COMPETITIVE INTELLIGENCE AND CUSTOMER RETENTION OF HOSPITALITY ORGANIZATIONS IN RIVERS STATE

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ABSTRACT

This study took an empirical look at Competitive Intelligence and Customer Retention of Hospitality Organizations in Rivers State. The population of this study was 200 which included management and employees of the hospitality Organizations in Rivers State. The sample size of this study was 133 which was obtained through probability sampling using Taro Yamene formula. The research questions were analyzed using pie chart a descriptive statistical tool while the hypotheses were analyzed using Pearson Product Moment Correlation Coefficient a parametric statistical tool. The following findings were made that there was significant relationship between competitive intelligence and customer retention, marketplace opportunities and repeat purchase, competitor threats and referral. It was concluded that Competitive Intelligence has a significant relationship with customer retention. The study therefore recommended that **hospitality organizations** ***should embrace the concept of Competitive Intelligence hence it is panacea for customer retention.***

Key Words: Competitive, Intelligence, Customer, Retention and Hospitality Organizations

INTRODUCTION

Hospitality organizations play an increasingly important role in the economic growth of most nations. Hotels have become important as a source of employment and maximize the efficiency of the resource allocation and distribution by mobilizing and utilizing local human and material resources (Cunningham & Rowlley, 2007).

It is also pertinent to note that for hospitality organizations to achieve economic growth, it has to employ competitive intelligence which is a very important tool of an organization strategic planning, implementation and management process. The formal exploration process of the marketing strategy philosophy and mix have been linked with environmental scanning interplay as a basis for gathering and processing the information and the information processing theory paradigm (Dishman and Calof, 2008).

Competitive intelligence on the other hand, pulls together data and information from a very amorphous and strategic view allowing a firm to predict or make a prognosis of what is going to happen in its competitive environment (Bose, 2008). It allows company to proactively rather than reactively anticipates market development and remains competitive by improving its strategic decisions which leads to a large customer retention.

Customer Retention

A wide variety of business strategies vie for the attention and support of management as they seek ways to improve corporate profitability. Aggressive advertising and promotion, streamlining operation, lost cutting, outsourcing, acquisition and divestitures are all viable strategies that will enhance profitability. The problem with these strategies is that they often overlook a company's most valuable profit generating asset – its current customer. Unlike before when organizations directed their efforts at customer acquisition, currently, maintaining existing customers has become more important. Customer retention refers to the longevity of a client's relationship with a product and/or service providing firm.

Menon and O'Conner (2007), alluded that action with effective customer retention convinces their clients to stay with the firm (Bruhn and Georgi, 2006). Buttle (2004) defines customer retention as the number of customers doing business with a firm at the end of a financial year expressed as a percentage of those who were active customers at the beginning of the year. Ferrell, Hartline and Lucas (2002) submitted that a firm's customer retention rate shows the percentage of the clients who are repeat purchasers. They emphasized that this number should remain consistent or grow slowly.

Customer retention could be seen as the maintenance of customers trading relationships with customers over a long-term. It is the act of keeping customers resulting from service quality and customer satisfaction (Rose, 1995). It is noteworthy to state that a lot of studies have been carried out on competitive intelligence and marketing effectiveness in corporate organizations in Nigeria, Nwokah (2003). Also another study have been carried out on marketing research and corporate performance but I believe that none has been done in the area of competitive intelligence and customer retention in hospitality organizations in Rivers State. This gap that exists propelled me to do a study on the aforementioned topic.

Research Hypotheses

The following hypotheses guided the study.

Ho_1: is no significant relationship between marketplace opportunities and repeat purchase.

Ho_2: There is no significant relationship between competitor threats and referrals.

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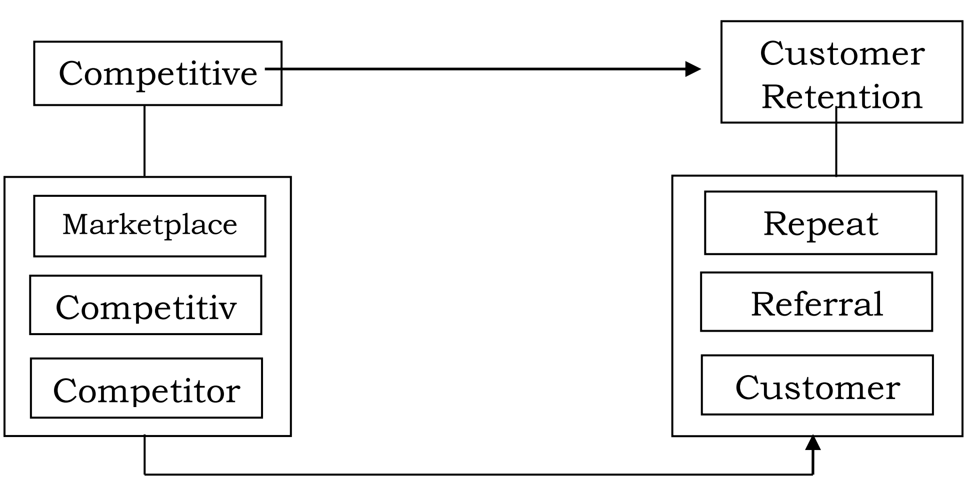
Fig 1.1: Operational/Conceptual Framework on the

Association between



Source: Researchers' Conceptualization (2016)

The Concepts of Competitive Intelligence and Customer Retention

Competitive intelligence as a distinct field is a specialized activity under marketing research (marketing intelligence) (Walle, 1999). Wright et al (2002) have distinguished or separated competitor intelligence from competitive intelligence. According to them, competitor intelligence is defined as those activities by which company determines and comprehends its competitors, strength and weaknesses and anticipates their moves. They believe that the underpinning words are identified/determined, understand and anticipate industry and competitors but this according to them only defines competitor intelligence.

