

## Customer Involvement Management (CIM) As a Correlate of Customer Retention (CR) in the Hospitality Industry

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### ABSTRACT

*The nucleus of this study is to investigate the relationship between Customer Involvement Management (CIM) and Customer Retention (CR) in the Hospitality industry. The study collected data from one hundred and forty-five (145) senior managers from eighty-eight (88) luxury hotels in Rivers and Bayelsa States of Nigeria. The data collected was analyzed using the Spearman's rank order correlation coefficient ( $\rho$ ), relying on the statistical package for social sciences (SPSS) version 17.0. The study discovered a significantly positive correlation between customer involvement management and customer retention through coaching, advising and reporting. Though the relationship between partnering and customer retention is found to be positive, it is insignificant. Consequently, the study concluded that involving the customer in the firm's value creation and delivery processes is a sure way to develop and maintain long-term mutually beneficial relationship between the customer and the firm; and recommends that firms should institute adequate machineries that will enable the integration of customers in their value creation and delivery processes. And also that, firms should periodically organize consumer fora and other platforms that will enable them to learn the requirements of the consumers and serve them better.*

**Keywords:** Advising, Coaching, Customer involvement, Customer retention, Partnering, Reporting.

### INTRODUCTION

Present day markets are very competitive and dynamic. The customers are getting increasingly smarter, better informed, and have greater access to many channels and choices which they are free to choose from; thanks to the power of information and communication technology which has rendered national boundaries impotent in insulating firms from international competition, as firms in one nation now directly compete with firms in another. Consequently, customers in today's markets can easily defect to competitors who promise better offerings at lower prices (Alrubaiee and Nahl, 2010). The increasingly saturated nature of present day markets occasioned by changes in the nature of competition and a growing imperative to attain a comprehensive appreciation of customers' needs while keeping up with the growing complexity of the business environment has led to a more diversified and demanding customer base (Barnes, et al., 2007).

Firms in present day markets are exposed to national and international players, thus exposing the consumers to greater doses of information and varying array of choices (Ateke and Elvis 2013). Companies therefore, cannot only maintain attitudes characterized by attracting customers or expanding into new markets, though these are still productive (Ateke, 2014). The key success factor for survival in mature markets according to De Madariaga and Valor (2007) is customer retention through sustained long-term relationships. Hence, the challenge all marketers face today is finding ways of increasing customer retention, transforming

indifferent customers into loyal ones and establishing long term relationship with them (Alrubaiee and Nahl, 2010).

Business enterprises all over the world have emphasized the importance of customer retention as a necessary prerequisite for a healthy firm, not only in terms of short-term profitability, but mainly for long-term survival of the business undertaking (Ateke, 2014). Customer retention has obviously engaged the attention of theorists and practitioners in the field of marketing for a significant number of years as attested to by the number of publication on the subject (White and Yanamandram, 2007; Yoda and Kumakura, 2007; Plankey, 2012; Myhal, et al., 2008; Hennig-Thurau and Klee, 2002 etc). This interest in customer retention is premised on the conviction that it is exponentially more profitable to maintain existing customers than to attract new ones, even as retained customers demonstrate their loyalty in different ways. They may purchase frequently or large amounts, stick to the organisation, spread positive word of mouth (Ndubisi, 2007) and even act as advocates.

Over the past decades, the interest in retaining customers increased considerably (Iruka and Ateke, 2014), as marketers' attention shifted gradually but definitely from mutually independent transactions to loyalty based repeat purchases and cross-sell opportunities (Gruen, et al., 2000; DeWulf, et al., 2001; Lemon, et al., 2002) which are based mostly on relationships, and customer involvement.

Customers can be involved or integrated in the firm's value creation and delivery processes in differing roles depending on the intent of the firm or the kind of innovation the firm is pursuing (continuous or discontinuous innovation) (Iruka and Ateke, 2014). These roles indicate the varying degrees of intimacy the firm can develop with its customers. The roles are coaching, partnering, advising and reporting (Pinegar, 2000). Coaching according to Pinegar (2000) represents a limited form of involvement where the customers are not intimately involved with the company, but only provide comments and inputs into what a new technology can or should be.

