in order to breed committed loyalty (Bateson and Hoffman 2011) which will result in sustainable competitive advantage.

2.2.2 Trust

While the objective of RM is to build and sustain long-term relationships, trust is “the lynchpin” or the “indispensable ingredient” (Ganesan, 1994), for nurturing successful relationships; contributes to success of business to business relationships (Ganesan, 1994; Wilson, 1995 ). Thus trust is a vital cog of any relationship. From services marketing point of view Berry (1993) argues that, “Trust is critical in any relationship and forms the basis for loyalty.” This is echoed by Parasuraman (1985) who proposes that customers feel secure and safe when entering into business dealings with suppliers whom they trust that their interactions are treated confidentially. Several views have been put forward with regards to what trust entails. Moorman, Deshpande and Zaltman (1993) coined the concept of trust as, “the desire or willingness to rely on an exchange partner in whom one has confidence”. This is supported by Morgan and Hunt (1994) who contend that trust is a product of an exchange partner’s dependability and integrity to the other. A study by Ganesan and Hess, (1997) has also shown that customers bestow trust directly in the sales people and this trust will transcend into organizational commitment. Thus for trust to subsist, partners in the relationship should confide in each other. Customers should have strong convictions that a firm will be able to provide them with goods and services capable of meeting or exceeding their expectations better than competitors can do. Successful long term relationships are built around mutual trust as this breeds loyalty for both parties.
2.3. Antecedents of Successful RM

2.3.1 Financial Bonds

Financial bonds fall in the primary level of relationship marketing (Berry and Parasuraman 1991). A number of researches have proposed that the key binding factor for customers to enter into continuous relationships with sellers is the need to save money (Berry 1995; Gwinner et al. 1998). It has been realized that customers would enjoy engaging in repeated purchases if they get rewards or gifts that are credited to them as a result of continued association with a particular brand or service provider. Firms have managed to establish long term relationships with their valued customers through establishing dynamic and interactive customer loyalty programs some of which include purchase points, coupons, discounts, rebates, loyalty cards and many others. Well managed loyalty programs enable firms to closely monitor the behavior and preferences of customers over time and these give them an opportunity to adapt to the changing needs and wants of the customers. Despite financial bonds having been ranked as the least relationship building blocks (Peltier and Westfall, 2000; Zeithaml and Bitner, 2003), with the high risks of being copied by competitors, this relational level does well in pure competition type of market structures, particularly where fast convenience consumer goods such as fast foods are traded.

2.3.2 Social Bonds

Social bonds are interpersonal relationships that are established as a result of interactions and friendships (Beatty and Lee, 1996). These bonds are often created during interactions between workers and the customers during working time and even thereafter. Social bonds constitute the secondary relationship marketing level (Berry, 1995), in which the firm through its employees needs to constantly communicate with its valued customers through newsletters, brochures, e mails, mailings and social media updates. Keeping communication lines open between an organization and its valued clients is a critical relationship building phenomenon as this affords customers to realize their value to the business as partners and core creators of value which will oblige them to unconditionally give feedback and suggestions to the organization. In turn firms may get to understand the needs and wants of individual customers and to be in a position tailor make their offerings. Continuous communication solidifies social bonds thereby enhancing more interactive personal linkages characterized by mutual friendships between the employees and clients, (Berry, 1995; Hsieh et al., 2005). Thus at the secondary relationship marketing level executives and employees alike should strive to keep their clients continuously posted on any developments in the organization and this will promote friendly, mutual understanding trust and commitment by both parties in a relationship (Chen 2013). This becomes a naturally binding aspect which will keep the partners glued to the relationship which will translate into sustainable competitive advantage by the incumbent firms.

