



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**DETERMINANTS OF CUSTOMER RETENTION: THE CASE OF
CAPITAL HOTEL AND SPA ADDIS ABABA**

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**DETERMINANTS OF CUSTOMER RETENTION: THE CASE OF CAPITAL HOTEL
AND SPA ADDIS ABABA**

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ABSTRACT

Now a day, customer retention has been the choice of many companies owing the fact that, it generates more profit by reducing the cost incurred in acquiring new customers. Moreover, customer retention plays a vital role in increasing customer base. Therefore, effort is required from companies to upgrading customer retention strategies. Hence this study aims at assessing the determinant factors of customer retention in the case of capital hotel and investigates the relationship between service quality, customer satisfaction, customer relationship, customer loyalty and customer trust, with customer retention. A questionnaire survey was used to collect the primary and secondary data and the population of the study comprises of the individuals who are customers as well as booker of the hotel service in Addis Ababa. The sample of 203 respondents were taken using non probability technique and methodologies like correlation, multiple regression and ANOVA are used in the research. The result of correlation analysis shows relationships between customer satisfaction, customer trust, and customer loyalty with customer retention. However the multiple regression result indicates that customer satisfaction, customer trust and customer loyalty have a significant positive effect on customer retention. On the other hand the study reveals the insignificant relationship between quality service and customer relationship.

Key words: Customer retention, quality service, customer satisfaction, customer trust, customer loyalty

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List of Acronyms / Abbreviations

CHS	Capital hotel and Spa
ANOVA	Analysis of Variance
SPSS	Statistical Package for the Social Science

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By Fikrtee G/Mariam

APPROVED BY BOARD OF EXAMINERS

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DECLARATION

I, **Fikrtee G/Mariam**, hereby declare that this thesis titled “Determinants of Customer Retention in the case of capital hotel and spa Addis Ababa, submitted to St. Mary University, School of Graduates Studies, Department of Masters of Business Administration, in partial fulfillment of the requirements for the award of MBA is a record of original and independent research work done by me under the supervision and guidance of Dr. Mesfine Tesfay (PHD). All sources of materials used for the thesis have been duly acknowledged

Name_____

Signature_____

Date_____

ENDORSEMENT

This is to certify that Fikrtee G/Mariam carried out her thesis on the topic entitled “The determinant factors of customer retention: The case of Capital Hotel and spa Addis Ababa” under my supervision. This work is original in nature and is suitable for submission for the award of degree of master in the department of Business Administration.

Advisor

Signature

CHAPTER ONE

INTRODUCTION

In this chapter, an overview of the entire study provided. It includes background information about the study, a problem statement, research questions, objectives of the study, a study hypothesis, the significance of the study, scope of the study, and organization of the study.

1.1 Back Ground of the study

Previously, different scholars and academicians express customer retention in different ways. Jobber (2001) stated that, in the hospitality industry the concept of customer retention was the marketing activity tried to bring in as many new consumers as feasible. This conquest marketing falls short as the hotel sector ages and competition grows more intense. Hotels change their marketing strategy to focus on customer retention rather than consumer acquisition.

Any company's success is heavily reliant on its clients. This is true for hospitality firms; satisfied customers prefer to stay at the same hotel or dine at the same restaurant if they genuinely like it (Shimekit Kelkay Eshetie, Wondoson Seyoum & Seid Hussen Ali, 2016).

In both the hospitality industry and the tourism supply chain, hotels are essential. Hotels are service-based enterprises, and customers are their main source of revenue. Retaining customers is essential to hotels' sustainability. The majority of hotels strive diligently to retain their current customers because occupancy rates are typically low in most nations. (Al-Gharaibah, 2020)

Today, providing excellent products and services is essential to keeping clients; failing to meet these expectations typically results in customers switching to a different service provider. (Cheng et al., 2020).

According to Khan (2013), customer retention is the ultimate goal of every business, and relationship-marketing methods designed to keep customers interested in the brand for a longer length of time. Experts say that, customer retention is crucial because it can be five times more expensive than keep the ones you already have. Additionally, happy customers are fewer prices sensitive, less interested in the antics of competing brands, and more likely to recommend the business to others.

As a result, this study's goal is to examine the variables that affect customer retention in the case of a capital hotel and spa. The study employed five independent factors and one dependent variable. Customer retention is a dependent variable, whereas characteristics like quality service, customer satisfaction, customer relationships, customer trust and customer loyalty trust are independent variables.

1.2 Background of the Organization

The study focuses on the local five star hotels is Capital Hotel &Spa, this hotel has established and joined the hotel industry in 2014 GC, it is located in Haile G/Selassie road, Addis Ababa Ethiopia, next to Bulgarian Embassy. The Hotel situated on 19,383 Sq.m of land. The starting capital was 67,320,000.00 it has 114rooms, 14 multipurpose meeting hall, Spa for men and women, Swimming pool, European Restaurant, Ethiopian traditional restaurant, Bars, Pastry shop, wellness center and Laundry.

The hotel location is convenient to access for business and leisure travelers. Eight minutes' drive from the airport to the hotel, also it has parking lot space for the guests. Capital hotel is an easy access hotel. Moreover, the Hotel offers a 24-hour reception and concierge with check in and check out services. The Dining serves a wide variety of healthy selection buffet. Gallery Bar, Skyline Lounge, City Stop Pastry are the venues to relax after a long day at work.(Company profile 2021).

1.3 Statement of the problems

Customer retention was not previously recognized as an important factor in corporate operations. However, current market trends demonstrate that customer retention is now one of the top priorities for all business enterprises.

Due to growing customer awareness, more competition, rising marketing expenses, changes in distribution channels, and rising marketing costs, customer retention has become crucial. Customer retention has a consistent impact on the company's market share through profit from sales, from saving the operational expense and profit from referral. (Jawaria Fatima Ali, 2010).

The expense of obtaining new clients can be high, and a company's ability to retain its current customers reflects its financial stability. The entrance of new international and local brand hotel to the industry can increase the level of competition that's also create frequency of switching

customers from one hotel to another hotel. This situation create loss of the existing customer due to that the organization faces customer churn.

The cost of investment in new customers is six times higher than investing in previous customer (Raab, 2010).Progress in customer retention initiatives makes revenue growth more cost-effective than customer acquisition. (Artun & Levin, 2015).

Considering the disconfirmation point of view, the researcher identify the gap of the hotel managers suffering with how to effectively make customer retention ,lack of awareness about determinants factors related to the customer retention, increasing the cost of the company due to the customer churn. In addition, the capital hotel managers not focused on the important issues and practices related to the determinant factors regarding to the customer retention. Therefore, the purpose of this study, to draw on previous research and current practice to extract insights and key issues regarding to determinants of customer retention in the case of capital hotel and spa and to propose the better ways for the implementation of customer retention. In addition, the researcher learn that how customer retention is a serious challenge of the hotel.

Accordingly, this study framed to investigate what really affect customer retention in hotel in general and capital hotel in particular.

1.4.Basic Research questions

To address the research gap stated above the research framed the following research questions are:

- To what extent the service quality determine the customer retention the case of CHS ?
- To what level the satisfaction affects the customer retention the case of CHS?
- To what extent the Customer relationship affects the customer retention the case of CHS?
- To what level the trust affects the customer retention in the case of CHS?
- To what level the Loyalty affects the customer retention in the case of CHS?

1.5 Research Objectives

1.5.1 General Objectives

- The General objectives of this study are to analyze the determinant factors of customer retention in the case of Capital hotel and spa.

1.5.2 Specific objectives

- To examine if service quality has positively affect the customer retention in the case of CHS
- To identify if satisfaction is significantly affect the customer retention in the case of CHS
- To investigate how the customer relationship is the determinant factors of customer retention in the case of CHS.
- To examine if loyalty has significantly affect customer retention in the case of CHS.
- To identify if trust has significantly affected the customer retention in the case of CHS.

1.6 Significance of the study

This study has multiple benefits for different parties. The organization (CHS) learns about the determinants factors of customer retention. The study also has a value addition to the hotel in designing its service, strategies, that become customer oriented. This study also helps the hotel to increase its competitiveness, in while maintaining its customers by increasing customer relationship, as well as add up to the existing knowledge related to subject matter. The study is also relevant to other business organization, hotel industries, hotel managers, and staffs to improving their specific areas of performance. The study gives insights to take measurement actions that can increase their services. Researchers and strategists get awareness about the relationship between customer satisfaction, service quality, customer relationship, Loyalty and trust, with customer retention. Finally, the result give further insights about the area. Future researchers and scholars may also use the study findings as a source of reference for further research in the same area.

1.7 Scope of the study

This research covers the issue of determinant factors of customer retention in the case of capital hotel & spa the capital city of Addis Ababa. The study focuses on customers who have specifically used accommodation & conferences services in the hotel.

1.8 Delimitation of the study

Even though there are many hotels in Addis Ababa, this study focused on local five star hotel (Capital hotel and spa, that is located in Addis Ababa) because of time, access, cost and other restrictions the study population limited only in this hotel. Furthermore, this research focused only on the determinant factors related to service quality, customer satisfaction, customer relationship, customer loyalty, and customer trust, which may determine customer retention.

1.9 Organization of the Paper

This paper organized in to five parts. First part introduces the entire thesis, and it covers the background of the study, statement of the research problem, the objectives of the study, significance of the study, scope of the study and organization of the paper. The second chapter focused on the literature review section, which also included some theoretical studies, empirical investigation, and the study's conceptual framework. The research design and methodology described in the third chapter, this chapter includes the study's target population, the sampling procedure, data source, methods and the data processing techniques. Data analysis and interpretation of the study followed on the forth chapter. Finally, chapter five discussed on conclusion and recommendation of the study.

1.10 Definition of terms

Customer Retention: refers to a company's ability to turn customers into repeat buyers and prevent them from switching to a competitor.

Hospitality: The relationship between a guest and a host, wherein the host receives the guest with some amount of goodwill, including the reception and entertainment of guests, visitors, or strangers.

Customer Satisfaction: Customer satisfaction is as a measurement that determines how happy customers are with a company's products, services, and capabilities.

