

CUSTOMER RETENTION: A THEORETICAL PERSPECTIVE OF SERVICE FAILURE AND SERVICE RECOVERY IN THE HOTEL INDUSTRY

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Purpose: The purpose of this paper is to provide a theoretical perspective on customer retention activities associated with service failure management and service recovery as a means to retain customers in the hotel industry – and to improve the competitiveness of a hotel. The research is pursued with the following objectives in mind:

- To determine the customer retention activities involved in the service failure management needed by hotels to retain customers.
- To determine the customer retention activities associated with the service recovery that hotels might perform in order to retain customers.

Design/methodology/approach: Secondary sources such as textbooks, scientific journals, and previous studies on the subject were used to obtain relevant background information. A literature search of secondary sources was conducted to elucidate questions and areas of enquiry that relate to the research.

Findings: The theoretical perspectives on service failure management and service recovery provided in this paper suggest several customer retention activities that might be used by hotels in order to manage service failure and service recovery – and thus become more competitive.

Implications: This paper suggests a number of approaches that hotel managers might take to improve service failure management and service recovery. Such activities could assist a hotel in determining where it is lacking and where to improve its performance in these areas. These activities could provide guidance to managers who are dealing with the day-to-day operations of a hotel. They might help to avoid service failures in the first place, and, secondly, to give ideas about service recovery if failures *do* occur. On a more strategic level, these activities could also assist managers to develop a general customer retention strategy that incorporates service failure management and service recovery.

Originality/value: Service failure management and service recovery are viewed as ways to retain customers and to improve the competitiveness of hotels. Service failure and service recovery activities are proposed; these might form part of a framework for customer retention management for the hotel industry in Gauteng, South Africa. Such a framework has not been attempted before. The paper discusses the environment in which hotels find themselves, provides a theoretical background to service failure and service recovery, and suggests strategies that could be put in place by hotels in order to retain customers. Managers of private or owner-managed – or of group or branded hotels – could perform these activities and thus improve their effectiveness.

Key words and phrases: customer retention, service failure management, service recovery, hotels.

INTRODUCTION

The effects of globalisation, local economic conditions, developments in the service, tourism and hotel industries, as well as increasing competitive pressure, have lead to changes in the operating environment of hotels in South Africa (Petzer, 2005:3-14). This requires service organisations such as hotels to put competitive marketing strategies in place to improve competitiveness and retain customers. Customer retention management is one such competitive strategy: service failure management and service recovery are ways in which hotels can retain customers (Kurtz & Clow, 1998:380-381). This paper suggests possible customer retention activities for service failure management and service recovery.

The nature of the hotel industry means that there is a great degree of interaction between guests and employees. Such interaction provides ample opportunity for service failures to occur. Service failures

occur at the point where the service is consumed, and is mainly due to the inseparability of the production and consumption of services in hotels. Hotels are also typified by operations taking place at all hours of the day. Demand for services in a hotel is also variable. These factors all conspire to make the hotel industry highly susceptible to service failures (Lewis & McCann, 2004:6).

When a service failure occurs, an organisation should put strategies in place to 'return customers to a state of satisfaction' (Boshoff & Staude, 2003:9). Griffin (2001:9) and Evans (2002:195) state that organisations should implement a 'win-back' programme to return valuable customers lost to the organisation. An organisation should plan ahead for service recovery. If it is successful with service recovery, this can lead to an elevated level of customer satisfaction (Baron & Harris, 2003:64).

This paper provides a theoretical perspective on customer retention activities associated with service failure management and service recovery. The paper goes on to suggest specific customer retention activities (for both service failure management and service recovery) that a hotel could put in place in order to retain customers.

PURPOSE

The purpose of this paper is to provide a theoretical perspective on customer retention activities associated with service failure management and service recovery – as ways of retaining customers in the hotel industry and of improving the competitiveness of hotels. The paper has the following objectives:

- To determine the customer retention activities associated with *service failure management* that hotels need to put in place in order to retain customers.
- To determine the customer retention activities associated with *service recovery* that hotels could perform – and thus retain customers.

DESIGN/METHODOLOGY/APPROACH

Secondary sources such as textbooks, scientific journals, and previous studies on the subject were used to obtain relevant background information. A literature search of secondary sources was conducted to elucidate questions and areas of enquiry that relate to the research.

