

**CUSTOMER RETENTION MANAGEMENT IN THE
HOSPITALITY INDUSTRY:
A PROFILE OF THE HOTEL INDUSTRY IN DONEGAL**

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Abstract

Customer retention management (CRM) is imperative to the success of today's hotel sector in Donegal, as it is more cost efficient to retain valuable customers than to gain new one's and in the current economic climate this is of high importance. The Donegal hotel sector currently implements CRM strategies that have been updated since the economic downturn. The most common CRM strategy used in the hotel sector is Customer Loyalty Programs, which theory suggests that in the hospitality sector Loyalty Programs are common. There is confusion of marketing in the Donegal hotel sector and a factor influencing this is the reductions in marketing budgets and that marketing personnel tend not to be marketing managers but rather owners and managers. Customer retention management has important elements in order to be effective. Customer satisfaction, relationship marketing, loyalty programs, data collection, complaints handling services, recovery strategies and post purchase follow up. The research process carried out by two phases, one descriptive in approach and one exploratory in approach. The researcher identified that by using triangulation it allowed the data from both phases to be corroborated and analysed with reference to theory highlighted in the literature review. The apparent themes that arose from the research processes included that loyalty programs were the most common method of customer retention in the Donegal Hotel sector. It was also apparent that external initiatives available by Failte Ireland and other local and national bodies had high usage. Finally in relation to the measurement of marketing initiatives, 25% of hotels stated that they do not measure the performance of the marketing used. In phase two of the research process respondents commented that marketing metrics is where the Donegal hotel sector fall. The researcher recommends that hotels develop written marketing strategies that combine CRM initiatives with other marketing processes and to implement the use of marketing metrics to measure the performance of all marketing activities implemented in order to be cost efficient and effective in the marketing budgets.

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List of tables and figures

Table 1.1 Hotel Profile: Number of Years in Operation

Table 1.2 Respondent Profile: Hotel Capacity

Table 1.3 Respondent Profile: Marketing Personnel

Table 1.4 Respondent Profile: Job Status

Table 1.5 Marketing Activities Importance

Table 1.6 Importance of CRM Strategies

Table 1.7 Current CRM Strategies

Table 1.8 Factors affecting CRM within Respondent Hotels

Table 1.9 Important Factors influencing CRM

Table 2.1 Involvement of respondents in External Initiatives

Figure 1.1 Marketing Strategies

Figure 1.2 Measurement of CRM Initiatives in respondent hotels

List of Abbreviations

CRM – Customer Retention Management

ITIC – Irish Tourist Confederation of Ireland

FI – Failte Ireland

DHS – Donegal Hotel Sector

Table of Contents

Disclaimer 1	ii
Disclaimer 2	iii
Abstract.....	iv
Acknowledgements	v
List of Tables and Figures.....	vi
List of Abbreviations	vii

Chapter One - Introduction

1.1 Introduction	1
1.2 Motivation For Research.....	2
1.3 Research Objectives.....	3
1.4 Chapter Outline.....	3

Chapter Two - Literature Review

2.1 Introduction	4
2.2 Customer Retention Management.....	5
2.2.1 Factors that affect Customer Retention Management.....	7
2.2.2 Customer Retention Processes in the Hospitality Industry.....	10
2.3 Tourism in Ireland.....	13
2.4 Support Provided to the Tourism Industry	14
2.4.1 Initiatives in place to increase Tourism in Donegal.....	14
2.5 The Hotel Sector – North West, Donegal.....	15
2.8 Conclusion.....	15

Chapter Three – Research Methodology

3.1 Introduction	16
3.2 Research Objectives.....	16
3.3 Research Philosophy	17
3.4 Research Design	17
3.4.1 Research Approach.....	17
3.5 Data Collection	17
3.5.1 Phase One – Surveys.....	19

3.5.2 Phase Two – Mixed Mode Research.....	20
3.6 Measurement Techniques & Data Analysis	21
3.7 Ethical Consideration	21
3.8 Conclusion.....	21
Chapter Four – Research Findings	
4.1 Introduction	24
4.2 Phase One Findings.....	22
4.2.1 Current Customer retention strategies implemented.....	22
4.2.2 Affects of current economic climate on CRM strategies	25
4.2.3 Involvement in external Initiatives	26
4.2.4 Measurement of CRM and external initiatives	27
4.3 Phase Two Findings.....	27
4.4 Conclusion.....	29
Chapter Five – Analysis, Conclusions and Recommendations	
5.1 Introduction	31
5.2 CRM in the Donegal Hotel Sector.....	32
5.3 Measurement of CRM Strategies in the Donegal Hotel Sector.....	34
5.4 Efforts in Place by Tourism Bodies	34
5.5 Recommendations.....	35
5.6 Strengths and Limitations of Research	35
5.7 Research Reflections.....	36
References.....	37
Appendices.....	A

