

## Influence of Customer Retention on Sales Performance in Tanzania Hotel Industry, A case of Four Stars Hotel

BY

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### Abstract

The aim of the research was to investigate how customer retention affects sales performance in the hotel industry in Tanzania. The study had three main specific research objectives that formed the basis of the findings. The customer retention was divided into different categories (objectives), including employee training, quality of service, and pricing. Therefore, the specific research objectives were used to evaluate the impact of customer retention on sales performance in Tanzanian hotels. The research followed a quantitative approach, where data was collected using a closed questionnaire. Random sampling was also employed to select 317 respondents out of the 1800 customers who visit three hotels in Mwanza city, Tanzania. The unit of analysis was four-star hotels in Ilemela, and Nyamagana District. The data was analyzed using inferential statistics with SPSS version 26 software, which included descriptive statistics, correlation analysis, and regression analysis. The results showed that employee education, service quality, and pricing significantly affect sales performance. The study concludes that having well-educated and trained employees, providing high-quality services, and setting appropriate prices can attract and retain customers, leading to increased revenue and improved sales performance. Therefore, hotel managers are advised to hire the best employees who can cater to customers' needs, offer quality services, and ultimately enhance business performance.

**Keywords;** Customer retention, hotel industry in Tanzania, sales performance.

## INTRODUCTION

Globally; according to the World Economic Forum (2015), the hotel service sector accounts for 38 percent of the value added in the World Economic Community. The variety of the hotel services, quality, reliability, and price are important. Since there are many hotels in the market providing the same or similar services, it is very important not only to attract but also to keep the customer in the hotel for the long run known as guest retention. In order to maintain the position held and to compete in future, it is necessary to provide quality services by which old customers may be retained and new customers may be attracted (Demist, 2018).

Sales is conducted between two or more parties a sell can be understood as a contract between seller and buyer in hotels the seller is the service provider, and the buyer is the customer of the hotel. The two parties need to come on common agreement on the quality of service offers to customers the price of service offered, the environment where service is offered, and the perception of the

customers who consumes the service. In this study, the service quality is focused in the direction of employee education on sales performance, service quality on sales quality, and service price on sales performance. World Bank report on tourism in Africa. (2011)

The study conducted by the African Region of the World Bank (2011). Found that airfares were almost 50 % more expensive to southern part of Africa and charter tours were 20% more expensive to comparative destination else where the irregular on non-availability of intra-regional air connections and of internal air transport constrains affect the hospitality industry in Africa.

Studies show that customer retention is a factor of cultural and social factors (Woodward, 2018). For instance, the cultural behaviour related to kindness, peace, and engaging in social interaction have an impact on welcoming customers to frequent the hotels (Sambuca, 2017)

In Tanzania; one of the main strategies used by hotels to enhance customer retention is benchmarking. Enables hotels to learn from other players in the industry and learn what makes their competitors competitive. In some cases, some hotels may not reveal their secrets to their competitors. However, the hotel industry in Tanzania does not involve sensitive information. For this reason, most hotels are willing to share the secrets of their success. Nonetheless, the only thing that makes some hotels prosper as compared to others is hotel inventiveness. Hotel innovation enables prosperous hotels to create new strategies that enhance a competitive advantage over their rivals (Demist, 2018).

## Statement of the Problem

Studies have shown that most of employees in the hotel industry have little willingness to help and respond to the customer need (Sara & Singh, 2019). They either show little concern about the need of the customer or do not consider customer complaints seriously. In some instances, a hotel manager may find customer ask for the particular service but employees take time to respond to because of their unwillingness to help or serve the customer needs on time (Haripersad and Sookdeo, 2018). This suggests a possibility of lack of awareness for both employees and even the management of the hotel regarding the concept of customer retention. If fact, customer retention is among the most effective marketing strategies particularly in the hotel industry as a way to increase sales over time (Ibojo and odunlami, 2015).