Competitive intelligence on the other hand extends the role to include consideration of competitor responses to consumer/customer needs and perception and one's own responses in the strategic decision-making process.

The implication of this is that competitive intelligence is under in scope than the competitor intelligence Wright et al (2002) cited Lauginie et al (1994) in their descriptive and succinct distinction. Competitor intelligence is not competitive intelligence but only a part of it. The thrust of competitor intelligence tends to be on problems associated with the daily profitable marketing of a company's products or services. The scope of competitive intelligence is a value-added concept that associates competitor intelligence and strategic planning. Some activities concerning competitive intelligence could be traced back to the biblical creation of the universe.

In Genesis 1: 1 – 2, God created the universe after His Spirit has moved upon the surface of the earth which was without form and void. The earth was created vide the intelligence of satisfying the unsatisfied needs of the void earth. It is also germane to note that competitive intelligence emerged as a distinct discipline in its own right in recent time. The theoretical account of the development of competitive intelligence has been recorded (Walle, 1999, Wright et al, 2002; Viviers et al, 2005).

Walle (1999) believed that the work of William T. Kelley can be used to suggest the origins of competitive intelligence as a distinct entity. Walle argues that Kelley's book marketing intelligence (1965), introduced the field of intelligence, while his influential article in the journal of marketing (Kelley, 1968) provides a short and readable account which was easily available to management of marketing. Kelley's seminal work was quickly followed up with Richard L. Pinkerton's influential five article series (Walle, 1999) in industrial marketing titled "How to develop a marketing intelligence system" Walle further posited that these documents can be seen as representatives of pioneering intellectual foundations of the field.

The next phase in the evolution of competitive intelligence as recorded by Walle (1999) seems to be the second stage of competitive intelligence as recorded in Viviers et al (2005). These centers on the work of Michael E Peter's (1980), well-known work on strategic management and competitive analysis which focused on tracking specific competitors behaviour and linking competitor analysis to competitive strategy, created the background for the development of competitive intelligence as a business discipline (Peyrot et al, 2002) as cited in Viviers et al (2005).

Viviers et al (2005) has argued that competitive intelligence in analogous to business intelligence, but it is believed that competitive intelligence implies true purpose of intelligence that is to gain strategic advantage. They identify the basic key factors of competitive intelligence to include competitor intelligence as well as intelligence collected in customers, suppliers, technologies, environment, or potential business relationship. Nwokah and Maclayton (2006), identify these factors as the moderating variable in the relationship between customer focus and business performance.

Dimensions of Competitive Intelligence

Fahey (2007) has outlined five strategic dimensions an intelligence researcher needs to focus on. These include market place opportunities, competitor threats, competitive risks, key vulnerabilities and live assumption. He went further to argue that each type of intelligence input requires considerable judgement and value-addition on the part of intelligence professionals.

Market Place Opportunities

A market place opportunity is one strategy which is concerned with creating and realizing a new market place opportunities. Opportunities define new ways of creating and developing value for customers: new products or solution; extending existing product lines, reconfiguring existing solution. Fahey (2007) noted that the executive team continuously addresses two types of new marketing opportunities:

a) Extending current opportunities. How can we extent opportunities that are the focus of our current strategy?

b) Potential market place opportunities what opportunities beyond the reach of our current strategy should we be considering.

Fahey (2007) went further to outline some examples of how intelligence teams in a number of firms assess current and projected change to alert executives to emerging potential market place opportunities.

1. Follow regulatory developments as a means to project the emergence or demise of specific regulations that open up access to new markets and/or allow the sale of specific products.

2. Track and project research and development progress in specific research domains as one in put to identify potential new product break-through at some point in the future.

3. Conduct patent analysis to identify patterns in the transition from research technology developments likely to lead to new products or significant product modification.

4. Use of projections competitor's strategy to identify potential new products and this emerge customer needs.

5. Use projection of technology developments in related product that could be in the market place in two or more years.

Competitor Threats

In competitor threats, the author noted that opportunities would be so much easier to, were it not for the presence of current and potential competitors. He defines competitor's threats as ways that a rival can inhibit a company's strategy from succeeding in the market place. It threats are detected too late, resources tied up in supporting a strategy may be substantially waste, if threats are detected long before coming to full friction, strategy can be adapted to eliminate, ameliorate or avoid the threat. The author believes that executive should pose the following three questions

1. How might competitors most adversely affect on current strategy?
2. Which competitors are most likely to do so?
3. How might we best "handle" these threats?