LITERATURE REVIEW

This section provides the background of the study, including: the impact of the globalisation of the world economy on South African organisations; the importance and growth of the service sector; the role of tourism in the South African economy; and, finally, the role of hotels in the tourism industry in South Africa. Furthermore, customer retention management as a competitive strategy is discussed in order to illustrate the role of service failure management and service recovery in the efforts of hotels to retain customers.

The Globalisation of the World Economy

Globalisation involves the integration of economies throughout the world through trade, the exchange of technology and information, the flow of money, and the movement of people (Quattara, 1997:1). The more integrated a country's economy becomes with the rest of the world, the more participants in that economy have no option but to engage in global activities (Manning, 1998:1-2).

Two macroeconomic factors contribute meaningfully to globalisation. The first is the decline in trade barriers that hamper the free flow of capital, goods and services. The second is technological progress – particularly in communications, in information dispersal, and in logistics (Erdly & Kesterson-Townes, 2002:12 and Hill, 1997:8).

The globalisation of markets opens opportunities, but it also presents threats to South African

organisations. Dominant international competitors have entered the South African hotel industry. Many well-known international hotel groups now have a presence in the country, and are making the most of opportunities in South Africa (Bennett & Strydom, 2001:51). But it is not only competition that is on the increase: internationally, consumers are demanding more from organisations (Cateora & Graham, 2005:28).

South African organisations cannot escape the globalisation of the world economy. In addition, globalisation is causing the service sector to become increasingly important in the overall economy: the service sector is indeed growing fast as is evident in the following section.

The Importance and Growth of the Service Sector

In most developed countries, around 80 percent of the labour force is employed in the service sector. Service sector industries include both tourism and hospitality services (McColl, Callaghan & Palmer, 1998:43). McColl, Callaghan and Palmer point out that organisations in the service sector have shown steady growth within the economies of many countries. This growth has a positive impact on employment rates, as well as on the gross domestic product of these countries.

The Role of Tourism in the South African Economy

Hall (2005:25) states that tourism can contribute to economic growth and restructuring, to generating employment, and to developing impoverished parts of South Africa. Tourism can also contribute to the South African economy by helping to raise the national income, the level of employment, the balance of payments, and foreign exchange rates. Furthermore, imbalances between rich and poor provinces might also be diminished through a more equitable distribution of gross geographical product and employment (Hall, 2000:25).

In 2003, the tourism industry in South Africa was viewed as the fastest growing in the world (Keppler, 2003:3). It is widely anticipated that the soccer World Cup tournament in 2010 – to be held in South Africa – will lead to even more growth in tourism in the country. It is thought that the growth will be sustained for many years thereafter (Kloppers, 2005:28).

The hospitality industry has also grown at a rapid pace since 2001. This has been driven by demand from business and leisure tourists (Kloppers, 2005:28). The growing number of tourists to South Africa, and the money that they spend, is creating opportunities for organisations – in tourism and industries related to it (Saayman & Olivier, 2005:123).

The Role of the Hotels in the Tourism Industry in South Africa

The South African hotel industry is recognised as one of the most important industries of the South African economy (McManus, 2000:131). In June 2005, there were approximately 48 800 rooms available per night at South African hotels. The occupancy rate for the corresponding period was 55.8 percent (Statistics South Africa, 2005:4).

McManus (2000:131) states that the industry in South Africa is characterised by the presence of many of the world's best-known hotel brands. These include Holiday Inn, Sheraton, and the Hyatt. Local brands such as Sun International, City Lodge, and Protea Hotels and Inns, offer a diverse range of accommodation to tourists in South Africa.

Hotels differ in style and size. Some hotels in South Africa have up to 800 bedrooms. There are also full-service establishments and medium-sized business-class hotels. Some establishments fall in the budget sector. There are, finally, the small country hotels (McManus, 2000:131).

In line with the growth experienced in tourism in South Africa, the hotel industry has experienced rapid growth since 2002. The reasons for this include the fact that South Africa is gradually being perceived as

becoming a safer and better value destination, offering hotels which are of the same standards as overseas competitors (Fredericks, 2002:3).

Total sales from tourist accommodation amounted to R21.3 billion in 2004, up 6 percent from 2003. Hotels accounted for R7.6 billion, or 37 percent of total accommodation sales in South Africa in 2004 (Euromonitor International, 2005).