Prior studies in the hotel industry have suggested that among the main ingredients to customer retention is to improve customer services. Customer services has stemmed in the provision of services on time, doing work with a smile, and provision of solution to customer's challenges on time (Samir, 2018).

These mechanisms have not only resulted into increased customer base in quantity but also have resulted into increased sales revenue for the hotel and in hospitality industry (Ibojo and odunlami, 2015). However, few studies have explored the inclusion of customer services in the hotel industry and to understand it effects on the improved customer retention and hence improved performance.

## General Objective

The main objective of this study is to examine the influence of customer retention on sales performance in hotel industry.

## Specific Objectives

To examine the effects of employee education on sales performance.

To determine the effect of services quality on sales performance.

To identify the impact of service price on sales performance

## LITERATURE REVIEW

### SEVQUAL Theory

SERVQUAL Model is derived from the study of Parasuraman et al., (1985) based on expectation perception gap model, Parasuraman et al., (1985). contented that consumers' quality perceptions are influenced by a series of four distinct gaps occurring in organizations. SERVQUAL is a multi-item scale developed to assess customer perceptions of customer retention in

service and retail businesses. SERVQUAL represents customer retention as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received, requiring respondents to answer questions about both their expectations and their perceptions. The use of perceived as opposed to actual service received makes the SERVQUAL measure an attitude measure that is related to, but not the same as, satisfaction. Some revisions to the original SERVQUAL measure to remedy problems with high means and standard deviations found on some questions and to obtain a direct measure of the importance of each construct to the customer (Woodward, 2018). Managers in hotel industry are under increasing pressure to demonstrate that their services are customer-focused and that continuous performance improvement is being delivered. Given the financial and resources constrains under which banks must manage it is essential that customer satisfaction are properly met and measured and that from the customer satisfactions, any gaps in services quality are identified (Oby et al., 2021).

### Empirical Literature Review

Studies on Pillars of customer retention have been conducted in many parts of the world also in Africa such that Morocco. For instance, Dal et. (2019). conducted a study on the pillars of customer retention using a quantitative survey of a sample of 750 respondents. The findings revealed that good customer care, employees' attitude, and on-time handling of customer complaints positively influenced customer repurchase of hotel services.

In China, a similar study was conducted in a quantitative design with a sample of 384 respondents. The nature of the respondents were all hotel customers who frequently visited one four-star hotel in China. The findings revealed that service value affected customer retention positively (Huang et al., 2021). Meanwhile, in France, a similar study revealed good customer care and type of food services highly influenced customer retention.

Meanwhile in Tanzania context, studies have reported that customer retention is a function of

### Employees' Education on Sales Performance.

Employee education is the ability of the hotel management and its employees to learn customer behavior and to work hard to manage their behavior, their likes, and their dislikes (Sara & Singh, 2019). Studies have found that employee education is a key factor for improved performance in hotel industry. This kind of a strategy is important as it can minimize the crushing between the employees of the hotel and their customers (Samir, 2019). This is because customers are the ones who use products or services produced by the hotel and judge those products qualities. Therefore, business should be aware of the types of their products as well as the type of their customers and be aware of their needs and change in their taste over time. Hence to treat the customers well has stemmed in (Dal et al., 2018). For example, if drop-in customer retention is reported, an organization can use this to help identify the root cause and adjust its product offerings (Dovaliene and Virvilaite, 2018; Dal et al., 2018).

Most businesses today spend a lot of money on advertising because they want to attract new customers. However, it is important to

remember that retaining the existing customers is a lot less expensive than attracting new ones (Dovaliene and Virvilaite, 2008). There are several things that a hotel manager can do to retain the customers. Below are some of the best customer retention tactics: Resolve complaints quickly: It is impossible to please everyone. The leaders and teams most likely deal with the same complaints over and over

Encourage customer feedback: The customers need to know that their opinion really matters. That is why a hotel manager could encourage them and even reward them to give their feedback. A hotel manager can have them fill out a suggestion card before they leave the building. A hotel manager can also call them and ask them to complete a satisfaction survey (Dal et al., 2018).