Customer relationship: Customer relations refers to the methods a company uses to engage with its customers and improve the customer experience

Loyalty: is when customers continue to purchase from the same brand repeatedly, despite competitors offering similar products or services.

Trust:

CHAPTER TWO

RELATED LITERATURE REVIEW

This chapter discussed about the theoretical and empirical literature about determinant factors of customer retention i.e., quality service, customer satisfaction, customer relationship, customer trust, and customer loyalty in the case of capital hotel and spa and the conceptual framework of the study.

2.1 Theoretical literature review

2.1.1 Customer retention

Different scholars express customer retention in different ways. According to Aspinall, Nancarrow and Stone, (2001) stated that, if a company is serious about enhancing customer retention, the organization should first define what customer retention means before putting the required strategies in place, business scholars such as Rather, Tehseen, Itoo & Hussain (2019), customer retention is a tactical approach based on consumer behavior. Retention of customers refers to their propensities, identification, dedication, trust, and readiness to persist with a company brand.

Danesh, Nasab, and Ling (2012) as “the future propensity of a customer to remain with the service provider” described customer retention. Payne (2000) stated that, customer retention measured as a proportion of initial customers compared to those who remain customers at the end of the time. In addition, Blattberg (2001) found that, when a consumer continues to purchase the same market product or service from the same seller over an extended period that is customer retention. Other literature defines that customer retention is crucial because it can be five times more expensive to acquire new customers than it is to keep the ones already have. Additionally, happiest customers are fewer prices sensitive, less interested in the antics of competing brands, and more likely to recommend the company business to others. (Ama, 2019).

Several studies mention that, keeping clients is cheaper and easier than finding new ones. When compared to converting a consumer who has never purchased before, selling to an existing customer is at least 40% more likely. Selling to an existing customer has a 60% to 70% chance of success whereas selling to a fresh prospect has a 5% to 20% chance of success (Patel 2018). Experts say that since acquiring new customers could be more expensive than keeping current

ones it is customer retention (Alshurideh, 2014a; Alsurideh, 2016a). Increasing customer retention will boost profits and raise the value of the business (Al-Dmour et al., 2014; Alshurideh, 2019).

2.1.2. Determinants of customer retention

Customer retention influenced by a variety of influencing factors. However, only five of the characteristics explored here in light of the research's goal and its research questions.

2.1.2.1 .Service Quality

According to Kotler & Armstrong (2006), superior service quality is one of the key factors in the hospitality sector's control that can enhance its image and favorably influence to customer retention. As a result, a hotel's ability to stand out from its competitors and keep its customers happy depends on both its image and the quality of its services.

Service quality implies that the excellence of service (David & Baker, 2013). In any industry, the demanding party is the consumer. However, in hospitality industry this demand represents the most crucial subject is service quality. Implementing an effective service quality strategy is a crucial requirement for the hotel industry because service quality is the main constituent in ensuring visitor pleasure (Lucini, 2020). In the hospitality industry, poor service quality will result in disappointed guests. Naturally, this can decrease interest in retention and competitive advantages to the hospitality industry. (Demir, 2020, 2021a, 2021b; Günaydın, 2015).

For hospitality business, service quality and customer loyalty are very important issues (Slack & Singh, 2020). Customers now demand from hospitality companies a particular kind of service that is more in-depth. Customers' ethnicity, nationality, gender, and other characteristics are among the crucial factors in service planning and service quality improvement.

Experts found that the availability of excellent service could boost customer reputation, appeal in new customer through word-of-mouth, enhance success or financial performance, and boost earnings (Beerli, 2004; Alkalha, 2014). On the other hand, it expected to that employee in the service sector, especially those in hospitality businesses, need to respond fast and deliver high-quality service. Successful and innovative employees also enhance the level of service quality. (Pizam, 2016).

Hung, (2020) stated that managers if they create effective strategies for service enhancement and once the changes has properly implemented; the service will attract higher user retention. Additionally, High-quality service delivery will boost reputation, improve customer retention, draw in new prospects through positive word-of-mouth, and ultimately boost revenue for the company. Dastane & Fazlin (2017) found that services quality is crucial to retaining the consumers.

Dimensions of service quality:

Tangibility:

According to Karki (2018) tangibility refers that to organizational equipment, personnel, and physical facilities as well as communication materials. The appearance of the organization's people, equipment, and physical facilities referred to as "tangibility." As a result, restaurants use tangibles to present their image and signal quality to customers (Omar, Arifin and, Ahmad 2016). The hotel industry's tangibility aspect seems to be the latest equipment, well-groomed staffs, physical facilities (Aftab, 2016).

Reliability:

Armstrong (2012) defined that reliability is the capacity to deliver promised services consistently and precisely. The promised service is both considered indicators of reliability. When a business is reliable, it keeps its commitments to customers regarding service delivery, price, and problem solving.

Dependability:

A dedication to addressing consumer expectations for menu item creation, table reservations, and proper pricing is demonstrated (Omar, 2016).

Responsiveness:

According to Johnston, (2006) definition the capacity or willingness to offer a service promptly meant responsiveness. As well as ability to assist customer and provide value. In addition, responsiveness is the willingness of service providers to satisfy consumers' needs while also wanting to help them and supply their services fast (Armstrong, 2012). Responding quickly and consistently to the needs of customers is what responsiveness means (Karki, 2018). Response timely described as the degree to which service providers are willing to provide prompt service and help consumers, with this aspect focusing on promptness and attentiveness to handle customer's inquiries, demands, complaints, and issues (Omar, 2016).

Assurance:

Assurance refers the ability of the staff to express the confidence and trust the business deliver to its customers as well as their knowledge and courtesy. Assurance includes the service provider's proficiency, trustworthiness, security, skill, and credibility. It also refers the ability of personnel to instill confidence and build customers trust in the customer mind (Karki, 2018). When customers feel that the organization's service might use improvement, the assurance skill of the employee to instill confidence in the company will be very crucial (Omar, 2016). Assurance is evident in the service provider as a highly knowledgeable and welcoming staff, and guests express confidence in financial transactions (Aftab et al, 2016).

Empathy:

According to Omar (2016) it is the degree to which a company offers personalized thought and customer care. Karki (2018) found that understanding, accessibility, and communication with clients are all examples of empathy. Empathy is the ability to replicate customer emotions whenever possible through appropriate response (Shaffer, 2008).

2.1.2.2. Customer relationship

Customer relationship management (CRM) focuses on making, managing and expanding the relationship between the company and its customers (Hyun & Perdue, 2017). CRM is part of marketing management in a company. From the marketing perspective, a company expects contribution to the enhancement of customer's behavior and preference which, in turn, influences the depth and strength of the relationship between the company and its customers, which then

enhances customers' lifetime monetary value which, in aggregate, contributes to customer equity and profit of marketing investment (Hyun & Perdue, 2017; Rust, 2004).

CRM is a source to attract the customers, build a strong relationship with suppliers and customers, and successfully retain the relationship for the long-term through satisfaction (Balaji, 2015).

According to Ndubisi (2007), maintaining long-standing, fruitful organizational relationships between service providers and their customer is generally means customer retention. CRM described as a technique used by businesses to manage their business connections with their clients (Navimipour & Soltani, 2016). According to Ashraf (2015), based on the effective and efficient flow of information and the accomplishment of improved value supplied to the customers, the CRM idea is implanted in the management of customer relationships.

Management of customer relationships is essential for hotels. It is the basis for successful hotel marketing since it enables accommodations to better target their advertising and tighter with travelers, groups, and corporate clients. It also helps to identify the customers who consistently use the same hospitality brand. Sales, marketing, and even operations are now able to get a complete picture of the customer because of customer relationship management, which link interactions from all channels to a single user profile. A CRM increases customer happiness and retention by enabling a visitor to switch contact channels without losing the history of prior contacts. CRM also has potential to integrate for retention and monitor how customers viewed on review and social media websites.

Advantages of CRM

The advantages of CRM are immense. It helps organization to retain customers and make a powerful marketing, creates friendly environment and opportunities for cross selling and opens up the possibilities of active introduction of new brands and products. To be able to give these profits, organizations must be able to customize their product offering, optimize price, integrate products, services and deliver the service as promised and demanded by the customer base. Keeping the customer cheerful is obviously one way of ensuring that they stay with organization. Therefore, by organizing overall relationship with customer, companies are able to unlock vigor of their customer base and maximize contribution to their business. After successful implementation of CRM, the following advantages seem reasonable.

- Increased sales volume: Sales increased by spending more time with customers and by knowing their preferences about the products.
- Increased Margin: Increased margin results from knowing customer better, and providing a value product as discounting prices.
- Improved customer happiness: By prompt response and good relationship with company will bring satisfaction among customers.
- Decreased marketing administrative cost: When the relation become better between customer and organization, it should resultant in minimizing the cost and time.

Why CRM is important

A research published in the Harvard Business Review claims that

- In 10 years, a happy customer will refer 100 more people to the business.
- It costs 7 times more to attract a new customer than to serve an old one.
- 20% of the company's loyal customer's account for 80% of its revenue (Pareto's principle).
- Approximately 70% of customers switch brands because they do not like the service or the provider.
- The chances of selling to an existing customer are 1 in 2; the chances of selling to a new customer are 1 in 16.
- On average a customer tells 9 -10 people about problem.

Different dimensions of CRM found in the literature. Khodakarami and Chan (2014) categorized CRM systems into three types:

Collaborative systems: used to manage the communication process between the company and the customer. Collaborative CRM applies technology across organizational boundaries aiming to optimize company, partner and customer value. It is concerned with enabling better customer value delivery within entire value chain by improving cooperation and customer-related data sharing across organizational boundaries. Some vendors have developed own applications for partner relationship management (PRM) for managing complex value chains. In some organizations, collaborative CRM is used to describe information systems designed to enhance communication just internally. (Buttle, 2009).

Analytical systems: used to analysis customer data. Analytical CRM focuses on collecting, processing, interpreting and exploiting of the customer related data for strategic or tactical purposes. It is highly involved with the customer-related data (Buttle, 2009). It enables the value creation to both, the customer and the organization, by capturing, storing, extracting, processing, interpreting and reporting the data. Customer-related data may include information about purchasing history, payment history, credit score, marketing campaign response, loyalty scheme data and service data. In addition to internal data, organizations may gather and analyze demographic and lifestyle data from external sources as well (Buttle, 2009:95).