Fahey argues that intelligence thus, must access current and potential competitor change for its strategy implications for threats. The executive must be alerted to current or potential competitor threats.

Competitor Risks

In competitive risks, the author argues that strategy is played over time in a market place or competitive context that extends well beyond competition. Change in and around the market place (being driven by customers, channels, suppliers, governmental agencies, technology houses, political parties, etc) is the source not only of marketing opportunities and competitor threats but of competitive risks. He explained competitive risks to include any market place change that could negatively impact the firm's current or potential strategy. He advised that an executive team therefore should always pose the following three questions.

1. What competitive risks does our strategy face?
2. What competitive risks might we face in the future?
3. How can we best manage these risks?

Tailoring response to these broad questions compels the intelligence team to look beyond competitive trends, patterns and discontinuities to isolate and assess risks and demonstrate how they negatively impact the pursuit of specific opportunities.

Dimensions of Customer Retention

Oilver (1997) has identified three measures of customer retention and they include:

1. Repeat Purchase

Another outcome of customer retention is repeat purchase. The more positive the relationship between the customer and the company is the more often the customer buys products from the company which in turn influences the company's turnover positively. This is in consonance with sales-adjusted retention rate suggested as measure of customer retention by Buttle (2004).

2. **Referrals**

In his view, Oliver (1999), submitted that positive word of mouth recommendation is an outcome of customer retention. He maintained that customers who are satisfied with the service of a company will not only stay with the company, but will become apostles as well as advocates of the thereby recommending the company to other people. Buttle and Ahmad (2001) noted that through customer retention, companies enjoy free of charge referrals of new customers from existing customers which would otherwise be costly in terms of commissions or introductory fees.

3. Customer Defection

Customer retention results in low level of customers defection or decreased migration rate of customers to competitors. Just as assets depreciate, if not maintained, so do customers through defection to competitions. Martin and Young (2006) state that defection customer from a bad experience such as a core service failure, poor product knowledge, inconveniences such as long waiting times etc. Customer retention serves a veritable instrument though which minimal level of customer defection can be achieved.

METHODOLOGY

The researcher adopted a descriptive survey design. Copies of questionnaires were given to employees and management of eight (8) Hotels in Port Harcourt. A total of 133 respondents were sampled. The questionnaire was designed using a Likert Four Point Scale of Great Extent (GE), Considerable Extent (CE), Moderate Extent (ME) and Little Extent (LE). The hypotheses were tested using Pearson's Product Moment Correlation Coefficient. The validity of the instrument was authenticated by experts and reliability coefficient of 0.83 was achieved was obtained using spearman Brown prophecy formula.

Data Analysis

Table 1: Data Administration and Retrieved Rate

Respondents	No. Distributed	No. Retrieved	No. Un-retrieved	% Retrieved
Management	53	50	3	30.06
Employees	80	78	2	60.93
Total	**133**	**128**	**5**	**99.99**

Source: Survey Data, 2016

Table 2: Showing the Relationship between Market Place Opportunities and Repeat Purchases.

S/No	Employees(x)	Management (y)	XY	X^2	Y^2
1	20	10	200	400	100
2	18	7	126	224	49
3	8	8	64	64	64
4	12	10	120	144	100
5	10	5	50	100	25
6	10	10	100	100	100
Total	**78**	**50**	**600**	**9327**	**438**

Source: Survey Data, 2016

$$r = \frac{N\sum xy - \sum x \sum y}{\sqrt{(N\sum x^2 - (\sum x)^2 (N\sum y^2 - (\sum y)^2)}}$$

$$r = \frac{6(660) - (78)(50)}{\sqrt{(6(932) - (78)^2)(6(438) - (50)^2}}$$

$$r = \frac{3960 - 3900}{\sqrt{(5592 - 6084)(2628 - 2500)}}$$

$$r = \frac{60}{}$$

$$\sqrt{(-492)(128)}$$

$$r = \frac{60}{\sqrt{62976}}$$

$$r = \frac{60}{250.950}$$

$$= \underline{0.239}$$

$$t = r\sqrt{\frac{n-1}{1-r^2}}$$

$$t = \frac{4}{1-(0.239)^2}$$

$$t = \frac{4}{0.942879}$$

$$t = \underline{4.242}$$

t – Calculated is 4.242 and at degree of freedom of 4 and at 0.05 level of significance, the t-critical is 2.77. This therefore concluded that market place opportunities has significant relationship with repeat purchase.

Table 3: Showing the Relationship between Competitor Threats and Referral

S/No	Employees(x)	Management (y)	XY	X^2	Y^2
1	20	10	200	400	100
2	18	7	126	224	49
3	8	8	64	64	64
4	12	10	120	144	100
5	10	5	50	100	25
6	10	10	100	100	100
Total	**78**	**50**	**600**	**9327**	**438**

Source: Survey Data, 2016

$$r = \frac{N\sum xy - \sum x\sum y}{\sqrt{(N\sum x^2 - (\sum x)^2 (N\sum y^2 - (\sum y)^2)}}$$

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