2.3.3 Structural Bonds

Chiu et al, (2007), refer structural bonds “to the value adding services that are contained in the service-delivery system, that encompass knowledge and information that relates to the industry and product customization that are not easily accessible elsewhere; and that are expensive for customers to supply if they terminate the relationship.” Structural bonds are customer problem solving solutions that are in-built in the entire service delivery system of an organization (Berry, 1995). Such bonds have value added benefits which will entangle the customer and make it very difficult to come out of the relationship and value added benefits are inculcated into the entire system based on the customer needs Lin et al (2003). Structural bonds offer several benefits to customers that are difficult to reproduce by competitors and this will naturally raise switching costs for customers, an aspect that will force them to remain in the relationship. So, even though competitors intend to imitate by investing plenty of time and money, the effort cannot pay off. Dibb and Meadows (2001) argue that investing in structural bonds affords customers an opportunity to do convenient shopping in a customized environment which leads to the incumbent firm to achieve sustainable competitive advantage. While firms may enjoy benefits and suppress intensity of price-based competition through the use of structural bonds Turnbull and Wilson (1989), argue that bonds may also result in a customer investing heavily in a relationship and this will make it difficult for the customer to retreat in the relationship.

2.4 Sustainable Competitive Advantage (SCA)

Relationship marketing has become a key tool used by firms in fostering competitiveness, particularly in the 1990s as many consumers became very active and more demanding in their quest to deal with marketers who can offer goods and services with a measurable degree of trust and commitment, in a highly competitive business environment. It is against this background that marketers have developed keen interest in the potential of relationship marketing strategies and tactics to create value to the customer beyond the mere product or service offering by the firm. Thus identifying, building and maintaining strong customer relationships allow firms to gain sustainable competitive advantage which will be difficult to copy business rivals, (Sherrell and Bejou, 2007). A sustainable competitive advantage is a wholesome long-term organizational strategy which offers business the opportunity to have a better leverage ahead of other players in the same industry. The current business environment is not favorable for firms that are keen to make profits only in the short run period but rather to build a sustained business empire which is capable of maintaining hegemony in the industry over years and even over decades. SCA is entirely achieved though the implementation of value creating strategies (Bharadwaj, et al,1993) such as RM which are not being used by rivals or by merely doing it better than competitors can do, (Barney, Mc Williams and Turk, 1989).

Firms are able to improve their market performance and enhance sustainable competitive advantage by continuously acquiring new customers and by simultaneously retaining the existing ones through creating sustainable up selling and cross selling (Berry and Linoff, 2004). Although customer acquisition is critical, is not cost effective in mature service markets and thus RM seeks to retain customers and at least reduce customer attrition by not more than 5 %. Riechheld and Sasser (1990), claim that reducing customer defection by that margin induces profitability by an alarmingly 25-85%. Such indicators demonstrate the practical benefits of entering into long term relationships with customers as a panacea to a sustainable competitive advantage.
2.5 Hospitality Industry

The term hospitality Knowles, (1998) refers to, “those sectors of the hotel and catering industry which can be stretched to embrace other products and services offered to the consumer away from home which include lodging, entertaining, eating, recreation and gaming”. This sector is closely linked to tourism and it is not only limited to profit oriented businesses. The core business of the hospitality services sector is hinged on the provision of three main services namely accommodation, food and drink. The hospitality industry is a lucrative business sector which thrives well in highly stable economic environments characterized by a large market with ample time for leisure and higher disposable incomes. Realizing the importance of this sector in an economy, the Zimbabwean government in 2009 established a ministry which looks after this sector and this has indeed vitalized the operations of this sector.

3. Methodology

The study explored the concept of RM in the context of the hospitality services sector, particularly the Hotels and Lodges with the aim of achieving a sustainable competitive advantage (SCA). A cross sectional descriptive survey research design was adopted in a bid to establish the link between RM and customer retention. Data was collected by a group of recruited final year students as part of their practical fieldwork research. An undisguised self administered questionnaire was used to solicit data from the respondents. The questionnaire guide was built on the basis of the pilot survey earlier on undertaken with selected individuals working in the same sector. After pre-testing, the instrument was distributed to a team of ten research assistants who later took the questionnaire and dropped it at selected Hotels and Lodges of their choice from the 25 companies as provided by the Municipality of Masvingo’s Directory of companies. Managers and supervisory employees in these organizations constituted the targeted respondents for the study as these groups are the main practitioners of activities of an RM nature. After two weeks a total of 51 questionnaires out of 60 dropped were received from the field and after validation three were discarded for inconsistencies and the balance of 49 was set aside for data analysis. The questionnaire had three autonomous sections which sought to discuss the relationship marketing levels (Berry and Parasuraman, 1991), namely levels one, two and three. The primary section focused on price-based incentive aspect that fosters a relationship between a firm and a customer. The second section focused on RM aspects aimed at nurturing social bonds. The third section was aimed at soliciting data on RM aimed at building structural bonds between the firm and its valued customers. Since the research sought to establish the relationship between relationship marketing and the firm`s ability to achieve sustainable competitive advantage (measured through customer retention), Spearman’s rank correlation was adopted as it is the simplest method to adopt when one wants to examine the strength of a relationship in bi-variate data analysis. The formula is given below:

