

**EFFECTS OF RELATIONSHIP MARKETING ON CUSTOMER
RETENTION IN THE HOSPITALITY INDUSTRY**

**OMODIO AGHOGHO RITA
(20PAD02333)**

JUNE 2022

**EFFECTS OF RELATIONSHIP MARKETING ON CUSTOMER
RETENTION IN THE HOSPITALITY INDUSTRY**

OMODIO AGHOGHO RITA

(20PAD02333)

B.SC Marketing, Delta State University, Abraka.

**A DISSERTATION SUBMITTED TO THE SUBMITTED TO THE SCHOOL
OF POSTGRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.Sc.)
DEGREE IN MARKETING IN THE DEPARMENT OF BUSINESS
MANAGEMENT, COLLEGE OF MANAGEMENT AND SOCIAL
SCIENCES, COVENANT UNIVERSITY, OTA, OGUN STATE, NIGERIA**

JUNE 2022

ACCEPTANCE

This is to attest that this dissertation is accepted in partial fulfillment of the requirements for the award of the degree of Master in Marketing in the Department of Business Management, College of Management and Social Sciences, Covenant University, Ota, Nigeria.

Mr. Taiwo B. Erewunmi
(Secretary, School of Postgraduate Studies)

Signature and Date

Prof. Akan B. Williams
(Dean, School of Postgraduate Studies)

Signature and Date

DECLARATION

I, OMODIO AGHOGHO RITA (20PADO233) hereby declare that this research **EFFECTS OF RELATIONSHIP MARKETING ON CUSTOMER RETENTION IN THE HOSPITALITY INDUSTRY: THE STUDY OF RESTAURANT**, was carried out by me under the supervision of Dr. Taiye T. Borishade of the Department of Marketing, College of Management and Social Sciences, Covenant University, Ota, Nigeria. I attest that the dissertation has not been presented either wholly or partially for the award of any degree elsewhere. All sources of data and scholarly information used in this dissertation are duly acknowledged.

OMODIO AGHOGHO RITA

Signature and Date

CERTIFICATION

This is to certify that the thesis titled “**EFFECTS OF RELATIONSHIP MARKETING ON CUSTOMER RETENTION IN THE HOSPITALITY IDUSTRY**” was written by **OMODIO AGHOGHO RITA (20PAD02333)** in the Department of Business Management, College of Management and Social Sciences under the supervision of Dr. Taiye T. Borishade. It has been examined and approved as meeting part of the requirements for the award of M.Sc. Marketing.

Dr. Taiye T. Borishade

(Supervisor)

Signature and Date

Prof. Anthonia A. Adeniji

(Head of Department)

Signature and Date

Prof. Olalekan U. Asikhia

(External Examiner)

Signature and Date

Prof. Akan B. Williams

(Dean, School of Postgraduate Studies)

Signature and Date

DEDICATION

I dedicate this research to the Almighty God the creator and the source of all things and to my parents (Mr. and Mrs. S.I Omodio), family and loved ones.

ACKNOWLEDGEMENT

I thank God Almighty for his grace and provision for initiating and completing this exercise, as well as for his direction each and every time. Thank you for constancy in my life and for being an inspiration to me.

My heartfelt appreciation goes to the Chancellor, Dr. David Oyedepo and his beloved wife, Pastor Faith Oyedepo, for tirelessly pursuing the vision of Covenant University, which I am a beneficiary of, as well as to the Vice Chancellor, Professor Humphery A. Adebayo, who has been an inspiration, and the Deputy Vice Chancellor the Dean of postgraduate School Professor Akan, B. Williams, Sub Dean Postgraduate school Dr Emmanuel O. Amoo, Dean of College of Management and Social Sciences (CMSS), Prof. Abiola A. Babajide, Head of Department Prof. Anthonia A. Adeniji, Chaplain, Pastor Victor Hill and all other associate chaplains. May the good Lord repay you for your efforts.

My gratitude also goes to my Supervisor, Dr Taiye T. Borishade, for her motherly counsel, instructions and directions throughout this research activity, ensuring that it was completed on time. Many thanks to the departments whole academic staff of Business Management, Dr. Olaleke Ogunnaike, Dr. Salau, Dr. Kehinde, Dr. Adegbuyi, Dr. Ufua, Dr. Mercy Ogbari, Prof. R. Worlu, the administrative departmental officers and to every lecturer by whom I was privileged to be taught as a student.