Operational system. To improve the efficiency of CRM processes. Bahrami (2012) argue that CRM uses customer's data and facilitated by information technology applications.

2.1.2.3. Satisfaction

Omar, (2016) defined that customer satisfaction is their judgment about characteristics of product or services which provide a pleasurable level of consumption associated with fulfillment. According to the literature, customer satisfaction determined by the gap between what the customer expect and what they actually receive (Parawansa, 2018). In addition, the degree to which service performance meets or exceeds the customer's expectations referred to as customer satisfaction in services (Santouridis & Trivellas, 2010). Customer satisfaction measures how well delivered goods and services meet or exceed customers' expectations. (Kotler and Armstrong, 2018). Kotler (2010) noted that since recruiting new customers known to cost more than keeping existing ones, management strategies that prioritize customer satisfaction because it can increase customer retention. Customer satisfaction is the best predictor of a customer's retention to make another transaction in the future (Ross, 2014). Customers who are unhappy with the company's goods or services are less likely to suggest it to friends and family, which may negatively influence sales and may put the company's finances at risk. (Paul, 2011).

2.1.2.4. Customer Loyalty

Numerous organizations observe the migration of some of their unsatisfied customers to other competitor organizations. One important factor considered as critical to cope with this case is customer loyalty. In order to expand customer-supplier connections by keeping switched customers or even by engaging inactive customers, loyalty programs have been extensively explored and employed as one of the primary marketing strategies (Alshurideh, 2016;

Alshurideh,2017; Alshurideh,2014).Consumer experience is crucial for loyalty programs because it affects customer acceptance, interaction, purchasing, and repeat purchasing behavior. The more positively customers perceive the benefits that loyalty programs provide, the higher the customer purchase repetition rate (Alshurideh,2012;Verhoef,2009).The development of a customer's attitudes and behaviors toward using and purchasing a product or service as a result of prior experiences is known as loyalty. (Pacheco, 2017)

The company's services produce a kind of behavioral intention prepared toward the service or the company. These goals referred to as customer loyalty. In other words, customer loyalty conveys an intended response to the product or business. The most commonly used variable to measure customer loyalty has been their intention to repurchase. However, as it mentioned earlier customers may show repurchase intention not because of their real loyalty but lack of another alternative may force them to do so. Many researchers have used service recommendation to other customer as a substitute for customer loyalty.

2.1.2.5. Customer Trust

Customer retention is strongly influence by customer trust (Ranaweera & Prabhu, 2003). Trust defined by Mayer (1995) as "the readiness of a party to be vulnerable to the acts of another party based on the anticipation that the other will perform a certain action significant to the trust or, irrespective of the ability to monitor or control that other party". To keep clients, service providers should consider elements of customer happiness such as customer trust (Hart and Johnson, 1999).

2.2. Empirical Review

Relationship between Service quality and Retention

The key finding of Mukerjee, (2018) indicates that customer service, word-of-mouth, and customer loyalty are essential indicators of several business outcomes. Hotels can get better advantage through differentiating their services from those of their compotators. Poor service quality has demonstrated in the hotel business to result in an average 12% loss of consumers (Keshavarz &Jamshidi, 2018). Nugrohoet.al (2020) found that there is a considerable link between customer retention and service quality. In this study, it has anticipated service excellence had a big impact on customer retention rates.

Unlike this study, previous study done by tsedania (2015), agrees with this finding that service quality has a positive and significant effect on customer retention, which led to customer retention. Similarly Poor service quality has demonstrated in the hotel business to result in an average 12% loss of consumers (Keshavarz & Jamshidi, 2018). Nugrohoet.al (2020) found that there is a considerable link between customer retention and service quality. In this study, it has anticipated service excellence had a big impact on customer retention rates.

Relationship between Customer Satisfaction and Retention

Numerous study findings carried out to examine the link between customer satisfaction and customer retention. Study done by Nam. (2007), found that a 10% improvement in customer satisfaction results in a 7% rise in the lifetime value of a customer. Ranaveer.(2003) demonstrated that even in mass services with little direct interaction with customers, perceptions of customer satisfaction is directly related to customer retention. Havaladar. (2012) found that, businesses that offered exceptional basic customer satisfaction had a greater rate of customer retention (51.08%) than businesses that offered less basic customer satisfaction (33.18%).

Relationship between Customer relationship and Retention

Unlike this study, previous study done by Jha (2008 cited in Wachira and Were, 2016) found customer retention as an ultimate outcome of CRM. Babatunde and Ajayi (2010) found that CRM is positively affects customer profitability

Soliman (2011) indicates that most of the CRM concepts, i.e., process, strategy, philosophy, technology, and ability are ground on the establishment of profitable long-term relationships with customers on the basis of its ability to adopt in a continuous manner to every customer in order to retain him or her.

Relationship between Loyalty and Retention

According to Bolton (2000), loyalty programs aid businesses in keeping customers because those customers are likely to remain faithful to them. Points, discounts, and customer membership are examples of common loyalty programs that offer rewards to patrons who hit particular milestones or spend a certain amount at participating hotels. Loyalty programs tied to technology. Hoteliers use technology-based loyalty schemes.

Reich held (1996) found that delivering consistently excellent customer services create loyalty. A 5% increase in customer loyalty, could result in a 25–80% increase in profit. Additionally, they said that during the course of a commercial relationship, a customer's profitability increases. They discovered that customer loyalty and referrals might account for up to 60% of additional sales to new consumers. According to Rejchheld, loyal customers are generally willing to pay more for a product or service. It follows that any hospitality business can greatly profit from the long-term advantages of a loyal customer base.

Relationship between Trust and Retention

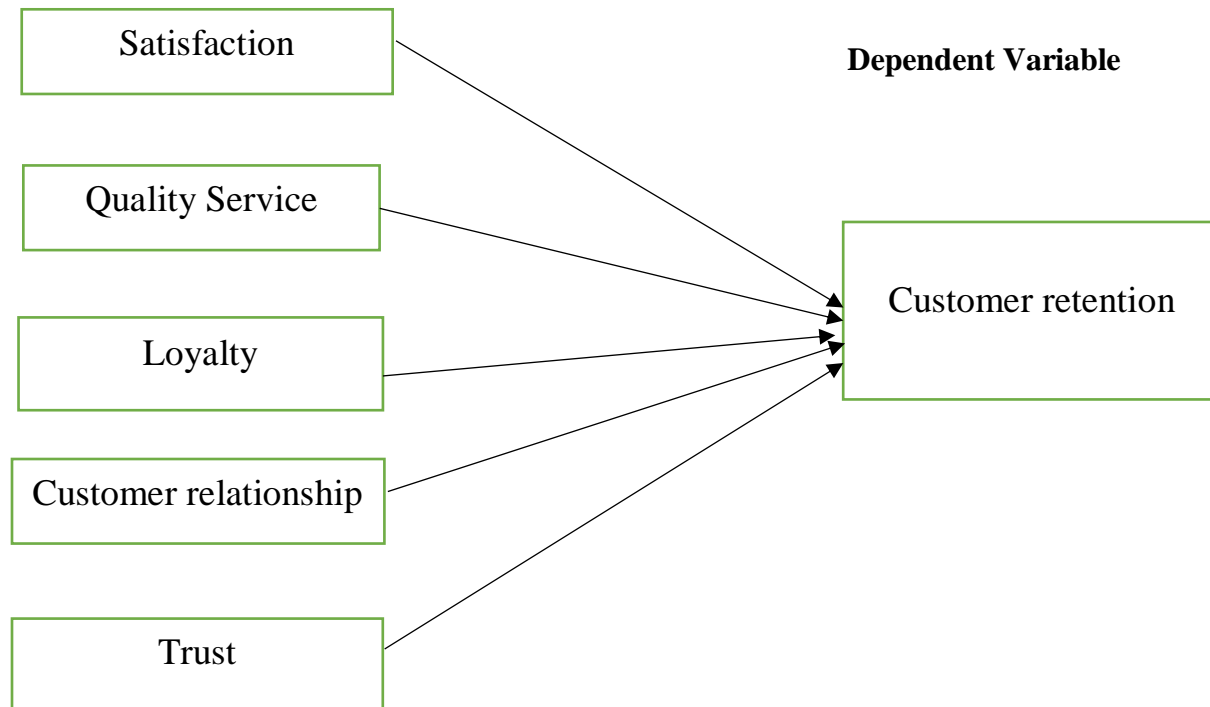
Study done by hanna dagne (2014) shows that customer retention and customer trust are positively correlated. Trust is the most essential factor in determining customer retention, particularly for service businesses, as literature and research reveal. In the insurance industry, this is much more obvious. As might be argued, the transaction made by insurance firms is primarily a promise. Customers will therefore pay a premium because they have trust in the business to save them in the event of difficulty, unforeseen harm, or disaster. This results in the impact of trust's reality on retention. According to Jobber (2007, 903) found that building trust is crucial for customer retention. This is true in particular for service providers because it can be challenging to compare and evaluate services before making a purchase. Isomuotia (2014) found that trust has a significant impact on retention, in this study only 11.4% of the 79 respondents (or 61.2%) who said they trusted the company said they would consider staid there; 88.6% said they would like to retain the service. In contrast, 88% of the 50 respondents (38.8%) who said they lacked trust or confidence in the business do not retain the service, and only 12% say they would like to continue. This finding demonstrates that, among the determining variables, trust has the greatest effect on customer retention.

2.3. Conceptual Framework

This study investigates how the determinant factors affect customer retention in the case of capital hotel and spa. Customer retention is a dependent variable and the independent variables are service quality, customer relationship, customer satisfaction, loyalty, and customer trust.

Shown below is the researcher's conceptual framework.