Chapter One - Introduction

1.1 Introduction

The purpose of this research is to evaluate the usage of Customer Retention Management (CRM) strategies in the hospitality sector focusing on the Donegal Hotels Sector. The research process will focus on the Donegal Hotel Sector in order to compile a profile of CRM. Throughout the research previous CRM strategies, current strategies, reasons for and benefits of these strategies will be highlighted and evaluated. This topic is one that is interesting and topical, as with the current financial crisis in Ireland competition between different organisations in every sector has become rife. The research will examine which marketing activities are being implemented and if the attitudes towards customer retention are changing as companies compete to stay “alive”. The hospitality sector will be researched profiling the Donegal Hotel Sector as tourism is a crucial element in the Irish economy according to Failte Ireland, “Tourism is one of the largest and most important indigenous industries in the Irish economy”(Failte Ireland Report 2009). According to Irish Tourist Industry Confederation (ITIC, 2008) “Ireland has become an important global tourist destination” and “the Irish Tourism Industry is of vital economic importance to the Irish economy. CRM in the Hotel Sector in Donegal is appropriate for the focus of this research as while choosing the research topic the researcher could not find literature on this particular area. Literature examined that focused on the Donegal hotel sector was carried out by Failte Ireland. The research was limited and no literature on CRM in the Donegal Hotel Sector was found.

Theory suggests CRM and the implementation of customer retention strategies have become increasingly more important over the last ten to fifteen years. It was stated that winning new customers is by far more difficult and expensive than keeping existing ones and this has become widely known across industries. The emphasis on the importance of customer retention is that rather than a focus solely on creating sales and the amount of sales it's the post sale activity that focus should be strongly applied to. (Kotler 2008, Saunders 2000)

According to Kotler et al., (2008), before the 1990's there was little focus on customer retention but recently a change of focus has occurred and Customer Retention Strategies have been introduced, for example, Consumer Relationship Marketing, Loyalty Programs etc...

According to Drucker (1973), the sole purpose of a business is to create a customer. This has dramatically changed, today keeping the customer has become equally important, this is recognised by Dawkins and Reicheld (1990) when they reported that an increase in customer retention generated an increase in customer net present value. According to Kerin et al, (2007) there is a direct correlation between customer retention, company profitability and customer value, which can be identified as a unique combination of benefits received by target buyers. This includes quality, price, convenience, on-time delivery, and both before sale and after sale service. Satisfied buyers tend to tell 3 people about their experience and are more likely to become loyal. (Kerin et al, 2007) For many years managers were rewarded for their success in achieving sales targets, companies took customers for granted and with fast growing markets many companies did not worry about satisfying their customers. Today companies see the obvious downsides of customer churn. For example, it involves higher costs to a company than retaining their existing customers and increasing their revenue from them. (Kotler et al, 2008)

1.2 Motivation

The researcher experience in the hospitality industry and interest in customer retention is the motivation for this research study. These factors have also made the researcher aware of the effort needed to build customer loyalty. There are many competitors in the hospitality sector and focusing on accommodation there are many alternatives or substitutes to compete against. Another factor that motivated the researcher to carry out this research is that while researching for an appropriate research topic, it was evident from various databases and articles there had been no research carried out in this subject area in Donegal. For the service sector there are many variables on which consumers measure the quality of the service they receive and this has a knock on effect on whether the company has been successful in retaining customers. When devising customer retention strategies in the service sector businesses have to focus on both the tangible and intangible variables to allow for success. The research to be carried out will focus on the different strategies

implemented by different hotels in Donegal at present. It will also focus on any historical changes that have been made to these strategies to stay competitive in the current climate. From the findings it is hoped to identify the common strategies that these companies have implemented and compare against the literature examined for the secondary research process.