#### **Services Quality on Sales Performance.**

Service quality is an assessment of how well a delivered service conforms to the client's expectations. Service business operators often assess the service quality provided to their customers in order to improve their service, to quickly identify problems, and to better assess client satisfaction (Dal et al., 2018). Service quality and firms' sales performance are attracting increased attention in the marketing plans and strategies of many service operators. The increased competition in the hotel industry and awareness of consumers of their rights has put pressure on service providers to improve the quality of their services to satisfy their customers. Service quality is an assessment of how well a delivered service matches the expectations of the client/customer. Sales performance is a parameter used to evaluate firm sales activities in its operating environment with regard to achieving corporate objectives. (Huang et al., 2021).

The study conducted by Zygiaris et al., (2023). Investigating impact of service quality on customer satisfaction in the pandemic world in Aut care industry,

The findings of the study based on reliability, assurance, responsiveness and tangible have the significance positive relationship with customer satisfaction

Managers in the hotel industry have to observe, the variable employee education service quality and service price that contribute to customer satisfaction and performance of the hotel in Nyamagana District and Ilemela District.

banks, this suggested that customers are satisfied with the service provided and the environment where service are provided, and motivation of the employees.

#### **Service Price on Sales Performance**

Service price is a measure of how an organization delivers its services compared to the expectations of its customers. Understanding how to improve the service price of the product is the key step to growth in the hotel industry. Measuring and improving service price is a valuable art. However, studies in developing countries have not explored extensively this factor of improved services quality for enhanced customer retention. Hence, this study will include the aspect of quality and make it the means to show its effects on customer retention (Huang et al., 2021).

Every manager of the hotel should be able to attract qualified and capable personal in order to use their skills in achieving organizational objectives in market economy where uncertainties is lathering wide spread obtaining knowledge and information is becoming a source for creating competing advantages one of the most important aspects in contemporary hotel industry is getting to know the news method, techniques through training of the staff. In order to improve employee service performance. Also helping putting their skills to better use and specialization in their work

In recent years more hospitality industries are adopted employees training as it is becoming an optional response to complex challenges of business, the manages of Four Stars in Mwanza after selecting the employees and recruiting them should train them according to their job orientation, that will make them confidence and motivated to offer their efforts and their skills to customers their services. Surnarsi et al., (2019).

Currently many firms are losing their energy to find methods that offer them to maintain the existing position in the market the same applied to hotels four stars hotel in Nyamagana and Ilemela district at Mwanza City to increase the market share and profit. Mittal et al., (2023).

Many companies or business fall in their business only because their wrong in determining the price the price of the service that makes them to be out of competitions with other hotel found in Mwanza.

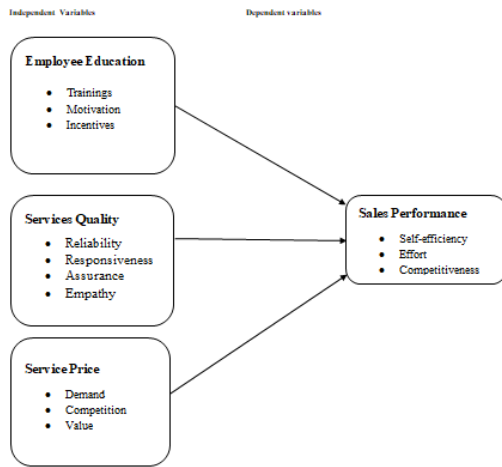
Mangers of the four stars hotels will increase value of their brand and services offered by adopting the service price that will boost profit and revenue of the Hotels, when they add value to their hotel and customer satisfaction, they can make considerable value of their service ca increase revenue of the hotel retain the customers and boost the sales performance of the hotel Lee & Thuy, (2018)

The current study examines service price of the four-star hotel in Mwanza city on the demand of the service, competitions of the hotels, and value creation of the service on sales performance. Baumann et al., (2020).