Independent Variables



Source: From the Literature

2.4. Research Hypothesis

- H.1. Service quality has statistically significant effect on the customer retention
- H.2. Satisfaction has statistically significant effect on the customer retention.
- H.3. Customer relationship has statistically significant effect on the customer retention.
- H.4. Trust has statistically significant effect on the customer retention
- H.5. Loyalty has statistically significant effect on the customer retention

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter will cover the research design and methodology that employ in this study in detail. The study will have several subsections; each section will describe and justify a method or procedure that will use to address a particular research issue. As a result, the chapter will provides a description of specific research design, research approaches, Population, sampling size, sampling techniques, data source, data collection method, data analysis method, reliability, validity and ethical consideration, along with the appropriate justification for each approach.

3.1 Research Design

In order to address the problem statement and to fulfill the research objectives, the design of this study will be explanatory. Explanatory designs look for cause-and-effect connections. The main goal of this research design is to ascertain how events take place and which ones might have an impact on specific outcomes (Hancock, 2021). Explanatory studies characterized by research hypotheses that describe the nature and direction of the relationships between variables, that are dependent and independent variables.

3.2 Research Approach:

In the literatures, three types of research approaches identified, qualitative, quantitative and mixed research approach. This study will carry out using a mixed-methods approach. This approach requires merging quantitative and qualitative research methods. The qualitative data will collect from semi-structured interviews with carefully chosen respondents, in addition, the quantitative data from the survey questionnaire. Mixed research approach will chose since it makes it possible to combine the advantages of qualitative and quantitative methodologies. This technique enables the researcher to triangulate the findings from quantitative and qualitative research methodologies, in addition, to strengthening the study's findings.

This approach is described by Bazely (2003) as the utilization of mixed data (numerical and text) and alternate tools (statistics and analysis). Therefore, the study will employ a mixed method research design to examine the link between two independent and dependent variables.

3.3. Population, Sample Size and Sampling Techniques

3.3.1 Target Population

According to Ferdinand (2014), a population made up of all events in the form of events or individuals with similar traits who draw the researcher's attention. The population includes all of the attributes or characteristics that the persons investigated possess not just the object or subject under study (Sugiyono, 2017). The target population of this study will be the customers who use the hotel accommodation and conference venue services. Both local and international guests will be considered as a part of a population who are over the age of 18 years because they can understand the purpose of the study questions, in addition, they are considered that as an adult.

According to the hotel database on December 2022, there are 502 customers (organizations) recorded. The organizations categorized as below:

- Government organizations:
- NGOS or International organizations:
- Embassies:
- Private organizations:
- Tour organizations:

3.3.2 Sample Size

According to Bhattacharjee (2012), sampling is the statistical process of choosing a subset of an interest population (referred to as a "sample") in order to make observations and draw statistical conclusions about that population. Due to logistical, financial, and time constraints, it is not practical to include all populations. Therefore, this research will calculate its results using Taro Yamane's formula (Yamane, 1967) at a 95% confidence level.

$$n = \frac{N}{1 + N(e)^2}$$

where :

n = sample size

N = population size

e = level of precision or sampling error which is $\pm 5\%$

The calculation below yields a result of approximately 251 Sample size when we replace the target population's size and 5% sampling error.

$$n = \frac{502}{1+502(0.05)^2} = \frac{502}{2} \quad n = \underline{251}$$

3.3.3. Sampling Techniques

This research is conducted using non-probable sampling technique due to the target population's probability of being selected is unknown. From non-probable sampling technique, convenience-sampling technique adopted. Convenience sampling employed in the study because the population was too large and it was impossible to include every individual, and the respondents were included based on their convenient accessibility and proximity to the researcher.

3.3.4. Data Sources

The study employed both primary and secondary data as its source of information. Primary data collected based on structured questionnaire and semi-structured interview. The secondary data collected through reviewing books, previous research works, articles, related journals, and online information available.

3.3.5. Data Collection Method

The questionnaires are containing two parts based on the research objectives. To determine the factors that influence customer retention, five variables taken into account. The 5-point Likert scale used to measure these variables. In order to increase cooperation and ultimately get the highest response rate, the Likert scale approach was preferred to make the questions interesting for respondents (Robinson, 2002).

3.3.6. Data Analysis Method

After the data collection, the data inserted and processed using Statistical Package for Social Science (SPSS) version 2022 for analysis purpose. Descriptive statistics such as frequencies and percentages presented using tables, graphs, and texts. Additionally, inferential analysis conducted by employing different methods. From the inferential statistics, multiple regression and correlation employed as well as different measurement techniques used for model validation.

3.4. Reliability and Validity

3.4.1. Reliability

The Cronbach's Alpha test result depicted for each category ranges between 0.7426 up to 0.8302. That means the questionnaires are a good reliability. If Cronbach's Alpha result is below

than 0.7 the questionnaire showed be rejected (Mohsen, 2004). Thereby, it can be said that it is proved that the questionnaires valid, reliable and ready for evaluation.

Table 3.1 Cronbach's alpha test result from SPSS Software for each variables questionnaires

Items category	Number of items in the scale	Scale reliability coefficient
Quality Service	6	.770
Customer Satisfaction	6	.870
Customer Retention	6	.825
Customer Trust	5	.891
Customer Loyalty	5	.860
Customer retention	4	.889

The result showed in Table 3.2. The Cronbach's alpha of all variables questionnaire score is equals or greater than 0.77. Usually, reliability coefficients should be at least '.70' and the higher is the better. Therefore, the reliability of the response was accepted & assured.

3.4.2. Validity

Validity: is concerned with the extent to which an instrument measures what it is intended to measure. It is the degree to which a researcher instrument or tools serves the purpose of the study, it also relate to the extent of the conclusion drawn from an experiment are true (Hair, 2003)

3.5. Ethical Consideration

According to Soundrs, Lewis and Thornhill (2001), ethics refers to the appropriateness of the researcher behavior in relation to the right of those who become the subject of your work or are affected by it. For this study the respondent will be brief about the research topic in addition the study will consider the voluntary consent of the respondent.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRITATION

This chapter represents the outputs from the analysis of data collected from the respondents. It starts by describing the demographic characteristics of respondents, frequency, and percentage; mean score of variables, standard deviation, then follows the descriptive analysis for the overall customer retention level. At end, analysis of correlation, multiple regressions and one way ANOVA conducted to evaluate the hypothesis.

4.1 Demographic characteristics of the respondent

To make the study more understandable for the readers, the demographic characteristics of the respondent, such as gender, age, educational back ground of the respondent is helpful before beginning the data analysis. The goal of this study's demographic analysis is to summarize the characteristics of the respondents in capital hotel and spa during the study.

Table 4.1 Frequency and percent of the respondents

Gender	Frequency	Percent
Male	133	65.5
Female	70	34.5
Total	203	100.0
Age	Frequency	Percent
Less than 25 years old	5	2.5
25-35 years old	95	46.8
36-50 years old	96	47.3
51years old and above	7	3.4
Total	203	100.0
Educational Level	Frequency	Percent
Diploma	11	5.4
Degree	84	41.4
Master's Degree	106	52.2
Ph. D	2	1.0
Total	203	100.0

Source: Survey result 2023

Table 4.1 result indicated that this research has the following demographic make-up, out of the total participants 133 (65.5%) of the respondents were males and the remaining 70 (34.5%) of the respondents were female customers. These shows the majority of the respondent in this study

were male. In regards to age category, out of the total respondents 5 (2.5%) customers age were less than 25 years old, 95 (46.8%) were between 25-35 years old, 96 (47.3%) were between 36-50 years old , and the remaining 7 (3.4%) were 51 years and above. It shows that 47.3% of the respondent age category between 36-50 years old. Therefore, most of the respondent during this survey were adult group. In regards to educational level of respondent, 11 (5.4%) were diploma level, 84 (41.4%) were degree level, 106 (52.2%) were master's degree level, and the remaining 2 (1.0%) of the respondents were Ph.D. level. This indicates more than 50% percent of the participants were educated. As the study results indicated, among the respondent there were no respondent below the diploma level. This implies the most of the respondent regarding to the education at list they can understand the questionnaires to reply it.

4.2. Descriptive Analysis of study variables

The mean value represents the response of all customers to a specific item. While standard deviation demonstrates the degree of diversity among respondents' responses, a low of standard deviation indicates that respondents' responses reflect a range of opinions, and a high standard deviation indicates that respondents' responses reflect a wide range of opinions. (Zaidatol & Bagheri, 2009)

Table 4.2 mean score and description

Mean Score	Description
(1-1.75)	Strongly Disagreed
(1.76-2.51)	Disagreed
(2.52-3.26)	Neutral
(3.27-4.00)	Agreed
(4.02-5.00)	Strongly agreed

Source: Jamil (1993)

4.2.1 Service Quality

In order to analyze and discuss the service quality related questions respondent were asked to rate their level of agreement with each of the six elements. The Table 4.3 below presents the results of these responses in terms of mean and standard deviation.

Table 4.3 Frequency, percent, mean and standard deviation value for Service Quality

Service Quality	SA	A	N	DA	SDA	Mean	S.Dev
1,The Hotel provide customized service for its customers	59 (29.1%)	125 (61.6%)	18 (8.9%)	1 (0.5%)		4.19	.603
2.When you have a problem the hotel show sincere interest in solving it	49 (24.1%)	117 (57.6%)	31 (15.3%)	3 (1.5%)	3 (1.5%)	4.01	.767
3.The hotel gives quality customer service and attend to customers need/want	50 (24.1%)	124 (61.1%)	24 (11.8%)	3 (1.5%)	2 (1.0%)	4.07	.714
4.Employees of the hotel have adequate knowledge to answer your request	44 (21.7%)	118 (58.1%)	35 (17.7%)	4 (2.0%)	1 (0.5%)	3.99	.721
5.The hotel strive constantly surprise and delight its customer	30 (14.8%)	85 (41.9%)	71 (35.0%)	15 (7.4%)	2 (1.0%)	3.62	.861
6.The Hotel has effective customer recovery strategies including guarantee for service failures	30 (14.8%)	84 (41.4%)	80 (39.4%)	8 (3.9%)	1 (5%)	3.66	.795
Overall mean score value						3.92	.510

Source: Survey result 2023

Table 4.3 result indicated that the service quality of the mean score value of the six items ranges from 3.62 to 4.19. The overall mean score value of all the six items is equal to 3.92. The first item scored the highest means score value, which is 4.19, and the lowest mean score value 3.62. This implies that the overall mean score regarding to the service quality response of the respondent were agreed.