In partnering which represent the second level of customer involvement, Pinegar (2000) states that the customer is engaged in the co-development of the technology and its specific applications. It is a level of involvement where the customer is intimately and actively involved with the firm from the start of the project and has a shared stake in ensuring the successful commercialization of the technology. Advising is a kind of role in which the customer is not exclusively tied to the project, but participates to ensure that the new technology will be able to serve their needs (Pinegar, 2000). Customers' involvement in this role is characterized by guiding and directing the commercialization efforts of the firm. In the reporting role, customers report on the benefits they derive from the technology and the improvements they expect to see in the product (Pinegar, 2000).

According to Iruka and Ateke (2014), a few studies have been conducted on the concept of customer involvement management and its impact on company effectiveness, especially through customer retention and loyalty. However, most of these studies are conducted in the developed economies (Bitner, et al., 1997), the online environment (Rohrbeck, et al., 2010) and in the industrial products manufacturing sector (Pinegar, 2000). This study thus intends to determine the relationship between Customer Involvement Management (CIM) and Customer Retention (CR) in the hospitality industry in Nigeria, an emerging economy. Consequently, the following hypotheses stated in the null form are formulated to guide the attainment of the objective of this study.

**H<sub>01</sub>:** There is no significant relationship between coaching and customer retention in the hospitality industry.

**Ho<sub>2</sub>:** There is no significant relationship between partnering and customer retention in the hospitality industry.

**Ho<sub>3</sub>:** There is no significant relationship between advising and customer retention in the hospitality industry.

**Ho<sub>4</sub>:** There is no significant relationship between reporting and customer retention in the hospitality industry.

## **LITERATURE REVIEW**

### **Customer Involvement Management (CIM)**

Customer involvement management (CIM) is the extent to which the customer is integrated into the firm's value creation and delivery process. It is the interaction and/or collaboration between channel members (including customers and users) and company personnel during the course of product development to actualize a commercial product (Ernst, 2004). Customer involvement is an approach that takes customer orientation a step further than customer relationship management (Ateke, 2014); and is about identifying and developing possibilities to involve customers in the business and product development process, such as design, marketing, sales, customer service, etc. (Rohrbeck, et al., 2010).

With CIM, the product is regarded as a subset in what meets the customer's need of identification, problem solving, and consumption. The possibility to influence the design and consumption itself is assumed to be of great importance for the consumers' buying decision and loyalty. Customer involvement often means nothing more than getting customers to do more of the work (Plankey, 2012).

Customer involvement in organizational activities has been recognized in operations management, organizational studies and particularly in service marketing (Bitner, et al., 1997; Gronroos, 1994). Also, the importance of customer involvement in services has long been established (Rohrbeck et al 2010). CIM has been a discourse under different captions: customer co-production (Bendapudi and Leone, 2003), customer contribution (Bitner, et al., 1997), customer integration (Rohrbeck, et al., 2010; Enkel, et al, 2005), customer participation (Brockhoff, 2003) customer partnership (Campbell, et al., 1994; Fuller, 2007), customer interaction (Gruner and Homburg, 2000), co-designer (Ernst 2004). The varying taxonomies notwithstanding, the onus has been a conscious drive to determine the extent to which the customer takes part in the creation and delivery of value and how such participation impacts on the firm and the customer.

CIM in effect, is a paradigm of the market orientation construct. However, in involvement, the customer progresses from a passive recipient of value to an active participant in the value creation and delivery process. Extant literature in this domain have chiefly focused on the argument for and against customer involvement in services in relation to its impact on organizational performance and productivity, rather than focusing on the understanding of the factors affecting customer behaviour and performance during participation which will subsequently impact on organizational performance and productivity (Rohrbeck, et. al., 2010).

Hence while these literature have empirically proved the importance of eliminating, minimizing or maximizing customer involvement roles in service-based firms and its impact on organizational performance and productivity, they have assumed that customers' roles and behaviour in involvement is static, unchangeable and unimprovable (Noone, et al., 2003) and as a result, recommendations on organizational productivity improvement have chiefly focused on the adaptation of organizational resources, employees and service processes to

customer's situation rather than understanding and improving the behaviour of customers during integration.

According to Rohrbeck, et al., (2010) in Iruka and Ateke (2014), customer involvement is a tool from which innovation can be sourced through partnering and reporting and, consequently, the attainment of higher competitiveness and enhanced customer satisfaction and retention can be achieved, while Eisingerich and Bell, (2006) suggested that, in managing customer relationships, organizations should consider the relative effectiveness of individual relationship building strategies in fostering customer loyalty, which is a precursor of customer retention. Also, studies of hotel services markets suggest that the use of relationship marketing can generate higher returns from customers (Alrubaiee and Nahl, 2010). It is also averred that successful customer involvement efforts improve customer retention and company performance through stronger relational bonds (De Wulf, et al., 2001; Sirdeshmukh, et al., 2002).