A study conducted at 6500 hotels worldwide found that hotel room rates in South Africa are among the lowest when compared to those in developed countries. Increases in hotel room rates were also found to be in line with inflation (Jenvey, 2005:22).

It is evident from the discussion above that tourism and industries related to it are growing at a rapid pace. Hotels in South Africa find themselves in a dynamic and competitive environment. The following section addresses the role of customer retention management as a competitive strategy that hotels could use in their efforts to become more competitive.

Customer Retention Management

Kurtz and Clow (1998:380-381;403) suggest that, irrespective of the efforts of service organisations to implement competitive strategies in order to attract customers, and despite their efforts to manage supply, demand, and productivity (with the goal of providing customers with more consistent, higher levels of service), customers do not generally, over time, stay loyal to the same organisation, or return to it. Customers may purchase from a competitor because of better prices or better-quality service. For a service organisation to be successful, it must move past simply satisfying customers: it should build relationships that will result in customer retention (Kurtz & Clow, 1998: 380-381;403). A framework for customer retention management should include relationship marketing efforts, compatibility management, defection management, service failure management, and service recovery efforts (Petzer, 2005:308).

Relationship marketing helps organisations to build stronger relationships with customers. These are the relationships on which enduring long-standing business success depends (Claycomb & Martin, 2001:385;396).

Another important factor in retaining customers is managing customer-to-customer interactions – or *compatibility management* (Kurtz & Clow, 1998:380-381). A service organisation should therefore develop a customer compatibility programme in order to promote upbeat encounters and avoid dissatisfying encounters between customers (Martin, 1996:165).

Service organisations should also develop programmes to *minimise customer defections* (Kurtz & Clow, 1998:380-381). Once customers no longer purchase from the organisation it is unlikely that they will be reclaimed (Colgate, Stewart & Kinsella, 1996:23-24). The following sections discuss in more detail service failure management and service recovery – the focus of the paper.

Service Failure Management

'Service failure' can be defined as the inability to meet the expectations of customers regarding the standard of service delivery (Ahmad, 2002:19 and Palmer, 2001:74;492). From the customer's perspective, service failure refers to any situation where something has gone wrong regarding service received (Palmer, 2001:74;492).

It is inevitable that a service organisation will fail at some point where customers and the producer of services meet each other. This 'inseparability' of a service offering and the service provider – as well as the very intangibility of services – gives rise to service failures (Palmer, 2001:74). The nature of business in the hotel industry involves many interactions between guests and employees. These interactions provide ample opportunity for service failures to occur. Staff who deal with guests play a pivotal role in ensuring the quality of service encounters. Since service failures occur at the point where the service is

consumed, and since these are due mainly to the inseparability of the production and consumption of services, service recovery is unlikely to occur without bothering guests. In addition, hotels are typified by operations that take place at all hours of the day. Demand for services in a hotel is also variable. These factors all conspire to make the hotel industry highly susceptible to service failures (Lewis & McCann, 2004:6).

The best way to prevent service failure is to do things properly from the start – and not to rely on *service recovery* to keep customers loyal (Mattila, 2001:591). Doing things right from the start is achieved through identifying possible failure points in the service delivery process, as well as through exploring methods to prevent these (Cranage, 2004:211). Ahmed (2002:19) holds a similar view: that the possible failure points need to be documented and the service delivery system reviewed and modified in the light of this information.

Service failures can be understood by requesting guests to provide insight into the causes of problems. Other methods are also available to determine the causes of service failure: questioning employees who deal with customers, and simply through observing service processes and encounters (Yen, Gwinner & Su, 2004:20).

In order for a service organisation to deal with the intangibility of services, it should reduce the complexity of the service it provides, assist positive word-of-mouth communications, focus on tangible reminders of the service, and centre on supplying high-quality service. As for ways of dealing with the inseparability of product and perception, the organisation should try to split the production and consumption of a service, manage the dealings between the consumer and provider of the service, and improve service delivery systems (Palmer, 2001:17 and McColl *et al.*, 1998:48-50).