1.3 Research Objectives

The objective of this study was to examine the efforts of the hotels in Donegal to retain existing customers in the current economic crisis. Over the past decade business' have began to focus more on keeping customers rather than just gaining new ones. Companies have adapted to the thinking that if companies keep their customers, build relationships and customer loyalty then these customers will prove to be more profitable than a constant churn of new customers.

Therefore within the dissertation, there are a number of primary research questions that will hope to be examined:

1. Current customer retention strategies implemented in the hotel sector in Donegal
2. Recent changes in these strategies due to the current economic climate
3. Involvement in external initiatives to increase marketing
4. Measurement of CRM and external initiatives
5. Practical examples compared to those suggested by theorists

1.4 Chapter Outline

The dissertation is divided into the following sections:

Introduction: This introduces the readers to the topic area and the context in which this will be explored. This section also highlights the evolution of the theory of customer retention, the current views of the benefit of customer retention strategies and what customer retention strategies are currently most popular in the hospitality sector. It also highlights the importance of the hospitality sector to the Irish economy and the different initiatives and developments plans introduced to retain and increase the demand of Tourism in Ireland.

Literature Review: This section focuses mainly on secondary research in the topic area and examines and analyses articles from EmeraldInsight, LexusNexus, Gael and Unebsco Unlimited library Databases, as well as on-line newspaper articles and texts books.

Methodology: This details the method in which primary research was approached, how surveys and interviews were designed and how the information gathering process was managed, carried out and analysed.

Findings: This section is the outcome of the primary research from both the surveys and exploratory research; this is presented in a narrative manner and is categorised into sub-headings initiated from the information gathering process.

Analysis: This is where the information from the findings and the literature review is analysed. It is compared and contrasted and most popular and beneficial strategies will be highlighted. This is then evaluated to show possible improvement opportunities for customer retention strategies in the hospitality sector in Donegal.

Conclusion: This is summarising the research process and outcomes and possible areas for further study. It also contains the authors' opinion on the topic area and the overall experience of the research process.

Chapter Two - Literature Review

2.1 Introduction

The topic area for the literature review is Customer Retention Management in the Hospitality Sector – a Profile of the Hotel Industry.

“Customer retention is the strategic objective of striving to maintain long-term relationships with customers. A high retention rate is equivalent to a low defection rate. Customer defections are the loss of customers to alternative suppliers of a similar or the same service.” (Kotler et al, 2008)

It is stated that one of the significant drivers of the Irish economy is the tourist industry, it is the largest indigenous industry in Ireland and within the tourist industry there is an untapped potential to assist the economic recovery throughout the country. (Irish Hoteliers Federation, 2009) This theory reinforces the statement that highlighted that “The tourism and hospitality industries are crucial to the success of the Irish economy. The Tourism industry has outperformed most other sectors and contributed significantly to economic and employment growth in the past (Harrington and Lenehan, 1998).

According to the Irish Tourist Industry Confederation, the tourism sector has been and remains to be one of the most important industries in Ireland, it has remained to be one of the most significant international import industry in Ireland. With this in mind it is important to investigate how the hospitality industry is competing to keep there customers as well as gain new ones in order to remain efficient and maintain productivity in the difficult times of the economic recession. In order to successfully retain customers CRM initiatives and activities should be implemented and this literature review will examine in general customer retention and CRM strategies, the usage of CRM as well as the current situation of the Irish Tourist Industry.

2.2 Customer Retention Management

According to Peter Drucker (1973), the sole purpose of a business is to “create a customer”. Today however keeping the customer has become as equally important, this came about since Dawkins and Reicheld (1990) reported that an increase in customer retention generated an increase in customer net present value. Dawkins and Reichheld (1990) reported that a five per cent increase in customer retention generated an increase in customer net present value of between 25 per cent and 95 per cent across a wide range of business environments. There was a growing recognition that customers, like products, have a life-cycle that companies can attempt to manage. Customers are acquired, retained and can be grown in value over time. They climb a value staircase (Gordon, 1998) or value ladder (Christopher *et al.*, 1991) from suspect, prospect and first-time customer, to majority customer and ultimately to partner or advocate status. (Ang & Buttle, 2006)

According to Kotler, many companies took their customers for granted in the past and with fast growing markets companies did not worry about fully satisfying their customers. Therefore companies were gaining and losing customers constantly. This is known as the “leaky bucket” theory. This high customer “churn” involves higher costs than if a company retained its customers and gained no new one’s. Customers who are lost to competitors is a customer defection and if the number of customer defections in a company are reduced for example by 5 per cent then companies can improve profits from between 25 to 100 per cent. (Kotler et al, 2008)