### **Customer Retention**

In mature or saturated market conditions, firms deploy multifarious marketing management techniques in order to retain their existing customers. For instance, switch prevention through frequent shopper programs or continuous discount schemes and preferential customer service programs are implemented when attempting to raise customer satisfaction levels (Yoda and Kumakura, 2007). This trend points to the fact that customer retention is increasingly being seen as an important issue in marketing owing to the competitive nature of markets. It has also been acknowledged as a key objective of relationship marketing primarily because of its potential in delivering superior relationship economies, as it costs less to retain existing customers than to acquire new ones. Many researchers have investigated the phenomenon of customer retention (Colgate, et al., 1996, Colgate and Hedge, 2001, Keaveney, 1995, Reichheld and Sasser, 1990, White and Yanamandram 2007, Ghavami and Olyaei, 2006, Harridge-March, 2008, among many others) yet research into the antecedents, benefits and improvements of customer retention is still ongoing.

By definition, customer retention is the set of activities a selling organization undertakes in order to reduce customer defection. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of the relationship. A firm's ability to attract and retain new customers is not only related to its technology but also strongly related to the way it service its existing customers, and the reputation it creates within and across the market-place.

Customer retention results from giving customers more than what they expect, it is about exceeding their expectations so that they become delighted and desire to do business with the firm again. Organizations are thus encouraged to focus on delivering quality product and excellent customer service in order to achieve higher customer retention rates. Organizations are thus encouraged to focus their attention on delivering increased customer satisfaction through a service quality model hinged on 5Ps-Policies, Processes, People, Premises and Product (TISSE (2012). This researcher however adds Performance-measurement as a sixth "P" in this model. The implementation of a customer service standard leads to improved customer service practices, underlying procedures, and eventually, higher customer satisfaction, which inform increases customer retention.

### **METHODOLOGY**

A questionnaire was used to collect data for this study. Respondents were asked to tick from 1-5 on a likert scale, where 1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree. A total of one hundred and seventy (170) copies of the questionnaire were

administered to top management staff of seventy nine (79) luxury hotels brands in Rivers and Bayelsa States of Nigeria. Of the 170 copies of the questionnaire administered, only one hundred and forty-five (145), representing seventy-seven percent (77%) were found usable, and were actually used in the final analysis. The Spearman Rank Order Correlation Coefficient (rho) was used to test the hypotheses at 0.05 level of significance in a two-tailed test

## RESULTS

**Table 1:** Correlation Analysis of the Relationship between Coaching and Customer Retention

Correlations				
Type	Variables1	Statistics	Coaching	Customer Retention
Spearman's rho	Coaching	Correlation Coefficient	1.000	.882**
		Sig. (2-tailed)	.	.000
		N	145	145
	Customer Retention	Correlation Coefficient	.882**	1.000
		Sig. (2-tailed)	.000	.
		N	145	145

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

Source: Research Desk (2014)

The test result as indicated on the table above shows a positive relationship between coaching and customer retention in the hospitality industry. The score of 0.882\*\* generated by the Spearman Rank Order Correlation Coefficient, means that a very strong relationship exist between coaching and customer retention in the hospitality industry. Based on this result, the null hypothesis is hereby rejected in favour of the alternate hypothesis.

**Table 2:** Correlation Analysis of the Relationship between Partnering and Customer Retention

Correlations				
Type	Variables1	Statistics	Partnering	Customer Retention
Spearman's rho	Partnering	Correlation Coefficient	1.000	.313**
		Sig. (2-tailed)	.	.000
		N	145	145
	Customer Retention	Correlation Coefficient	.313**	1.000
		Sig. (2-tailed)	.000	.
		N	145	145

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

Source: Research Desk (2014)

The information contained on the table above indicates a positive relationship between partnering and customer retention in the hospitality industry. The result generated a correlation coefficient of 0.313\*\*, which implies a weak but positive correlation between partnering and customer retention in the hospitality industry. Consequently, this study accepts the null hypothesis.