As for possible failure points, Cranage (2004:202) identifies the physical surroundings as a possible source of failure. Hoffman, Kelley and Chung (2003:339-340) identify three main types of service failure points occurring in the physical environment in which hospitality services are delivered: cleanliness issues, mechanical problems, and facility-design issues (listed in order of their frequency of occurrence from highest to lowest). Service failures regarding cleanliness issues typically involve foreign objects in food and bed linen, overall cleanliness problems, bad odours, and insect infestations and problems with animals. Mechanical problems result in the basic service not being available. Such problems include the breakdown of equipment such as toilets, elevators and climate-control systems – amongst other things. Facility design issues involve things like an undesirable view from a room, bedrooms located in noisy areas of the hotel, slippery tiles on the floors, and so forth. Hotel managers should examine the physical environment and facilities in which services are delivered (Cranage, 2004:202). Hoffman *et al.* (2003:333) show that facilities maintenance impacts highly on customer retention, and that sufficient facility maintenance will assist in preventing service failures.

In addition to possible failures related to the physical environment, Cranage (2004:212) identifies several other failure points – as well as preventative action an organisation could take to avoid failures developing there. The reluctance of employees to take responsibility and be accountable for things that *do* go wrong is an important failure point. It is suggested that employees should receive training in this regard, and that they should be empowered to make decisions to address customer complaints (Cranage, 2004:212). Young, Corsun and Shinnar (2004:31) suggest that empowerment of employees is good practice, but a hotel has to take cognisance of the fact that allowing employees (for example) to give a coupon for a drink or meal to a guest waiting to check in might solve *immediate* problems – but will camouflage the deeper problem of why the guest has to wait in the first place.

Poor employee response to service problems is another possible failure point. To prevent problems arising from this, managers should have knowledge about customer contact situations, and be in control of these. Employees should also be trained in how to listen and respond to customer needs (Cranage, 2004:212).

Yet another service failure point is bad communication, or lack of communication, between employees,

and between employees and customers. Employees should be trained to acquire good communication skills. Appropriate lines of communication should be established between employees and management (Cranage, 2004:212).

Service failure also occurs when the service task involves a set of multifaceted activities. It is necessary to analyse multifaceted customer service procedures and tasks: these should then be broken down into more manageable components (Cranage, 2004:212).

This is all very well in theory, but in practice it is very difficult to completely avoid service failure. Several strategies exist, therefore, to reduce inevitable *service failure* (Cranage, 2004:211-212; Wirtz & Mattila, 2004:162; Young *et al.*, 2004:32; Lewis & Spyropoulos, 2001:46 and McCole, 2004:346):

- Organisations should put interviewing methods in place to identify employees with potentially good communication abilities. These employees can be empowered to serve customers in a proactive manner.
- Organisations need to develop training programmes to sensitise employees to communications issues, and to transfer the abovementioned skills to them.
- Front-line employees should be trained to avoid service failures, to listen to customers, and to respond to particular needs.
- Organisational structure could be changed to allow employees to be more responsive.
- Service tasks should be subdivided into less complicated, more manageable tasks.
- Managers should ensure that they have knowledge and control of situations where customers come into contact with employees.
- Customers should be able to make complaints (to front-line staff, or by filling out complaint cards) and to methodically monitor the progress of their complaints.
- Exit interviews with departing customers can be used as a tool to identify problem areas.

Service Recovery

A service recovery effort follows a service failure. When a service failure occurs, an organisation should put strategies in place to 'return customers to a state of satisfaction' (Boshoff & Staude, 2003:9). Griffin (2001:9) and Evans (2002:195) state that organisations should implement a 'win-back' programme to return valuable customers to the organisation. An organisation should plan ahead for service recovery. If an organisation is successful with service recovery, this can lead to an elevated level of customer satisfaction (Baron & Harris, 2003:64). In order to recover from a service failure to the best of its ability, an organisation needs to resolve the situation and eliminate the cause of the customer's dissatisfaction – even if it involves treating the customer in an exceptional way (Lewis & Spyropoulos, 2001:46).

Zhu, Sivakumar and Parasuraman (2004:497) describe the nature of service failure in terms of two constituents. The first involves the question of whether the failure is that of a service *not* being as the customer anticipated it to be, or whether the failure occurred *during* the service delivery process. The second constituent has to do with how gravely the customer views the service failure.

Service failures also differ in terms of their seriousness and the criticality of the service to the customer. Seriousness refers to the extent of the failure and criticality refers to the perceived importance of the particular service to the customer. Depending on the level of service failure, organisations can opt for an apology and/or compensation as a service recovery effort (Cranage, 2004:212-213). For less serious (or low criticality) service failures, an apology and/or compensation can satisfy and even delight the customer. In cases of serious (or high criticality) service failures, an apology and/or compensation can satisfy, but not delight, the customer (Cranage, 2004:213).