According to Keiningham & Vavra (2001) “Higher customer retention means a base of customers who buy more frequently and in greater volumes, are more prone to try other offerings by the firm, generally require lower maintenance and become less sensitive to the outreach of competitors, thus increasing revenue while lowering the cost of marketing and sales by engaging in positive word of mouth recommendations. Therefore retained customers are a revenue-producing asset for the firm.” Keiningham and Varva highlighted that with customer retention come costs such as acquisition and maintenance costs but this eventually balances out in revenue. They also state that customer retention efforts are most rewarding when directed at high-value, low-cost customers, a small proportion of any business’ customers. (Keiningham, Varva, 2001)

According to Kerin et al., (2007) there is a direct correlation between customer retention, company profitability and customer value, which can be identified as a unique combination of benefits received by target buyers. This includes quality, price, convenience, on-time delivery, and both before sale and after sale service. Satisfied buyers tend to tell three people about their experience and are more likely to become loyal. (Kerin et al., 2007)

“After-marketing is the term used to refer to any marketing activity directed at current customers’ likelihood of repurchasing a product or service in the future or of increasing their share of requirements in the category from the represented supplier”. Therefore it is important not to abandon customers after they purchase. (Zemke, Woods 1999)

Also highlighted in this research from Ang and Buttle (2006) was that there has been various other research studies carried out that shows the link between customer retention and shareholder value and due to this there has been even more focus shifted towards customer retention and therefore the primary goal for organisation is customer retention, Grönroos 1991, 2000; Coviello et al., 2002.

The Ang and Buttle research (2005) also recognised the fact that there is a general consensus towards customer retention in that it yields several economic benefits such as; “customer tenure lengthens, the volumes purchased grows and customer referrals increase”. With this there comes the fall in customer maintenance costs, the fall in customer replacement costs and finally the retained customers may pay higher prices than newly acquired ones. Therefore with the combination of these factors, this increases the net present value of retained customers. (Ang & Buttle 2005).

Along with the above economical benefits Rawoski et al., 2005 also highlighted the important benefits such as “lower price sensitivity, higher market share, positive word of mouth, lower costs, higher efficiency and higher productivity”. As well as this the research study states that along with the economical benefits of customer retention is the “assumed sign of customer retention”. (Rawoski et al., 2005)

Also prevalent in the research carried out by Rawoski et al., 2005, it showed that customer retention profitability is one of three key factors to determine the success of a product/service within the context of customer relationship marketing, the other two factors being customer satisfaction and the degree of customer loyalty.

Several benefits of customer retention that were previously highlighted by Drucker (1973) and Saunders et al., (2000) were reiterated in 2007 by Villanueva and Hassens, the following were highlighted as benefits to retaining customers:

“It is cheaper to retain customers than to acquire them”

“The costs of serving long-life customers are less than serving new customers”

“Long life customers improve the reputation of the company and attract new customers through word of mouth advertising”

“Long life customers are less price sensitive than new customers and are therefore more willing to pay higher prices in some cases”

“Long life customers are more likely to buy more from the company, so that the company can increase their share of wallet through up-selling or cross-selling”

2.2.1 Factors that affect Customer Retention Mangement

According to research carried out by Ranaweera and Prabhu (2003) it was highlighted that customer satisfaction, trust and switching barriers are all highly important factors in CRM. According to Cronin *et al.* (2000), we develop a thought that customer satisfaction to be an evaluation of an emotion, reflecting the degree to which the customer believes the service provider evokes positive feelings.

Numerous studies in the service sector have hypothesized and empirically validated the link between satisfaction and behavioral intentions and behaviors' such as customer retention and word of mouth (e.g. Anderson and Sullivan, 1993; Rucci *et al.*, 1998; Bansal and Taylor, 1999; Cronin *et al.*, 2000). This link is fundamental to the marketing concept, which holds that satisfying customer needs and wants is the key to repeat purchase (Kotler *et al.*, 2002). The importance of satisfaction on retention is so well recognised that some major economies now measure satisfaction at the industry level using large sample surveys to predict customer retention and future financial performance (Fornell, 1992; Fornell *et al.*, 1995). Morgan and Hunt (1994) had the thought that trust is existing when one party has confidence in a partner's reliability and integrity. Recent research suggests that, in some cases, service providers may be unable to retain even those customers who are satisfied (e.g. Heskett *et al.*, 1994; Schneider and Bowen, 1999).