The frequency distribution result also indicated that out of the total customers 29.1% were strongly agreed, 61.6% were agreed, 8.9% were neutral, 5% were disagreed and no respondent were reply on the strongly disagreed that the hotel provide customized service for its customers. That means the majority of the respondents agreed the question toward the hotel provide customized service for its customers.

Concerning the second question on the above variable, out of the total respondents or customers, 24.1% were strongly agree, 57.6% were agree, 15.3% were neutral, 1.5% disagree and 1.5%

were strongly disagreed. This indicated that the majority of respondents agreed toward when the customers face a problem the hotel show sincere interest in solving the problem.

Related to the third item result out of the total respondents, 24.1% were strongly agree, 61.1% were agree, 11.8% were neutral, 1.5% disagree and 1.0% were strongly disagreed. This indicated that the majority of respondents agreed toward the hotel gives quality customer service and attend to customers need/want.

According to the fourth item result out of the total respondents 21.7% strongly agreed, 58.1% were agreed, 17.7% were neutral, 2.0% were disagreed and the remaining 5% of the respondent were strongly disagreed. This indicated that more than half of the respondent agreed about the hotel employees has adequate knowledge to answer the customer requests or questions.

The fifth item result out of the total respondents 14.8% strongly agreed, 41.9% were agreed, 35.0% were neutral, 7.4% were disagreed and the remaining 1.0% of the respondent were strongly disagreed. It implies that majority of the respondent agreed about CHS strive constantly surprise and delight its customers.

The six-item result out of the total respondents 14.8% were strongly agreed, 41.4% were agreed, 39.4% were neutral, 3.9% were disagreed and the remaining 5% of the respondent were strongly disagreed. This indicated that like the previous question result majority of the respondents agreed to wards more than half of the respondent agreed about the Hotel has effective customer recovery strategies including guarantee for service failures.

4.2.2 Customer Satisfaction

Participants were asked to rate their level of agreement with each of the six elements about customer satisfaction in order to analyses and debate the topics. The Table 4.4 below presents the results of these responses in terms of mean and standard deviation.

Table 4.4 Frequency, percent, mean and standard deviation value for customer satisfaction

Customer Satisfaction	SA	A	N	DA	SDA	Mean	S.Dev
1.My experience with the hotel is above my experience	20 (9.9%)	90(44.3%)	64 31.5%)	27 (13.3%)	2 (1.0%)	3.49	.881
2. The hotel gives more benefits to customer	22 (10.8%)	83(40.9%)	74(36.5%)	23 (11.3%)	1 (0.5%)	3.50	.552

than competitors							
3.The hotel is customer friendly	53 (26.1%)	116(57.1%)	23(11.3%)	10 (4.9%)	1 (0.5%)	4.03	.786
4.i am satisfied with the professional competency of the staffs	40 (19.7%)	114(56.2%)	42(20.7%)	5 (2.5%)	2 (1.0%)	3.91	.766
5.The hotel gives more attention to its customers need and want	37 (18.2%)	107(52.7%)	47(23.2%)	11 (5.4%)	1 (0.5%)	3.83	.805
6.i am satisfied with over all service quality offered by the hotel	34 (16.7%)	123(60.6%)	35(17.2%)	10 (4.9%)	1 (0.5%)	3.88	.755
Overall mean score value						3.77	.629

Source: Survey result 2023

Table 4.4 result indicated that the customer satisfaction of the mean score value of the six items ranges from 3.49 to 4.03. The overall mean score value of all the six items is equal to 3.77. The third item scored is the highest mean score value, which is 4.03, and the lowest mean score value is the first item it is 3.62. This implies that the overall mean score regarding to the customer satisfaction response of the respondent were agreed.

The frequency distribution result also indicated that out of the total customers 9.9% were strongly agreed, 44.4% were agreed, 31.5% were neutral, 13.3% were disagreed, and the remaining 1.0% was strongly disagreed. That mean the majority of the respondents agreed the question toward the customer experience with the hotel.

Concerning the second question of customer satisfaction, out of the total respondents or customers, 10.8% were strongly agree, 40.9% were agree, 36.5% were neutral, 11.3% disagree and 5% were strongly disagreed. This indicated that the majority of respondents agreed related to the question hotel gives more benefits to customer than competitors.

When the third item result shows, out of the total respondents, 26.1%% were strongly agree, 57.1% were agree, 11.3% were neutral, 4.9% disagree and the rest 5% were strongly disagreed. This indicated that the majority of respondents agreed toward the hotel are customer friendly.

According to the fourth item result out of the total respondents 19.7% strongly agreed, 56.2% were agreed, 20.7% were neutral, 2.5% were disagreed and the remaining 1.0% of the respondent were strongly disagreed. This indicated that more than half of the respondent agreed and satisfy related to the staffs professionalism and competency.

The fifth item result out of the total respondents 18.2% strongly agreed, 52.7% were agreed, 23.2% were neutral, 5.4% were disagreed and the remaining 5% of the respondent were strongly disagreed. It implies that majority of the respondent agreed about CHS gives more attention to the customers need and want

The last item of the satisfaction question result says, out of the total respondents 16.7% strongly agreed, 60.6% were agreed, 17.2% were neutral, 4.9% were disagreed and the remaining 5% of the respondent were strongly disagreed. This indicated that more than half of the customer agreed about the CHS has effective customer recovery strategies including guarantee for service failures.

4.2.3 Customer relationship

To analyze and discuss customer relationship related questions, the six items were asked the participants to know their degree of agreement toward quality of service. The Table 4.5 below presents the results of these responses in terms of mean and standard deviation.

Table 4.5 Frequency, percent, mean and standard deviation value for customer relationship

Customer relationship	SA	A	N	DA	SDA	Mean	S. Dev
1.The hotel is committed to its relationship with customer	46(22.7%)	111(54.7%)	42(20.7%)	4(2.0%)		3.98	.717
2. I have strong relationship with the hotel	35(17.2%)	72(35.5%)	71(35.0%)	21(10.3%)	4(2.0%)	3.56	.960
3.My relationship with the hotel is very important to me	32(15.8%)	80(39.4%)	74(36.5%)	15(7.4%)	1(0.5%)	3.63	.856
4.The hotel uses technology system to track my opinion and	16(7.9%)	61(30.0%)	94(46.3%)	26(12.8%)	6(3.0%)	3.27	.890

feed back							
5.I plan to continue my relationship with this hotel in future	23(11.3%)	109(53.7%)	63(31.0%)	8(31.9%)		3.72	.713
6.The hotel is willing to invest in maintaining a relationship with the customer in their stay	26(12.8%)	102(50.2%)	69(34.0%)	5(2.5%)	1(0.5%)	3.72	.733
Overall mean score value						3.64	.596

Source: own result

Table 4.5 result indicated that the customer retention of the mean score value of the six items ranges from 3.27 to 3.98. The overall mean score value of all the six items is equal to 3.64. The first item scored is the highest mean score value, which is 3.98, and the lowest mean score value is the fourth item it is 3.27. This implies that the overall mean score regarding to the customer relationship response of the respondent were agreed.

The frequency distribution result also indicated that out of the total respondents or customers, 22.7% were strongly agree, 54.7% were agree, 20.7% were neutral, 2.0% disagree, but no respondent were report on strongly disagreement of the hotel commitment to its relationship with customers. That means the majority of the respondents agreed toward the first question.

Concerning the second question of customer relationship, out of the total respondents or customers, 17.2% were strongly agree, 35.5% were agree, 35.0% were neutral, 10.3% disagree and 2.0% were strongly disagreed. This indicated that the majority of respondents agreed as the hotel have strong relationship with the customers

The third item result shows, out of the total respondents, 15.8%% were strongly agree, 39.4% were agree, 36.5% were neutral, 7.4% disagree and the rest 0.5% were strongly disagreed. This indicated that close to 40% of respondents customers agreed their relationship with the hotel is very important. According to the fourth item result out of the total respondents 7.9% strongly agreed, 30.0% were agreed, 46.3% were neutral, 12.8% were disagreed and the remaining 3.0% of the respondent were strongly disagreed. This indicated that majority of the respondent agreed as the hotel uses technology system to track the customer opinion and feedback.

The fifth item result out of the total respondents 11.3% strongly agreed, 53.7% were agreed, 31.0% were neutral, 3.9% were disagreed and like the first question of customer relationship no one says strongly disagreed in this question too. It implies that majority of the customers agreed to plan and continue their relationship with hotel in the future. The last question result says, out of the total respondents 12.8% strongly agreed, 50.2% were agreed, 34.0% were neutral, 2.5% were disagreed and the remaining 0.5% of the respondent were strongly disagreed. This indicated that almost half of the customer agreed about hotel willingness of investment to maintaining a relationship with the customer in their stay.

4.2.4 Customer Trust

To analyze and discuss customer relationship related questions, the six items were asked the participants to know their degree of agreement toward quality of service. The Table 4.6 below presents the results of these responses in terms of mean and standard deviation.

Table 4.6 Frequency, percent, mean and standard deviation value for customer Trust

Customer Trust	SA	A	N	DA	SDA	Mean	S. Dev
1.The hotel is dependable and consistent to help customers	36(17.7%)	115(56.7%)	44(21.7%)	7(3.4%)	1(0.5%)	3.88	.751
2. The hotel is truthful in keeping its promises and its capable for deliver the service	38(18.7%)	123(60.6%)	32(15.8%)	8(3.9%)	2(1.0%)	3.92	.767
3.The hotel is trustworthy in the hotel industry of the country	44(2.7%)	112(55.2%)	41(20.2%)	4(2.0%)	2(1.0%)	3.95	.766
4.I have great confidence in the hotel	43(21.2%)	109(53.7%)	44(21.7%)	5(2.5%)	2(1.0%)	3.92	.782
5.Over all I trust the hotel	48(23.6%)	117(57.6%)	33(16.3%)	4(2.0%)	1(0.5%)	4.02	.724
Overall mean score value						3.93	.632

Source: Survey result 2023

As we see the result on the Table 4.6, the customer trust of the mean score value of the five items ranges from 3.88 to 4.02. The overall mean score value of all the above items is equal to 3.93. The last item scored is the highest mean score value, which is 4.02, and the lowest mean score value is the first item it is 3.88. This implies that the overall mean score regarding to the customer relationship response of the respondent were agreed.