#### **Conceptual Framework**

Conceptual frameworks act like maps that give coherence to empirical inquiry. This is because conceptual frameworks are potentially so close to empirical inquiry. They take different forms depending upon the research question or problem. The following subsection explains the relationship between independent and dependent variables of this research which will lead to a conceptual framework of the study

Figure 2.1: Conceptual Framework



Source: Researcher (2023)

. Quality in this study is defined as the consumer’s judgment about an entity’s overall experience or superiority. According to Zeithaml et al., (1990). Perceived customer retention is the extent to which a firm successfully serves the purpose of its customers.

## RESEARCH METHODOLOGY

### Research Philosophy

This study use positivism research philosophy. Positivism research philosophy reflects the belief that reality is stable. This study uses a quantitative research design. The targeted population of the study was the internal and external customers in luxurious hotels in Mwanza the sample size of this study a sample size of 317 people. The method of data collection for this study was structured questionnaire. The questionnaire involves closed-ended question.

The data was analyzed and reduced to a manageable and appropriate size by making inference statistics and descriptive statistics by use of Statistical Packages for Social Science (SPSS) software a researcher apply tendencies or shapes, apply arithmetical procedures, and summarize the data.

### Showing the population of employees at hotel A, B, and C.

Hotel	Department	POPULATION SIZE
A	Hotel A	
	Internal customer	47
	External customer	57
B	Hotel B	
	Internal customer	50
	External customer	55
C	Hotel C	

Internal customer	41
External customer	64

<b>TOTAL</b>	<b>317</b>
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Source; Hotel Management Records, (2023)

### Reliability Table analysis

Cronbachs Alpha	Cronbachs Alpha Based on standardized item	Number of Items
0.723	0.914	5

According to Madan &Kensinger (2017) coefficient produced above 0.7 are considerable accepted

## DATA ANALYSIS AND INTERPRETATION

The study targeted a sample of 317 participants from population of 1800 who were provided questionnaires by the researcher

### Gender distribution



### Descriptive statistics of Predictors

The data has been analyzed to provide insight into the mean scores of different skill areas, I have been trained by hotel on my profession has a mean of 4.02, A mean score of 4.02 suggests that, on average, employees have a solid foundation in their roles, with room for improvement in certain areas. I have been trained on the customer care skills have a mean of 4.19, This high mean indicates that employees are skillful at providing care services, demonstrating a good understanding of the skills required for their roles.

Table 4.2: Descriptive statistics on employee education

	Min	Max	Mean	Std. Dev
I have been trained by hotel on my profession	2	5	4.02	.679
I have been trained on the customer care skills	2	5	4.19	.720

The organization has the training program for each employee about the organization	2	5	4.16	.668
Through various training, employee get knowledge and skills on how to take care the customers	2	5	4.24	.703
Overall average			4.15	0.69

**Source: Researcher (2023)**

The service provided in this hotel is reliable has a mean of 4.24. This indicates that customers generally perceive the hotel's services as reliable and consistent. Customers are happy with the service provided by the employee of this hotel has a mean of 4.11. This score reflects the degree to which customers feel happy and content with their experiences at the hotel. Although slightly lower than some other measures, a mean score of 4.11 still signifies a generally positive sentiment among customers. The customer care of this hotel is satisfactory has a mean of 4.23, This score suggests that customers perceive the hotel's customer care efforts as effective and attentive, contributing to their overall positive experience. In this hotel, the service provider show empathy to their customer has a mean of 4.18. The score indicates that the hotel has been successful in creating a customer-centric environment that values the well-being and satisfaction of its guests. Customers are satisfied with the day-to-day service in this hotel has a mean of 4.24. A high mean score in this category shows that the hotel's offerings meet or exceed customer expectations. Customers are coming several times because quality service provided in this hotel has a mean of 4.27. This score indicates that customers are highly likely to consider revisiting the hotel for future stays or services