Therefore satisfaction alone may not be adequate to ensure long-term customer commitment to a single provider. Instead, it may be necessary to look beyond satisfaction to other variables that strengthen retention such as trust (Hart and Johnson, 1999). Keaveney's (1995) critical incident study was one of the first to examine switching barriers as a determinant of customer switching behaviour. Subsequently, Gremler and Brown (1996) used in-depth interviews to develop a model that included switching costs as an antecedent of customer loyalty. They defined switching costs as the investment of time, money and effort that, in customers' perception, made it difficult to switch.

Among the examples of switching costs they listed were habit, inertia, set up, search, learning, contractual and continuity costs. Since then, Bansal and Taylor (1999) and Lee *et al.* (2001) among others have tested and confirmed the positive effect of switching barriers on customer retention. While past studies have focused on customer satisfaction as the key driver of retention, this article builds a more complete

framework of the factors that influence retention. Therefore in addition to satisfaction, trust and switching barriers are common drivers of customer retention and important to consider when drawing up a strategic customer retention plan. (Ranaweera & Prabhu, 2003)

J. Mascareigne (2009) recognised that within customer retention strategies there are five main processes that include “creating value, creating bonds that bind customers to the firm, monitoring the customer relationships, implementing the use of loyalty programs and customer clubs and using effective recovery strategies”. In the first process of creating value Mascareigne (2009) referred to the idea that firms need to have the ability of selling a “credible promise” and that in the environment of professional services credibility is imperative (Lowendahl 1997). Mascareigne also recognises that along with an ability to sell the promise then there must be a process of activities in place to do so, this is then followed by the learning process which is the final factor in this process and it is implemented so that service quality and efficiency can be improved (Lowendahl 1997). The second process is recognised as “creating the bonds” which then result in binding the customer to the firm. Although Berry and Parasuraman (1991) recognised that it was financial incentives that are the primary factors tying customers to a firm, Mascareigne (2009) highlights that it is the secondary bond that binds the clients with the “social nature” then the “structural nature”. After the bonds have been built the next stage is monitoring the customer relationships. Monitoring and evaluating tools that can be used are “relationship surveys” and “customer data bases”. Referring to Zeitzmal and Bitner (1996) Mascareigne recognises that thorough monitoring and evaluating relationships are the basic strategies used in order to retain customers.

The research by Mascareigne also recognises that the use of loyalty programs and customer clubs, used to reward for the repeat purchases, lead to the increase in customer rates. This is supported by research from Yi and Jeon (2003) and Bolton et al., (2000). The use of effective recovery strategies is the final process in retaining customers and preventing customer defection. Mascareigne (2009) highlights that although its imperative that firms do it right every time including the first time, mistakes do happen and in the case that they do firms need to have a recovery strategy to prevent defections and maintain their relationships with the customers (Zeitmal and Bitner, 1996).

According to research carried out by Ang and Buttle (2005, 2006), companies manage their customer retention process through a number of different organisational processes which include the “customer satisfaction measurement process, customer retention planning process, quality assurance process, win-back processes and the complaints-handling (recovery) process. In this article the main processes which are examined are the customer retention planning process, customer retention measurement and the complaints-handling process. With this Kotler has stated that “successful companies... practice the art of market-oriented strategic planning”, “with the clear implication that failure can be traced to artlessness in planning disciplines”. (Kotler, 2003)

With regards to the measurement of customer retention the article from Ang and Buttle (2005) highlights the two main types of measurement tools used which include raw metrics (given percentage number of customers, regardless of value) and sales-adjusted or profit-adjusted customer retention metrics.

Most companies tend to focus their retention efforts on the customers that tend to be most profitable rather than on all their customers. Ang and Buttle refer to a report by Price, Waterhouse & Coopers 2002 when defining the “right customers”, they state the “right customers are those that contribute most significantly to the achievement of the companies objectives”. Therefore if company objectives are based around profit the company should target customers who are of most value to them, who they can develop with retention strategies to increase their value and which customers are less likely to become price sensitive.