Customers who complain are more likely, paradoxically, to return to the organisation in the future – even though their complaint is not handled satisfactorily. Customers who do *not* complain when service delivery fails tend not to return to the organisation. If the service failure is resolved through service recovery, customers will tell more people about the organisation than they would have done if they had

received good service in the first place. The recovery of customers is equal to – if not *more* important than – providing good service initially (Eccles & Durand, 1998:68). According to Stauss (2002:181), service recovery creates ideal conditions to retain customers.

It must also be remembered that the recovery a hotel considers suitable for a typical customer may not be suitable for customers who are 'emotionally bonded', or loyal, to the hotel. For the typical customer, an apology combined with some form of compensation may be adequate; but for the loyal customer this effort may not be enough (Matilla, 2004:144). Matilla (2004:144) is of the opinion that an organisation needs to develop tailored service recovery strategies for such customers; he also holds that a sincere and thorough explanation could reduce the negative effects of a service failure when dealing with a loyal customer.

In a study of loyal customers, Craighead, Karwan and Miller (2004:315-317) found that loyal customers tend to be more upset with less serious problems. When a serious problem occurs, loyal customers tend to be more understanding – provided that an adequate service recovery effort is put in place. It was also found that when a loyal customer experiences less serious problems, the customer attaches less importance to an apology, but expects management to deal with the problem swiftly. For serious (or high criticality) problems, loyal customers expect a sincere apology, just compensation, an offer that adds value, and fast recognition or solutions. All in all, the study indicates that loyal customers expect to be indulged to a much greater extent than customers who are not loyal. The findings are in line with Matilla's view (2004:144) that customers who are 'emotionally bonded' to an organisation have a low tolerance for service failure.

A standardised strategy for service recovery may thus not be suitable to retain customers. The service recovery strategy depends on the particular situation. An organisation could present the customer with a range of service recovery options. Doing this could assist an organisation in not over-compensating a customer who has experienced a service failure (Matilla, 2001:596). It is also suggested that an organisation should clearly consider the customer's perceptions of value – as well as his or her future contribution to the revenue of the organisation – when deciding on a service recovery strategy. Such an approach to service recovery is more useful than an approach which takes into account only the kind of failure in question, and the seriousness of the failure (Zhu *et al.*, 2004:512).

Magnini and Ford (2004:281) consider service failure recovery training as crucial in the hotel industry: it is, after all, impossible to eliminate service failures. A hotel cannot control all of the factors involved in service delivery. Hotels are reliant on employees to deal with guests. Magnini and Ford state, furthermore, that there are five areas which need to be addressed in a service recovery training programme: information processing, emotional reaction, inspiring guest self-assurance, empowerment of employees, and the way in which service failure recovery can positively affect *employee* satisfaction.

A service recovery operation should be put in place (determined by a service recovery strategy) whenever a customer complains (Eccles & Durand, 1998:70-71). According to these authors, such a strategy should consist of the training and proper management of employees to resolve complaints, the empowerment of employees to remain with the complaint from the time it is received until a solution is found, time to savour successful service recovery efforts, as well as communicating 'best practice' to all employees. A study of the hotel industry found that the most common service recovery strategies hotels use include offering coupons, not asking the guest to pay for the room, not responding to the service failure at all, and presenting the customer with a replacement (Hoffman *et al.*, 2003:340).

Boshoff and Staude (2003:11) state that successful service recovery can be achieved through communicating with the customer who has complained, showing empathy, providing feedback on how the service failure is being dealt with, offering an explanation for the service failure, empowering employees to take action when receiving complaints, and ensuring that employees who deal with customers are professional and suitably dressed.

Little and Marandi (2003:156) contend that, in addition to these steps, the organisation should make it

easy for the customer to complain by ensuring that employees are trained to set the customer at ease in the first place. A hotel should also establish a basis for complaints. This can be done by, for example, publishing a customer service quality guarantee, which will give customers the confidence to complain. A recovery strategy should also be put in place as fast as possible – before negative attitudes set in. A stitch in time saves nine, as they say.