**Descriptive statistics on quality services.**

	Min	Max	Mean	Std. Dev
The service provide in this hotel is reliable	1	5	4.24	.687
Am happy with the service provided by the employee of this hotel.	1	5	4.11	.720
The customer care of this hotel is satisfactory.	2	5	4.23	.671
In this hotel, the service provider show empathy to their customer	2	5	4.18	.599
I am satisfied with the day-to-day service in this hotel	2	5	4.24	.637

I have been coming several time because quality service provided in this hotel	2	5	4.27	.714
Overall average			4.21	0.67

**Source: researcher (2023)**

**Reliability test results**

Variable	No of items	Cronbach Alpha
Employee Education	4	0.841
Service Quality	6	0.809
Service Price	3	0.797
Sale performance	3	0.822

Cronbach's alpha values above 0.7 are generally considered satisfactory, and the values obtained for all four dimensions exceed this threshold, indicating a strong level of reliability. The high Cronbach's alpha coefficient for the Employee Education dimension (0.841) suggests that the items related to employee education consistently measure the same construct. For the Service Quality dimension, the Cronbach's alpha coefficient of 0.809 also demonstrates strong internal consistency. This indicates that the items designed to assess service quality are reliable and effectively measure the intended construct. The Service Price dimension yielded a Cronbach's alpha value of 0.797. The Sales Performance dimension showed a Cronbach's alpha of 0.822. This value suggests that the items measuring sales performance demonstrate significant consistency

**Table 4.7: Correlations Analysis results**

		EMPED U	SERQU A	SERPRI I	SALPE R
EMPED U	Pearson Correlation	1	.680**	.625**	.578**
	Sig. (2-tailed)		.000	.000	.000
	N	237	237	237	237
SERQU A	Pearson Correlation	.680**	1	.661**	.570**
	Sig. (2-tailed)	.000		.000	.000
	N	237	237	237	237
SERPRI I	Pearson Correlation	.625**	.661**	1	.639**
	Sig. (2-tailed)	.000	.000		.000
	N	237	237	237	237
SALPE R	Pearson Correlation	.578**	.570**	.639**	1
	Sig. (2-tailed)	.000	.000	.000	

Sig. (2-tailed)	.000	.000	.000	
N	237	237	237	237

\*\* . Correlation is significant at the 0.01 level (2-tailed).

This indicates that as employee education levels increase, service quality tends to improve. Employees with higher education may possess enhanced skills, knowledge, and capabilities, leading to better service delivery. There is a moderate positive correlation ( $r =$

0.625) between employee education and service price. It indicates that as employee education levels increase, service prices also tend to be higher. This correlation might reflect the idea that a more educated workforce can provide higher-quality services, justifying higher prices. There is a moderate positive correlation ( $r = 0.661$ ) between service quality and service price. This suggests that when service quality is perceived to be higher, customers may expect and accept higher prices for the services offered.

4.8. Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.687 <sup>a</sup>	.471	.465	.42512	.000

a. Predictors: (Constant), SERPRI, EMPEDU, SERQUA

Table 4.9: ANOVA<sup>a</sup>

Sum of Squares	df	Mean Square	F	Sig.
37.548	3	12.516	69.254	.000 <sup>b</sup>
42.110	233	.181		
79.658	236			

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.874	.250		3.494	.001
	EMPEDU	.230	.070	.226	3.290	.001
	SERQUA	.188	.086	.156	2.189	.030
	SERPRI	.376	.064	.395	5.893	.000

As noted from the result above, it indicates that all independent variables have a significant effect on sales performance as all the predictors have a positive value suggesting a direct relationship. Employee education has a coefficient of 0.230 (23%) and  $P < 0.05$ . Service quality has a coefficient of 0.188 (18.8%) and  $P < 0.05$ . Service price has a coefficient of 0.376 (37.6%) and  $P < 0.05$ . All variables show a significant relationship and effect to sales performance.