In relation to the complaints handling process the research carried out by Ang and Buttle it highlights that “a well-executed complaints handling process is of strategic relevance because it can have a positive effect on customer retention” (Stauss & Seidel,2004). If complaints are dealt with effectively and efficiently customers are more likely to become loyal. As noted in this same research study an effective complaints handling procedure can bring about two main benefits, one being that the companies are given a chance to respond and fix the particular problem which can retain current and future business and also it is possible to collect and analyse relevant information which may help the company eliminate the causes of complaints over time. (Ang & Buttle 2005,2006)

According to research carried out by Parker et al, (2009) there are several determinants that are shown to impact customer retention; customer satisfaction is considered to be the major determinant. It was also highlighted by Datta et al., (2007) that satisfied customers are more positive towards the organisation and therefore more likely to be the loyal customers.

2.2.2 Customer Retention Processes in the Hospitality Industry – Customer Loyalty Programs

In this changed environment customer retention through service quality and satisfaction have become vital. In order to compete within the world tourism industry it has been suggested that the industry must engrain quality into all of its production and delivery systems. Investment in quality has a significant impact on operational and business performance. (Harrington and Keating, 2006)

It was recognised by Boltan et al, (2000) that in the hospitality industry reward programs which are based on usage levels are commonplace and generally the goals of these programs are to establish higher customer retention of valuable/profitable customer segments by increasing satisfaction and adding value.

In a case study carried out in 2005 by Duffy it was highlighted that they customer loyalty “school of thought” has emerged since the early 1980’s and it has caused the companies to move to the “embrace concept that it costs more to acquire a new customer than to retain an existing one”. This case study also highlights there have been mixed results through the evolution of the loyalty program in which companies have investigated, planned, tested and implemented loyalty programs for example the “Frequent Flyer Programs”. It states that there is a number of reasons for the breakdown in loyalty programs which include “breakdown in the strategic thinking that surrounds the pursuit of loyalty and how it integrates with the culture within a company”, “companies failing to offer benefits to customers that have motivational value for the customers” and “that companies fail to follow through with their loyalty plans and they die without the company noticing”.

It highlighted also that for companies to succeed they must avoid the “superficial attempts to customer loyalty and instead build durable customer loyalty through good product, good service and a passion and conviction for what they do in their business”. (Duffy, 2005)

It was highlighted that the importance of customer loyalty programs have had intense impact on companies relating to market saturation, market share and also the expandability of the market category (Liu and Yang, 2009). The growth in the importance of customer loyalty and loyalty programs has brought about competition between firms and their loyalty building initiatives. In certain industries it has been recognised that for new entrants it is almost impossible to succeed in these industries without the implementation of a loyalty program as for certain industries it has become a necessary cost of doing business (Ferguson and Hlavinka 2007; Meyer-Waarden and Benavent 2006).

The article also highlights that there are a number of different factors that influence the performance and effectiveness of loyalty programs. It was recognised that loyalty programs can serve a number of different roles including retaining customers, increasing consumer spending and also gaining insights from the customers point of view, therefore to implement a program that is successful it should include unique success measures that relate to the goals of the firm (Nunes and Drèze:2006).

According to Shugan (2005) brand loyalty is considered as a highly valuable asset of a firm. A customers’ commitment to a relationship is strengthened by the satisfaction derived from the relationship, it is fuelled by their commitment to the relationship and is weakened by the quality of alternatives to the relationship.

It was recognised in research carried out by Boltan et al., in 2000 for the Journal of the Academy of Marketing Science, that companies offering loyalty reward programs believe that “their programs have a long-run positive effect on customer evaluations and behaviour”. Customers perceive that loyalty programs give them more value for their money. It was also highlighted in this research that from 2000 loyalty rewards programs have become prevalent in the service sector.

Historical Theory suggests that increased satisfaction and loyalty have a positive influence on the long term financial performance of companies. (Anderson et al, 1994, Reicheld & Sasser 1992.)

It is suggested that to measure the effectiveness of reward programs companies should examine the consumer usage levels, the positive financial outcomes and ensure that they exceed the amounts invested in the loyalty programs.

In a study carried out in 1995 by Keaveney on customer switching behaviours in service industries it became apparent that customers switch service providers for many reasons which include “price, inconvenience, core service failures, failed service encounters response to failed service encounters, competition and ethical problems”. This was re-emphasised in 1999 by Boltan and Lemon stating that prior satisfaction levels, assessment of payment levels and prices affected the customers decision to repurchase the service.