**Table 3:** Correlation Analysis of the Relationship between Advising and Customer Retention

**Correlations**

Type	Variables1	Statistics	Advising	Customer Retention
Spearman's rho	Advising	Correlation Coefficient	1.000	.776**
		Sig. (2-tailed)	.	.000
		N	145	145
	Customer Retention	Correlation Coefficient	.776**	1.000
		Sig. (2-tailed)	.000	.
		N	145	145

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

Source: Research Desk (2014)

The summary of the test result as indicated on table 3 above shows a positive relationship between advising and customer retention in the hospitality industry. The test generated a correlation coefficient of 0.776\*\*, which point out that the relationship existing between advising and customer satisfaction in the hospitality industry is a strong one. This study therefore rejects the null hypothesis and concludes that there is a significant relationship between advising and customer retention in the hospitality industry.

**Table 4:** Correlation Analysis of the Relationship between Reporting and Customer Retention

**Correlations**

Type	Variables1	Statistics	Reporting	Customer Retention
Spearman's rho	Reporting	Correlation Coefficient	1.000	.685**
		Sig. (2-tailed)	.	.000
		N	145	145
	Customer Retention	Correlation Coefficient	.685**	1.000
		Sig. (2-tailed)	.000	.
		N	145	145

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

Source: Research Desk (2014)

The information displayed on the table above indicates a positive relationship between reporting and customer retention in the hospitality industry. The test generated a correlation coefficient of 0.685\*\*, which imply a strong relationship between reporting and Customer retention in the hospitality industry. Consequently, this study rejects the null hypothesis; and accepts the alternate hypothesis.

**DISCUSSION**

Based on the result of the test of hypotheses of this study which generated 0.882\*\*, 0.776\*\*, 0.313\*\*, and 0.685\*\* respectively, this researcher infer that there is strong and positive correlation between CIM and customer retention in the hospitality industry. This discovery is justified by the fact that customers who have the opportunity of giving the firm ideas on how to serve them better use to have the psychological satisfaction that their experiences are valued by the firm; more especially when the customer observes the actual implementation of such ideas so given.

This finding adequately cohere with practically observable consumer dispositions and therefore can be seen or termed as providing information that is consistent with acceptable knowledge, as real life observation of customers and their disposition toward firms suggests that firms which value customers ideas and suggestions will enjoy the continued business of the customers, since the customers will like to remain with the firm to enjoy the product of their ideas and suggestions, thus exhibiting a form of commitment to the firm.

This finding is also in harmony with that of Pinegar (2000) and Dadfar (2009) albeit in industrial marketing, Johra and Mohammed (2012) who found a similar relationship in the banking sector in Bangladesh and Rohrbeck, et al. (2010) who also discovered a similar relationship, but in the online environment. And with such satisfaction achieved, the level of risk of new product failure is reduced. This position agrees with that of Enkel, et al. (2005), who averred that customer integration into the innovation process is about to become a best practice. They suggested that the lead-user approach has proven to be especially valuable when reducing discontinuous innovation's market risk.

### **CONCLUSION**

In conclusion, this paper posits that involving the customer in the firm's value creation and delivery processes is a sure way to develop and maintain long-term mutually beneficial relationship between the customer and the firm. Involving the customers especially in coaching, advising and reporting roles is a necessity for firms that desire higher customer retention rates and satisfying long-term relationships.

Given the perception that customers are more than passive consumers, integrating them into the fold of the organization should be given increased academic and corporate attention. Even as it has been generally agreed that customers are sources of information and of knowledge (Normann and Ramí'ez, 1994) thus, customer involvement can enhance product concept effectiveness (Brown and Eisenhardt, 1995).

As contemporary market changes have made it imperative for firms which seek to stay in business to ensure constant growth and to achieve economic success through innovation, and companies increasingly rethink the fundamental ways in which they generate ideas and bring them to market, CIM is just one strategy that should be exploited in view of its potential to reduce failure rates of new products and other risks associated with new product development.

### **RECOMMENDATIONS**

Based on the findings of this study and the conclusion reached, the study recommends that:

1. Firms should put in place adequate machineries that enable the integration of the customers in their value creation and delivery processes.
2. Firms should encourage their customers to participate in their value creation and delivery processes by incentivizing them.
3. Firms should periodically organize consumer fora and other platforms that will enable them to learn the requirements of the consumers and serve them better.
4. Firms in service dominant industries should acknowledge customers whose ideas and suggestions help them to deliver better service.

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