The study found that correlation ( $R = 0.687$ ) indicating a strong positive relationship to sales performance, and the correlation determination ( $R^2 = 0.471$ ) also indicating a moderated relationship to sale performance. The research also identified multicollinearity problem. The result suggests that there is no multicollinearity problem. ANOVA results shows a f-value of 69.254 and P-value of 0.000

Coefficient results shows positive beta for all variables indicating a positive relationship. Employee education has a beta coefficient of 0.230, t-test of 3.290, and P-value of 0.001. Service quality has a coefficient beta of 0.188, T-test of 2.189 and P-value of 0.030, and service price has a beta coefficient of 0.376, T-test of 5.893, and P-value of 0.000. From regression coefficient results, the first objective was to assess the effects of employee education on sales performance. Employee Education ( $\beta = 0.230$ , T-test of 3.290, and p-value of 0.001). The results indicate the effect of employee education on sales performance. A positive coefficient suggests that as employee education levels increase, sales performance tends to improve. This positive relationship emphasizes the potential influence of a more educated workforce on improving sales outcomes.

The second research objective was to assess the effect of service quality to sales performance. From the results, it found that Service

Quality has a beta coefficient ( $\beta = 0.188$ , t-test 2.189 and  $P=0.030$ ). This represents the influence of service quality on sales performance. A positive coefficient suggests that higher levels of service quality are associated with improved sales performance. This positive relationship indicates that investing in service quality can yield favorable sales outcomes. Hotels should invest more on providing quality services as a means of attracting more customers and retaining customers.

Also, the result support the theory of the study which insist of quality services to close the expectation gap that is existing between customers and business. In increase in services quality leads to increase in customer satisfaction and hence more increase in sales performance

## Conclusion

The results of this investigation demonstrate a robust and statistically significant affirmative correlation between the caliber of service and the success of sales. The beta value, t-test statistic, and p-value all provide evidence to validate the claim that elevated levels of service quality are associated with better sales results. These discoveries not only add to the current pool of knowledge but also have tangible ramifications for companies seeking to strengthen their sales performance by investing in improvements to service quality.

The results indicate that there is a statistically significant positive correlation between employee education, quality of service, and service price to performance of sales. The study suggests that more trained employees, qualified, skilled, knowledgeable staff are likely to provide quality services that in return will attract more service prices and hence sales performance. Quality services, accompanied with good customer care, settling of customers complains on time, is key factor to success of business in terms of sales. More emphasize should be put on hotels services to enhance quality of indoor services and outdoor services. Satisfied customers tent to do a repeated purchases which will result into customer retention. The positive beta value demonstrates that a rise in employee education, service quality, and service quality tend to be linked to a rise in sales performance. The t-test statistic further strengthens the robustness of this correlation, while the small p-value backs up the assertion that the correlation is unlikely to be a result of random chance.

## Recommendations

Hotel owners are recommended to recruit well-trained and educated employees who will provide quality services to customers. From time to time, employees should be enhanced to attend various trainings, workshops so as to increase skills and knowledge in provision of quality services.

Hotel managers are also encouraged to improve services from time to time to meet customer expectations. Customer retention is very essential to business compared to seeking new customers. Therefore, more emphasize should be placed on keeping current customers. This will achieve through provision of quality services that fulfill the needs of customers.

Also, services price is very sensitive to customers' attraction. High prices are likely to move away customers if the services do not relate to services provided. Setting the right service price to retain customers requires a mixture of thoughtful, accepting your target audience, and offering value that justifies the cost. Therefore, hotel managers are reminded to know cost of production to help set a best price, to understand customer values, to set prices that is competitive from other competitors, providing discounting to customers who make repeatedly purchases.

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