When we see the frequency distribution results, out of the total customers, 17.7% were strongly agree, 56.7% were agree, 21.7% were neutral, 3.4% disagree, 0.5% were strongly disagreed. That shows us more than half of the respondents showed their opinion agreed toward the hotel is dependable and consistent to help customers.

The second question result shows, out of the total respondents, 18.7% were strongly agree, 60.6% were agree, 15.8% were neutral, 3.9% disagree and the rest 1.0% were strongly disagreed. This indicated that 60% of customers agreed to consider the hotel is truthful in keeping its promises and it's capable for deliver the service.

The third item result shows, out of the total respondents, 2.7% were strongly agree, 55.2% were agree, 20.2% were neutral, 2.0% disagree and the rest 1.0% were strongly disagreed. This result show that more than 50% of respondents agree about the hotel trustworthiness in the hotel industry and the country too.

The fourth question result shows, out of the total respondents, 21.2% were strongly agree, 53.7% were agree, 21.7% were neutral, 2.5% disagree and the rest 1.0% were strongly disagreed. This indicated that majority of the customer have a great confidence about the hotel.

According to the fifth question result, out of the total respondents, 23.6% were strongly agree, 57.6% were agree, 16.3% were neutral, 2.0% disagree and the rest 0.5% were strongly disagreed. The result implies that almost 58% of customers agreed, as they trust the hotel.

4.2.5 Customer Loyalty

To analyze and discuss customer loyalty related questions, five items was asked the respondent to know their degree of agreement toward customer loyalty. The Table 4.7 below presents the results of these responses in terms of mean and standard deviation.

Table 4.7 Frequency, percent, mean and standard deviation value for customer Loyalty

Customer Loyalty	SA	A	N	DA	SDA	Mean	S. Dev
1.I believe the service is superior than competitors	22(10.8%)	85(41.9%)	64(31.5%)	30(14.8%)	2(1.0)	3.47	.908
2. The hotel have loyalty card for frequent customers	18(8.9%)	74(36.5%)	80(39.4%)	28(13.8%)	3(1.5%)	3.37	.883
3.I am loyal to the hotel service	22(10.8%)	108(53.2%)	58(28.6%)	13(6.4%)	2(1.0%)	3.67	.794
4.I will consider myself as a loyal customer of this hotel	19(9.4%)	98(48.3%)	66(32.5%)	17(8.4%)	3(1.5%)	3.56	.833
5.I will be a member of loyalty program	27(13.3%)	73(36.0%)	74(36.5%)	23(11.3%)	6(3.0%)	3.45	.960
Overall mean score value						3.50	.702

Source: Survey result 2023

As we see the result on the Table 4.7, the customer loyalty of the mean score value of the five items ranges from 3.37 to 3.67. The overall mean score value of all the above items is equal to 3.50. The third item scored is the highest mean score value, which is 3.67, and the lowest mean score value is the second item it is 3.37. This implies that the overall mean score value results show agreed related to the customer loyalty response of the respondent.

When we see the frequency distribution results, out of the total customers, 10.8% were strongly agree, 41.9% were agree, 31.5% were neutral, 14.8% disagree, 1.0% were strongly disagreed. That shows us more than 40% of the respondents showed their opinion agreed toward the first question

The second question result shows, out of the total respondents, 8.9% were strongly agree, 36.5% were agree, 39.4% were neutral, 13.8% disagree and the rest 1.5% were strongly disagreed. This indicate that majority of the respondent were neutral tendency.

Furthermore, to answer the third question of the study result shows, out of the total respondents, 10.8% were strongly agree, 53.2% were agree, 28.6% were neutral, 6.4% disagree and the rest

1.0% were strongly disagreed. This show that majority of customers agreed, as they are loyal customers for hotel service.

The fourth item of the loyalty question result shows, out of the total respondents, 9.4% were strongly agree, 48.3% were agree, 32.5% were neutral, 8.4% disagree and the rest 1.5% were strongly disagreed. This results show that majority of respondents agree and consider themselves as they are loyal customer of the hotel

The fifth item of the loyalty question result shows, out of the total respondents, 13.3% were strongly agree, 36.0% were agree, 36.5% were neutral, 11.3% disagree and the rest 3.0% were strongly disagreed. This results show that majority of respondents agree to be a member of loyalty program in the CHS.

4.2.6 Customer retention

To analyze and discuss customer loyalty related questions, five items was asked the respondent to know their degree of agreement toward customer loyalty. The Table 4.8 below presents the results of these responses in terms of mean and standard deviation.

Table 4.8 Frequency, percent, mean and standard deviation value for customer Retention

Customer Retention	SA	A	N	DA	SDA	Mean	S. Dev
1.I will recommend this hotel as the best service provider	33(16.3%)	107(52.7%)	49(24.1%)	11(5.4%)	3(1.5%)	3.77	.839
2.This hotel is my first choice	30(14.8%)	67(3.0%)	76(37.4%)	25(12.3%)	5(2.5%)	3.45	.971
3. I will recommended this hotel to my friends, colloques and relatives.	43(2.2%)	94(46.3%)	50(24.6%)	15(7.4%)	1(0.5%)	3.80	.873
4.If I had to decide, I would choose this hotel again	37(18.2%)	107(52.7%)	48(23.6%)	9(4.4%)	2(1.0%)	3.83	.811
Overall mean score value						3.71	.758

Source: Survey result 2023

Table 4.8 result indicated that the customer retention of the mean score value of the four items ranges from 3.45 to 3.83. The overall mean score value of all the four items is equal to 3.71. The last item scored is the highest mean score value, which is 3.83, and the lowest mean score value is the fourth item it is 3.77. This implies that the overall mean score regarding to the customer retention response of the respondent were agreed. The frequency distribution result also indicated that out of the total respondents or customers, 16.3% were strongly agree, 52.7% were agree, 24.1% were neutral, 5.4% disagree, the remaining 1.5% were strongly disagreed. That means the majority of the respondents agreed toward the first question. Concerning the second question of customer retention, out of the total respondents or customers, 14.8% were strongly agree, 33.0% were agree, 34.4% were neutral, 12.3% disagree and 2.5% were strongly disagreed. This indicated that the majority of respondents were neutral.

The third item result shows, out of the total respondents, 2.2% were strongly agree, 46.3% were agree, 24.6% were neutral, 7.4% disagree and the rest 0.5% were strongly disagreed. This indicated that more than 45% of respondents customers agreed to recommend the hotel to their friends, colleagues and relatives. The study result evidence that, out of the total respondents 18.2% strongly agreed, 52.7% were agreed, 23.6% were neutral, 4.4% were disagreed and the remaining 1.0% of the respondent were strongly disagreed. It indicated that more than half of the respondents agreed to choose the hotel again.

4.4. Inferential Analysis

4.4.1. Correlation Analysis

Correlation coefficients used to measure how strong a relationship is between two variables. To know whether variables have strong, weak or no relationship, also if the relationship is invert or the same, we see the value of the coefficient and the sign respectively. In general, when the correlation is 1 or -1, a perfectly linear positive or negative relationship exists; when the correlation is 0, there is no relationship between the two sets of data (Vignaswaran, 2005). Selam 2021.

Correlation value of coefficient

Value of coefficient	Relation between variables
0.70-0.90	Very strong association
0.50-0.69	Substantial association
0.30-0.49	Moderate association
0.10- 0.29	Low association
0.01-0.09	Negligible association

Source: Alwadael (2010)

Table 4.9 Correlation matrix of all variables with customer retention

		Correlations ^b					
		Customer Retention	Service Quality	Customer Satisfaction	Customer Relation	Customer Trust	Loyalty
Customer Retention	Pearson Correlation	1					
	Sig. (2-tailed)						
Service Quality	Pearson Correlation	.514**	1				
	Sig. (2-tailed)	.000					
Customer Satisfaction	Pearson Correlation	.689**	.650**	1			
	Sig. (2-tailed)	.000	.000				
Customer Relation	Pearson Correlation	.592**	.395**	.558**	1		
	Sig. (2-tailed)	.000	.000	.000			
Customer Trust	Pearson Correlation	.637**	.525**	.566**	.553**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
Loyalty	Pearson Correlation	.650**	.368**	.492**	.584**	.507**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	

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

b. Listwise N=203

As we see from Table 4.9 of correlation matrix of customer retention, all the independent variables have a positive and significant relationship with customer retention at 0.01 significant level. Therefore, the interpretations is each independent variables have substantial relationship with customer retention, service quality ($r=.514, p=0.00$), customer satisfaction ($r=.689, p=0.00$), customer relationship ($r=.592, p=0.00$), customer trust ($r=.637, p=0.00$) and customer loyalty ($r=.525, p=0.00$).

4.4.2. Regression Analysis

4.4.2.1. Assumptions of Test: There are five assumptions tests of linearity, Multi-collinearity, homoscedasticity, autocorrelation, and normality conducted and discussed below

Multi-collinearity Test

There are two methods for detecting multi-collinearity. The first is to look at the relationships between the variables. If we observe a low correlation coefficient, less than .80 or .90, we do not have an issue with multi-collinearity. Tolerance and variance inflation factor (VIF) are the second alternative methods for determining multi-collinearity. Tolerance is a measure of how much of the variability of the given independent variable not explained by the other independent variables in the model and is determined for each variable using the formula $1-R^2$. If this number is very little (less than .10), it shows that the multiple correlation with other variables is substantial, implying multi-collinearity. The VIF (Variance inflation factor) value is just the inverse of the tolerance value (1 divided by Tolerance). VIF values more than 10 would be a cause for worry in this case, indicating multi-collinearity. Tolerance values less than .10 or VIF values more than 10 are often used cut-off thresholds for identifying the presence of multi-collinearity (Pallant, 2005).