FINDINGS

Based upon the theoretical perspective on service failure management and service recovery provided in this paper, several customer retention activities are identified. For *service failure* management, a hotel might employ any of the following measures:

- Identify service failure points or areas where failures occur.
- Determine the reasons why service failures occur.
- Identify employees with potentially good communication skills who might serve guests proactively.
- Develop training programmes to provide employees with good communication skills that will enable guests to be served proactively.
- Adapt the organisational structure of the hotel to reduce service failures.
- Divide the service task into manageable parts that an employee would be able to successfully manage.
- Manage the physical environment as well as the facilities in which services are delivered by focusing on cleanliness, facility design, and the proper functioning of mechanical devices in the service environment.
- Ensure managers are knowledgeable about situations where guests come into contact with employees.
- Control situations where guests come into contact with employees by attempting to ensure employees listen to guests and respond to the particular needs of guests.
- Ensure that customers have places and procedures where they may voice or enter their complaints.
- Monitor the data regarding complaints in a methodical manner and thus enable the identification of important service encounters and possible service failure points.
- Conduct exit interviews with departing guests.

A hotel could employ any of the following *service recovery* measures:

- Put a service recovery process in place to win back guests who have experienced a service failure.
- Vary service recovery strategies according to the seriousness and criticality of the service failure.
- Vary service recovery strategies according to the importance of the individual guest to the hotel. The importance of the guest is measured in terms of the guest's potential contribution to future revenues of the hotel.
- Provide a guest with a choice of service recovery options.
- Clearly consider the customer's perception of value when deciding on a service recovery strategy.
- Put a service failure recovery training programme in place for the hotel.
- Communicate with the guest who has complained or who has experienced a service failure.
- Be empathetic with a guest who has experienced a service failure.
- Provide feedback to guests regarding the progress of rectifying the service failure.
- Offer an explanation to a guest of why a service failure has occurred.
- Empower, support, and involve employees in the process of dealing with a service failure.
- Ensure employees deal with a guest in a professional manner when addressing a service failure.
- Make it easy for guests to complain.
- Establish a basis for complaints by publishing a guarantee of quality customer service.

The customer retention activities suggested here are by no means exhaustive. The lists above simply provide an indication of the sorts of activities suggested in the literature on service failure management and service recovery.

IMPLICATIONS

Hotels in South Africa find themselves in a dynamic and competitive environment that poses several challenges – but also presents opportunities. A hotel that aims at surviving and prospering in the current environment needs to focus on the retention of customers as an important part of its competitive strategy.

When a hotel manages customer retention, it should consider customer retention activities such as those outlined in this article. These measures could assist a hotel in determining where it is lacking and how to improve its customer retention. The abovementioned activities could provide guidance to managers in dealing with the day-to-day operations of a hotel – hopefully helping to avoid service failures in the first place, and showing how to institute service recovery efforts when service failures do occur. On a strategic level, these activities could assist managers to develop a customer retention framework that incorporates service failure management and service recovery.

ORIGINALITY/VALUE

Service failure management and service recovery can be seen as important ways to improve the competitiveness of hotels. Service failure and service recovery activities suggested and might form part of a framework for customer retention management for the hotel industry in Gauteng, South Africa; such a framework has not been attempted before. This paper discusses the environment in which hotels find themselves, provides a theoretical background to service failure and service recovery, and suggests activities that could be put in place by hotels so as to retain customers. Managers of whatever type of hotel – whether private or owner-managed, or group or branded hotels – could perform these activities.

PROPOSALS FOR FUTURE RESEARCH

Customer retention activities associated with service failure management and service recovery could be included in a measurement instrument to determine whether or not hotels consider such activities as being important in retaining customers, and whether or not they do indeed perform these activities.

Through empirical research conducted at hotels, the validity and reliability of such a measurement instrument could be established.

A framework for customer retention management for the hotel industry could also be drawn up. This might include elements such as relationship marketing, compatibility management, customer defection management, service failure management and service recovery.

CONCLUSION

This paper attempts to explain the environment in which South African hotels find themselves. It also highlights the importance of customer retention management in the hotel industry. Service failure management and service recovery are presented as integral parts of successful customer retention management in the hotel industry. Based upon the literature alluded to in this paper, several customer retention activities relating to service failure management and recovery are presented.

Service failure management activities to retain customers range from identifying possible service failure points *before* they occur, to conducting interviews with guests when they leave the hotel.

It has been shown that customer retention activities involve putting programmes and strategies in place to win back guests who have experienced service failures, as well as making it easy for guests to complain.

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