Lastly, I want to express my heartfelt gratitude and appreciation to the most important people in my life, my parents, Mr. and Mrs. S.I Omodio for their unwavering support, prayers and motivation throughout my life and throughout this program, ensuring I never went hungry. God will eternally repay you for the love you have shown me. To my amazing siblings Onoriode, Ejiro, Ese, Eloho and Great. I appreciate and thank you for your continuous encouragement throughout this project.

TABLE OF CONTENTS

TITLE PAGE	i
ACCEPTANCE	iii
DECLARATION	iv
CERTIFICATION	v
DEDICATION	vi
ACKNOWLEDGEMENT	vii
TABLE OF CONTENTS	viii
LIST OF TABLES	xii
LIST OF FIGURES	xiii
ABSTRACT	xiv
CHAPTER ONE: INTRODUCTION	
1.1 Background to the Study	1
1.2 Statement of Research Problem	3
1.3. Research Questions	4
1.4. Research Objectives	4
1.5. Research Hypothesis	5
1.6. Significance of the Study	5
1.7. Scope of the Study	6
1.8. Operationalization of Research Variables	6
1.9.Operational Definition of Terms	8
CHAPTER TWO: LITERATURE REVIEW	
2.0. Preamble	10
2.1. Conceptual Review	10
2.1.1. Concept of Customer Relationship Marketing (CRM)	10
2.1.2. Customer Relationship Marketing and Traditional Marketing	12
2.1.3. Steps in Establishing Relationship Marketing	13
2.1.4 Loyalty Programs	16
2.1.5. Benefits of Relationship Marketing	18
2.1.6. Dimensions of Relationship Marketing	18
2.1.7. Principles of Relationship Marketing	23
2.1.8. Relationship Marketing Ladders	25

2.1.9. Concept of Customer Retention	26
2.1.10. Customer Retention Efforts	27
2.1.11. Driving Forces of Customer Retention (CUR) Strategies	28
2.1.12 Win-back Strategy of Customers Retention	30
2.1.13. Ways Company's Measure Customer Retention	34
2.1.14 Conceptual Model	35
2.1.15 Customer Commitment	36
2.2. Theoretical Review	40
2.2.1. The Commitment-Trust Theory	40
2.2.2. Leaky Bucket Theory	41
2.2.3. Social Exchange Theory	42
2.2.4. Customer Loyalty Theory	43
2.3. Empirical Review	43
2.4. Gaps in Literature	65

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Preamble	66
3.2. Research Design	66
3.3. Population of the Study	67
3.4. Sample Size Determination	68
3.5. Sampling Technique	69
3.6. Research Instruments	69
3.6.1. Questionnaire	70
3.7 Validity of the Research Instrument	70
3.8. Reliability of the Research Instrument	70
3.9. Method of Data Collection	71
3.10. Data Analysis Techniques	72
3.11. Ethical Consideration	73

CHAPTER FOUR : DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.0. Preamble	74
4.1. Data Presentation and Analysis	74
4.1.2. Demographic statistics of the sample	76
4.1.3. Analysis of Research Questions	92
4.2. Test of Hypotheses	92
4.2.1. Test of Hypothesis One: Communication and Firm Profitability	95
4.2.2. Test of Hypothesis Two: Customer Trust and Customer Loyalty	97
4.2.3. Test of Hypothesis Three: Commitment and Repeat Purchase	99
4.2.4. Test of Hypothesis Four: Bonding and Conversion Rate	103
4.2.5. Test of Hypothesis Five: Engagement and Words of Mouth	106
4.3. Discussion of Results	110
4.3.1 Theoretical Findings	110
4.3.2. Empirical Findings	111
4.3.2.1. Communication has a significant effect on Firm Profitability (H1)	111
4.3.2.2 Customer Trust has a significant effect on Customer Loyalty (H ₂)	111
4.3.2.3 Commitment has a significant effect on Repeat Purchases (H ₃)	112
4.3.2.4 Bonding has a significant effect on conversion rate (H ₄)	112
4.3.2.5 Engagement has a significant effect on Words-of-Mouth (H ₅)	112
4.4. Implication of findings	113
4.4.1 Theoretical implication	113
4.4.2. Managerial implications	113

CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1. Preamble	114
5.2. Summary	114
5.3. Conclusion	114
5.4. Recommendations	115
5.5. Contribution to knowledge	115
5.6. Limitations of Study	116
5.7. Suggestions for further study	116

REFERENCES	117
APPENDIX A Questionnaire	122

LIST OF TABLES

TABLES	LIST OF TABLES	PAGES
Table 2.1	CRM and traditional marketing	13
Table 3.2	Proportions of Sample Sizes for each Restaurant	69
Table 4.1	Response Rate of Questionnaire	73
Table 4.2	Demographic Statistics	75
Table 4.3	Frequency Distribution of Communication	77
Table4.4	Frequency Distribution of Firm Profitability	78
Table 4.5	Frequency Distribution of Customer Trust	79
Table 4.6	Frequency Distribution of Customer Loyalty	80
Table 4.7	Frequency Distribution of Commitment	81
Table 4.8	Frequency Distribution of Repeat Purchase	83
Table 4.9	Frequency Distribution of Bonding	84
Table 4.10	Frequency Distribution of Conversion Rate	85
Table 4.11	Frequency Distribution of Engagement	87
Table 4.12	Frequency Distribution of Word of mouth	88
Table 4.13	Factor Loadings for Communication and Firm Profitability	91
Table 4.15	Factor Loadings for Customer Trust and Customer Loyalty	94
Table 4.17	Factor Loadings for Commitment and Repeat Purchase	97
Table 4.19	Factor Loadings for Bonding and Conversion Rate	100
Table 4.20	Factor Loadings for Engagement and Words of mouth	103

LIST OF FIGURES

FIGURES	LIST OF FIGURES	PAGES
Figure 2.1	Relationship Marketing Ladders	25
Figure 2.1	Relationship Marketing and Customer Retention	35
Figure 2.2	Leaky Bucket Theory	42
Figure 4.1	Path Analysis of communication and firm profitability	94
Figure 4.2	Path Analysis and P-values of communication and firm profitability	95
Figure 4.3	Path Analysis of Customer Trust and Customer Loyalty	97
Figure 4.4	Path Analysis and P-values of Customer Trust and Customer Loyalty	98
Figure 4.5	Path Analysis of Commitment and Repeat Purchase	100
Figure 4.6	Path Analysis and P-values of Commitment and Repeat Purchase	101
Figure 4.7	Path Analysis of Bonding and Conversion Rate	103
Figure 4.8	Path Analysis and P-values of Bonding and Conversion Rate	104
Figure 4.9	Path Analysis of Engagement and Words of Mouth	106
Figure 4.10	Path Analysis and P-values of Engagement and Words of Mouth	107

ABSTRACT

Despite the advent of Customer Relationship Marketing, companies continue to struggle with the issue of client retention. This is also evident in the Nigerian hotel and restaurant services industry. Premised on this assertion, the study assessed the effect of Customer Relationship Marketing on Customer Retention in the Nigerian hotel and restaurant services business with specific focus on four restaurants in the Lagos mainland. Specifically, the study disaggregated Customer Relationship Marketing into Communication, Customer Trust, Commitment, Bonding, and Engagement. Meanwhile, the customer retention was disaggregated into Firm Profitability, Customer Loyalty, Repeat Purchase, conversion rate, and Words-of-Mouth. Data for the study was sourced using the primary data methodology through the instrumentality of well-structured questionnaire. Although, 200 questionnaires were distributed, only 190 were returned and used to run the regression analysis. Prior to running the regression result, the model was subjected to factor loading, and multicollinearity test, Cronbach Alpha and Composite Reliability test proved that the research instrument is consistent. The study analysis was conducted using the Smart PLS. The study reported that, both the R^2 and Q^2 statistic evidenced moderate goodness of fit. Again, communication and Customer Trust has a direct significant effect on Firm Profitability and Customer Loyalty respectively. More so, Commitment has a direct significant effect on Repeat Purchase. Again, Bonding has a direct significant effect on conversion rate. Lastly, Engagement has a direct significant effect on Words-of-Mouth. Hence, the study concludes that, customer relationship marketing has a significant positive effect on customer retention in the hospitality industry using a sample of 4 restaurants in Nigeria. As such, the study recommends that, restaurants service providers should continuously develop and implement customer retention strategies that are effective and efficient in order to retain and possibly attract new customers to boost its competitiveness.

Keywords: Customer Relationship Marketing, Customer Retention, Nigerian hotel and restaurant services business