Table 4.10 Multi-collinearity test result

Coefficients			
Model		Collinearity Statistics	
		Tolerance	VIF
	(Constant)		
	Quality Service	.540	1.850

1	Customer Satisfaction	.443	2.255
	Customer relationship	.528	1.895
	Customer Trust	.540	1.851
	Customer Loyalty	.594	1.684
a. Dependent Variable: Customer Retention			

Source: Survey result 2023

As we can see the above Table 4.10 the tolerance values for the variables are greater than 0.1 and all VIF values are less than 10 . Thus we can conclude that there is no multi-co-linearity problem so that we can run regression model

Normality Test :

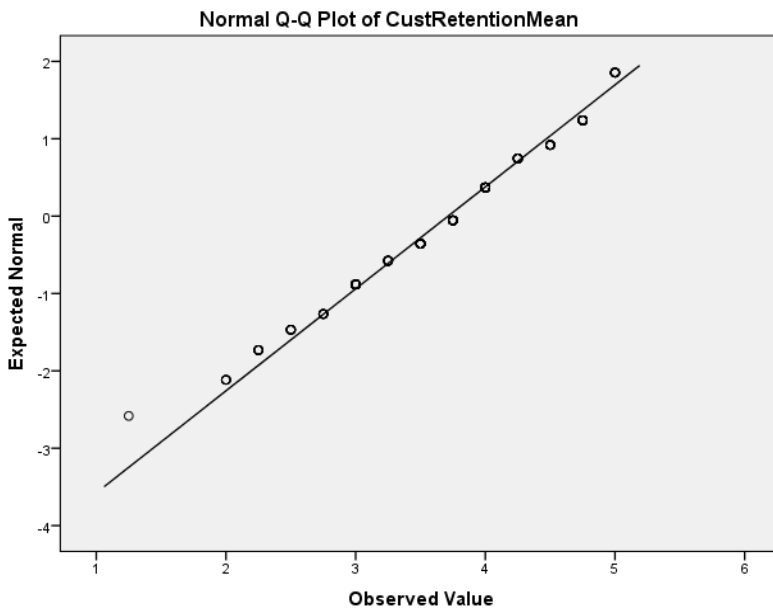
Table 4.11 Skewness & Kurtosis test Table

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Customer Retention	203	-.321	.171	-.190	.340
Valid N (listwise)	203				

Source: Survey result 2023

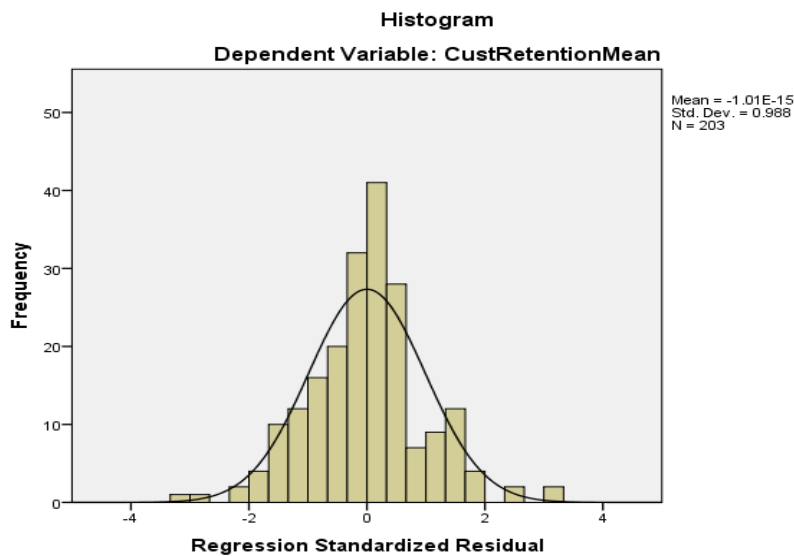
Linearity Test: Multiple linear regression model assumptions assume there is a linear relationship between the independent variables and the dependent variables. The linearity assumption of multiple linear regressions, when plotted in a scatterplot, the data will fall in straight line or in a cluster that is relatively straight. As shown on the above figures, it shows that there is a relatively

Test of Linearity -Q Plot Figure 4.1



Source: Survey result 2023

Figure 4.2 Histogram

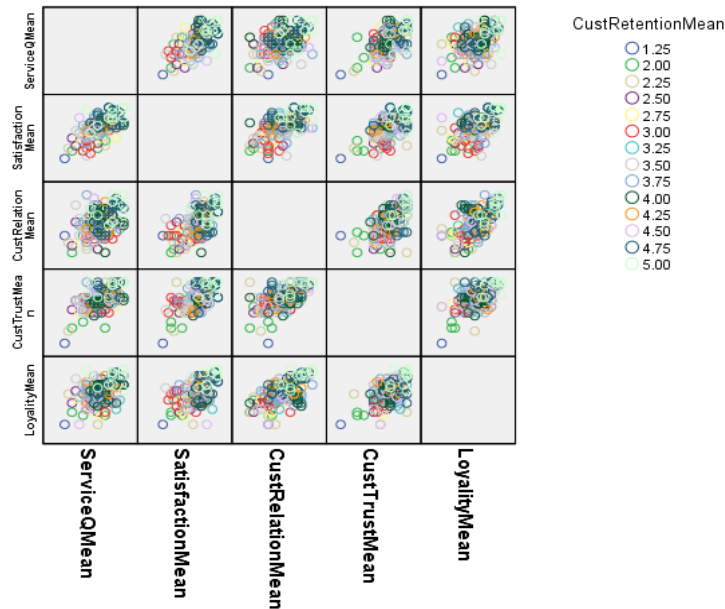


Source: Survey result 2023

Test of Homoscedasticity: Homoscedasticity refers to the distribution of the residuals or error terms. If this assumption holds then the error terms have constant variance. To check this assumption, plotting the residuals against the explanatory variables is a useful method for

visually checking whether the residuals are homoscedastic. The scatter plot should look like random noise meaning no patterns should be visible (Field, 2017).

Figure 4.3 Scatter Plot



Source: Survey result 2023

4.5. **Multiple Regression Analysis:** Cohen (1988), Multiple regression is a technique that may use to investigate the connection between a single continuous dependent variable and a number of independent variables or predictors (typically continuous). Multiple regression based on correlation, but it allows for a more complex examination of the interrelationships between groups of variables. Therefore, the researcher used to explore between dependent (customer retention) and independent variables such as, service quality, customer relationship, customer satisfaction, and customer trust and customer loyalty in CHS.

Table 4.13 Model Summary**Model Summary b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.803a	.645	.636	.45771	1.967

Predictors: (Constant), Loyalty, Service quality, Customer Relation, Customer Trust, Satisfaction

b. Dependent Variable: Customer Retention Mean

Source: Survey Result, 2023

The model summary findings in the above Table 4.13 shows that the result of the regression analysis of the independent variables on the dependent variable customer retention has a positive relationship and $R = .803$ implying 80.3% statistically moderate effect. The R Squared is 0.645, this tells us how much of the variance in the dependent variable (customer retention) are explained by the independent variables (quality service, customer satisfaction, customer relationship, customer trust and customer loyalty). This indicated that our model (independent variables) explains 64.5% of the variance in customer retention (dependent variable). The remaining 35.5% explained by other variables outside of this model. The adjusted R Square gives us some idea considering only those independent variables, which actually have an effect on the performance of the model.

Table 4.14 ANOVA Table**ANOVA a**

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	74.951	5	14.990	71.551	.000b
	Residual	41.272	197	.210		
	Total	116.223	202			

a. Dependent Variable: Customer Retention Mean

b. Predictors: (Constant), Loyalty, Service quality, Customer Relation, Customer Trust, Satisfaction

Source: Survey result 2023

As shown the above Table 4.13 Analysis of variance (ANOVA) indicates the results that there is a relationship between the independent and the dependent variable. The predictive ability of the model is significant at $F = 71.551$ and $p = .000$, which is less than the level of significance $\alpha = .05$. This suggests that the predictors' combined impact on customer retention is statistically significant.

Table 4.15 Coefficient Table

Coefficients a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.620	.276		-2.249	.026		
	Service Quality	.034	.086	.023	.392	.695	.540	1.850
	Cust Satisfaction	.420	.077	.349	5.474	.000	.443	2.255
	Cust Relation	.108	.074	.085	1.454	.148	.528	1.895
	Cust Trust	.270	.069	.225	3.904	.000	.540	1.851
	Loyalty	.330	.059	.306	5.550	.000	.594	1.684

Dependent Variable: Customer Retention

Source: Survey result 2023

4.6. Hypothesis Testing

The above Table 4.15 shows the hypothesis test result of the independent variables on the dependent variable.

Hypothesis one: Service quality has statistically significant effects on customer retention:

According to the coefficient results in Table 4.15, the first hypothesis reveals that service quality statistically has a positive but no effect on customer retention where $\text{Beta} = .023$ and $p = .695$, which is greater than the alpha value of $\alpha = .05$. It implies that service quality has no statistically significant effect on customer retention at CHS. Therefore, the Researcher accepts the null hypothesis.

Hypothesis Two: Customer satisfaction has statistically significant effects on customer retention

According to the coefficient results shown in Table 4.15 above, the second hypothesis of the study suggests that customer satisfaction has a positive and significant effect on Employee Retention with $Beta=.349$ and $p=.000$, which is less than the alpha value of .05. It means the level of confidence is 98.1%. It implies that customer satisfaction has a positive and statistically significant effect on customer Retention at CHD. This meant that in CHS, if the customer were satisfied by the service of CHS, the customers will stay longer. Therefore, the alternative hypothesis is accepted.

Hypothesis Three: Customer relationship has statistically significant effects on customer retention

According to the coefficient results in Table 4.15, the third hypothesis reveals that customer relationship statistically has a positive but no effect on customer retention where $Beta=.085$ and $p=.148$, which is greater than the alpha value of .05. It implies that customer relationship has no statistically significant effect on customer retention at CHS. Therefore, the Researcher accepts the null hypothesis.