\[ \rho = 1 - \frac{6 \sum d^2}{n(n^2 - 1)} \]

Where:
- \( d \) = rank difference
- \( n \) = the number of observations

4. Research Hypothesis

Relationship Marketing is a vital aspect in achieving sustainable competitive advantage (SCA) which is anchored on the organization’s ability to use price- incentive based strategies as well as creating social bonds through interactive communications and enhancing structural bonding as means of building long term relationships bound by trust and commitment. The main objective of RM is to retain the customer, in a manner that will enhance mutual beneficial rewards for both parties. This research sought to establish the extent to which Hotel and Lodges in and around Masvingo town employ RM in their operations as a means of retaining customers in order to gain sustainable competitive advantage (measured through customer retention) in a highly competitive hospitality business sector. The research hypotheses are therefore premised on the model below.

![Figure 1: Model on impact of RM levels on customer retention.](image)

**H1**: Price-based RM strategies have a positive bearing on customer retention in Hotels and Lodges.

**H2**: Communication (social bonds) based RM strategies are positively related to retention of customers for Hotels and Lodges.

**H3**: Structural bond based RM strategies do not influence customer retention for Hotels and Lodges.

5. Discussions of Findings

The tables below show summaries of findings and discussions on how three relational levels correlate with the hotels and lodges’ abilities to achieve sustainable competitive advantage as measured by customer retention.
The table above is a summary of the major findings on the extent to which Hotel and Lodges in Masvingo Urban employ price-based incentives (financial bonds) as a means of retaining customers. At face value the results reflect that while financial based relational strategies are used by this sector, discounts have proved to be the dominantly used element as indicated by a 0.61 response rate. This shows that almost every player in this sector uses this tool as customer retention tool. Free VIP Cards are also used to a greater extent and these may be mostly used by the Hotels. The use of other strategies is very limited as shown by the results in the table above. Thus firms in this sector overlook the importance of loyalty points, coupons and loyalty cards as means cementing ties with customers. Despite the dominant use of discounts for repeat patronage, Berry, (1995; Strauss and Frost, 1999), argue that overreliance on discounts and other forms of financial based incentives does not fully enhance a firm’s chance of achieving a sustainable competitive advantage (SCA) as competitors can easily imitate since differentiation is imbedded in the systems and processes. Above all customers also find themselves failing to sent through to customers on a regular basis are very important aspects of relationship building as they aid in keeping customers’ minds abreast of developments taking place at the service provider’s point of business. This in itself has a bearing on maintain relationships between firms and their customers. The limited use of the website is indeed an aspect that suppresses the organization’s chances of achieving sustainable competitive advantage, particularly in this technology driven business environment.