Hypothesis Four: Customer trust has statistically significant effects on customer retention

According to the coefficient results shown in Table 4.15 above, the fourth hypothesis of the study suggests that customer trust has a positive and significant effect on customer Retention with $Beta=.225$ and $p=.000$, which is less than the alpha value of .05. It means the level of confidence is 98.1%. It implies that customer trust has a positive and statistically significant effect on customer Retention at CHD. This meant that in CHS, if the customer trusts the CHS or if the service of the hotel trustworthy in the customer mind, the customers will continue to use the hotel service. Therefore, the alternative hypothesis is accepted.

Hypothesis Five: Customer Loyalty has statistically significant effects on customer retention

According to the coefficient results shown in Table 4.15 above, the fifth hypothesis of the study suggests that customer loyalty has a positive and significant effect on customer Retention with $Beta=.306$ and $p=.000$, which is less than the alpha value of .05. It means the level of confidence is 98.1%. It implies that customer loyalty has a positive and statistically significant effect on

customer Retention at CHD. This meant that in CHS, if the customers are loyal for the CHS service, the customers will stay longer. Therefore, the alternative hypothesis is accepted.

Table 4.16 Hypothesis Testing

Hypothesis	Result	Reason
H1: Service quality has statistically significant effect on the customer retention	Un supported	$\beta=.034$, $P>0.05$
H2: Satisfaction has statistically significant effect on the customer retention	Supported	$\beta=.420$, $P<0.05$
H3: Customer relationship has statistically significant effect on the customer retention	Un supported	$\beta=.108$, $P>0.05$
H4: Trust has statistically significant effect on the customer retention	Supported	$\beta=.27$, $P<0.05$
H5: Loyalty has statistically significant effect on the customer retention	Supported	$\beta=.330$, $P<0.05$

Source: own result

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter focuses on the summary of study findings, conclusions and recommendations based on the analysis and major findings of the previous chapter.

5.1 Summary of Major findings

The background information of respondents result indicated that the majority of the respondents are male (65.5%), educational level – degree holders (52.2%), the age category between 36-50 (47.3%). The descriptive analysis result shows that all the independent variables reside within the range of 3.5-3.93 mean score. According to the sample respondents, the customer retention level of CHS is in a strong range of agreement regarding to quality service, customer satisfaction, customer relationships, customer trust and customer loyalty. Customer trust scored grand mean of (3.93) which indicates that respondents agree that the capital hotel and spa service as it is dependable and consistent to help customer, truthfulness, create confidence in the customer mind and keeping its promised service for the customers.

Pearson correlation analysis also reveals that the all independent variables (quality service, customer satisfaction, customer relationship, customer trust and loyalty) has significant and positive relationship with customer retention. Among the significant variables, customer satisfaction ($r=0.689$, $p=0.00$) has very strong relationship with customer retention at 5% significant level.

The study findings also indicated that customer satisfaction is the strongest predictor or the most significant effect on customer retention because it has the highest Beta coefficient result ($\beta = 0.420$; $p=0.00$). The Beta Coefficient result of 0.420 signifies that for a 1 unit increase in the independent variable which is (customer satisfaction), the dependent variable (customer retention) will increase by 0.420 units making other predictors constant to zero. It is obvious from result that customer satisfaction is a crucial factor that affects customer retention in the case hotel.

The study's result also indicated that, if all other independent variables are set to zero, an increment in service quality will increase customer retention by 0.34 units, an increment in customer satisfaction will increase customer retention by 0.420 units, an increment in customer relationships will increase customer retention by 0.1 units, an increment in customer trust will

increase customer retention by 0.27 units, an increment in customer loyalty will increase customer retention by 0.33 units.

Finally one way ANOVA was conducted to check whether there is difference between groups and the result proves the of significant difference between variables in their factor evaluation.

5.2 Conclusion

This study initiated to investigate the determinant factors of customer retention on the case of capital hotel Addis Ababa. In this study, five factors (service quality, customer satisfaction, customer relationship, trust and loyalty) were assumed determinant factors on customer retention in the CHS.

The correlation result also prevailed that there is a correlation between the independent (quality service, customer satisfaction, customer relationship, customer trust and customer loyalty) and the dependent variable which is customer retention.

Regression analysis was then made and it came to show that the most determinant factors of the customer retention for the hotel is customer satisfaction. Therefore, to maintain and implement of the customer retention the CHS customer satisfaction is the most dominant factors.

5.3 Recommendation

Customer retention management has the potential for delivering various benefits to firms in terms of long-term profitability. Firms also enjoy non-economic benefits from enhanced customer trust, loyalty and cooperation. Now a days, hospitality industry are facing a real challenge in keeping costs down while attracting new customers. As a result the need for retaining existing customers rises however due to heightened competition and increasing number of new entrants in the industry with a quality service delivery it becomes difficult. As a result checking the reason behind customer retention is worth investigating.

The finding of this research reveals the importance of customer satisfaction, customer trust and customer loyalty in influencing the level of customer retention in the cased hotel. Based on the finding the following possible recommendations can help hotels to make their strategies towards retaining customers.

- CHS must design strategies to keep the existing customers until the customer will be loyal for the hotel.
- CHS should focus more on customer complaints, customer expectations, and personalized service to raise service quality and address customer needs.
- In order to keep customers, management needs to give employees ongoing training regarding to customer retention and related topics.
- Empowering staff to make decisions and address customer's inquiries for the goal of keeping them.
- Hotels are customer-focused businesses, therefore management should hire qualified, passionate staffs that are able to interact with customers and effectively address customer complaints and other concerns.
- CHS Management need to create a campaign about the importance of customer retention and all factors related to issues.
- The staffs must be aware about that keeping an existing customer than to acquire a new one.
- The hotel needs to invest for research and development to monitor the customer's satisfaction level.
- Utilizing contemporary technology to decrease the issues of customer complaints and increase customer relationship, serving quality, customer loyalty and trust.
- The employees must understand the cost of bring new customers is very high than keeping the existing customer.

5.4. Limitation and Implication

The main drawbacks of this study, time, lack of availability and inaccessibility of primary and secondary sources of data. Due to the fact that the majority of the customers were unwilling to participate in the study and complete the questionnaires, gathering data is also a significant challenge. In addition, the results of this study may not apply to other regions of the nation given that the survey only included one hotel in Addis Abeba, the capital city.

Therefore, this study only gives a little sight of the current situation. Regard to this issue and further study require in the future, a better in depth study needs to be undertaken on this topic by expanding the area coverage beyond the hotel. Besides this to capture the whole picture of the issue, other hotel be included in the study. Future research shall also be conducted by exploring other variables which might have a higher potential in explaining the variation in customer retention.

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APPENDIX:

QUESTIONNAIRE

Dear Respondent

I am a student of St. Marry University, School of Graduate Studies undertaking Master of Business administration. As partial fulfillment of my study, I am conducting a research project Titled "Determinants of customer retention in **CAPITAL HOTEL AND SPA** as a case study. You are invited to take part in this research by filling the attached questionnaire honestly. I would like to assure the confidentiality of this study because it is only used for academic purpose and all respondents will remain anonymous to safeguard their privacy. Your responses will make the paper interesting and its results will be significantly important. I would like to thank you in advance for the time you are willing to devote to fill out this questionnaire.

Feel free to contact me if you have any question by the following address

Resercher : Fikrtee G/Mariam

Mobile Number : 0911438992

Email address: fgebremar@gmail.com

Thank you in advance

PART I: Personal Information

Please circle the letter of your choice from the alternatives.

1. Gender A. Male B. Female
2. Age A. Less than 25 years old B. 25-35 years old C. 36-50 years old
 D. 51years old
3. Education Background: (choose more than one if necessary).
 A. Below diploma B. Diploma C. Degree
 D. Master's Degree E. PHD

Part II: Study Variables

Please indicate the extent of your level of agreement and disagreement with the following statement.

Please tick (✓) your appropriate answer based on the following rating. There is no right or wrong answers.

5. Strongly Agree (SA) 4. Agree (A) 3. Neutral (N) 2. Disagree (D) 1. Strongly Disagree (SD)

Please, tick (✓) only one option

S/N	Item	SA	A	N	D	SD
Service quality						
1.	The hotel provide customized service to its customers					
2.	When you have a problem, the hotel shows sincere interest in solving it.					
3.	The Hotel gives quality customer service and attends to customers need/problems					
4.	Employees of the hotel have adequate knowledge to answer your request					
5.	The hotel strive constantly surprise and delight its customers					
6.	The hotel has effective customer recovery strategies including guarantees for service failures					
Satisfaction						
7.	My experience with the hotel is above my expectation					
8.	The hotel gives more benefits to customer than competitors					
9.	The hotel is customer friendly					
10.	I am satisfied with the professional competence of the staffs					

11.	The hotel gives more attention to its customers need and want					
12.	I am satisfied with the overall service quality offered by the hotel					
Customer relationship						
13.	The hotel is committed to its relationships with customers					
14.	I have strong relationship with the hotel					
15.	My relationship with the hotel is very important to me					
16.	The hotel uses technology system to track my opinion and feedback					
17.	I plan to continue my relationship with this hotel in future					
18.	The hotel is willing to invest in maintaining a relationship with the customer in their stay					
Customer Trust						
19.	The Hotel is dependable and consistent to help customers.					
20.	The Hotel is truthful in keeping its promises and is capable for deliver the service.					
21.	The Hotel is trustworthy in the hotel industry of the country.					
22.	I have great confidence in the hotel.					
23.	Overall, I trust the hotel					
Loyalty						

24.	I believe the service is superior than competitors					
25.	The hotel have loyalty card for frequent customers					
26.	I am loyal to the hotel service.					
27.	I will consider myself as a loyal customer of this hotel					
28.	I will be a member of loyalty program					
Customer retention						
29.	I would recommend this hotel as the best service provider					
30.	This hotel is my first choice					
31.	I will recommend this hotel to my friend, colleagues and relatives.					
32.	If I had to decide ,I would choose this hotel again					
33.						

34. What is your relationship with this hotel? Please explain

35. What do you suggest the hotel to increase customer loyalty?

36. What do you suggest the hotel to increase customer satisfaction?

Thank you for your cooperation