The results in the table above show that structural bonding has a positive correlation with $r = 0.40$ and therefore hypothesis $H_1$ which asserts that structural bonds do not influence customer retention is rejected. The strength of the relationship is weak and this is so perhaps because firms in this sector seem to undertake relational activities of a structural nature with limited emphasis. RM at this tertiary level is fundamental in ensuring that firms can design processes and systems that are unique and able to attract and keep profitable customers for a longer time. This is however a difficult task for Hotels and Lodges since achieving profitable structural bonds require substantial in human, financial and technical resources.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean (X)</th>
<th>$R_x$</th>
<th>Mean (Y)</th>
<th>$R_y$</th>
<th>$R_{xy}$</th>
<th>(Deviation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounts</td>
<td>0.61</td>
<td>1.00</td>
<td>0.98</td>
<td>1.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Coupons</td>
<td>0.03</td>
<td>4.00</td>
<td>0.04</td>
<td>3.50</td>
<td>(0.50)</td>
<td>0.25</td>
</tr>
<tr>
<td>Loyalty cards</td>
<td>0.04</td>
<td>6.00</td>
<td>0.02</td>
<td>5.50</td>
<td>0.50</td>
<td>0.25</td>
</tr>
<tr>
<td>Loyalty points</td>
<td>0.03</td>
<td>4.00</td>
<td>0.02</td>
<td>5.50</td>
<td>(0.50)</td>
<td>0.25</td>
</tr>
<tr>
<td>Free VIP Cards</td>
<td>0.25</td>
<td>2.00</td>
<td>0.43</td>
<td>2.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>None</td>
<td>0.03</td>
<td>4.00</td>
<td>0.04</td>
<td>3.50</td>
<td>(0.50)</td>
<td>0.25</td>
</tr>
</tbody>
</table>

Table 2: Relationship between Social Bonding and Customer Retention

The results in the table above show that electronic mail (0.40) and telephones (0.51) are the dominant media Hotels and Lodges Masvingo use to constantly keep in touch with their valued customers. The firms in this sector rely mostly on the phone to keep customers posted to the current developments taking place in their organizations. As reflected in the table a few firms in this sector have adopted the use of company websites (0.06) and the use of newsletters (0.02). It is also evident that Hotels and Lodges in designing attractive and easily accessible websites are critical as it allows prospective customers to have an opportunity to interact with the firm. Newsletters that are

The study aimed to examine the validity of RM as a tool for achieving sustainable competitive advantage. The research was premised on the analysis of the correlation between marketing relational levels and customer retention. The major findings reflect that Hotels and Lodges in Masvingo use the RM strategies namely financial bonding, social bonding and structural bonding. While all the three tier relational level strategies are positively correlated to sustainable competitive advantage (measured through customer retention), there is need for managers and executives in this sector to consistently monitor the business environment so as to adapt to new and more appealing price-based incentives such as the use of loyalty cards that are linked to other brands, rather than concentrating on the use of discounts which can easily be copied throughout the entire industry. Emphasis on social bonds should not be based on the use of the telephone and e-mails only but should rather be based on a variety of media such as newsletters, brochures, what’s up and face book that will enable and ensure continuous interactions between the organization and its valued customers. This will restrain customers from switching. While structural bonding has shown that it is positively correlated to SCA, Hotels and Lodges need to invest heavily in this relationship marketing level as it may be unique and difficult for other players to imitate since differentiation is imbedded in the systems and processes. Above all customers also find themselves failing

Table 3: Relationship between structural bonding and customer retention

6. Conclusion

The study aimed to examine the validity of RM as a tool for achieving sustainable competitive advantage. The research was premised on the analysis of the correlation between marketing relational levels and customer retention. The major findings reflect that Hotels and Lodges in Masvingo use the RM strategies namely financial bonding, social bonding and structural bonding. While all the three tier relational level strategies are positively correlated to sustainable competitive advantage (measured through customer retention), there is need for managers and executives in this sector to consistently monitor the business environment so as to adapt to new and more appealing price-based incentives such as the use of loyalty cards that are linked to other brands, rather than concentrating on the use of discounts which can easily be copied throughout the entire industry. Emphasis on social bonds should not be based on the use of the telephone and e-mails only but should rather be based on a variety of media such as newsletters, brochures, what’s up and face book that will enable and ensure continuous interactions between the organization and its valued customers. This will restrain customers from switching. While structural bonding has shown that it is positively correlated to SCA, Hotels and Lodges need to invest heavily in this relationship marketing level as it may be unique and difficult for other players to imitate since differentiation is imbedded in the systems and processes. Above all customers also find themselves failing
to get out of the relationship (bond) that they would have entered into with certain organizations. This ultimately locks the customers and the incumbent Hotel and or Lodge together thereby fostering sustainable competitive advantage.

7. Further Research

This particular study was done on a limited scale and as such the results may not be reflective of a broader national picture, an aspect which obliges the researcher to recommend for a more embracing and more comprehensive study with a broader scope.

References


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