Loyalty programs according to Furinto et al., (2009) are one of the most popular marketing strategies developed firms, to retain their customers. According to Lui and Yang (2009) Consumers enthusiasm to embrace loyalty programs has rapidly grown over recent years despite the existence of loyalty programs for quite some time. Nunes and Dreze (2006) also suggest that loyalty programs can serve different goals such as retaining customers, increase spending and customer insights. Leenheer and Bijmout (2008) concluded that the success of a loyalty programs is affected by the effort spent on capturing and analyzing consumer intelligence derived from the program. Physical and emotional satisfaction are also recognised as prime factors on customer loyalty. In the challenging economic climate customer satisfaction it is difficult to guarantee, one of the reasons is that all customers aim at getting value for money when they purchase, therefore high levels of satisfaction increases brand loyalty. (Baig and Khan 2010)

2.3 Tourism in Ireland

It was recognised by the Irish Tourist Industry Confederation that the Irish Tourist Industry has become an important global destination and that tourism is a vital factor for growth in the Irish economy. It has also been recognised as one of Ireland’s most important internationally traded services sector and due to the economic downturn of

the Irish economy the sectors' competitiveness has been damaged. (ITIC 2008) From 2000-2008 the domestic market had become a significant source of business for the tourist industry as in this period the industry experienced a significant increase (ITIC 2009). It was reported that before the economic breakdown in Ireland that the Irish travel market experienced continuous growth for 15 years to 2008. It is recognised that one of the factors that has contributed to the growth in demand is that of aggressive marketing tactics. It was highlighted that strategic and tactical marketing strategies should be implemented including:

- Invest in Discover Ireland campaigns
- Highlight reasons to take a short break including promotion of events.
- Focus on over 50's
- Promote value added offers instead of deeply discounted
- Go green
- Exploit on-line channels
- Failte Ireland enterprise development support programmes
- Engage in joint programmes

It was highlighted that the North West region was the destination of choice for nine per cent of domestic holiday trips, earning 10% of revenue. Falling disposable income - the increase of income levies and the prospect of increased taxation levels together with the significantly diminished investment income are resulting in a marked decrease in disposable incomes in Ireland, Furthermore many consumers are subject to pay cuts, pay freezes or reduced working time therefore consumers are more curious and frugal.

October 09 accommodation services were priced 15 per cent lower than the previous year. (ITIC 2009)

According to the report published by Failte Ireland overseas visits to Ireland in 2008 decreased from around four per cent to 7.4million and the domestic tourism expenditure amounted to 1.5million.

The Failte Ireland Tourism Barometer report December 2009 highlighted that in 2009, hotels suffered a falling demand across the main overseas markets. The fall in demand comes from Britain and the USA but the majority of the decrease in demand comes

from France and mainland Europe. The reduction in staff levels throughout 2009 is most evident in the hotels sector where approximately three quarters of hoteliers reported employment of staff was down on 2008.

2.4 Support Provided to the Tourism Industry

Failte Ireland a national institution for Irish Tourism provide a guide to services for tourism providers. Failte offer various e-business and web supports such as “Web-check – critique and review of website, Web check plus – developing and implementing an effective e-marketing strategy, Web monitoring – monitoring sessions, Web skills programme, Online supports, Professional and business development”. Failte Ireland state that this is in order to provide tourism providers with relevant information and advice to achieve maximum productivity and operational efficiency as well as ensuring customers receive a high value experience. (Failte 2010)

2.4.1 Initiatives in place to increase Tourism in Donegal

Local authorities and tourism providers in Donegal implement certain initiatives in order to help increase the demand for tourism in Donegal. Among these are different activities and initiatives organised by the local town councils, Donegal county council and Failte Ireland North West. An example is that of the Donegal Live event which was held in Temple Bar in Dublin, were Donegal tourism providers set up for the day to entice potential customers. This was funded by Failte Ireland, IHF, Donegal Town Council, Bundoran Council, Buncrana Council, Letterkenny Town Council

Another example is the Failte Ireland North West online and tv campaign. The Letterkenny Town and Donegal County council have also had Letterkenny recognised as a Gateway Town. The project seeks to “improve the quality of life of the area through the creation of a vibrant, accessible and attractive town centre that supports a quality business environment and embraces a modal shift towards sustainable transport solutions”. Various other campaigns have been implemented also. (Donegal County Council 2010)

2.5 The Hotel Sector – North West, Donegal

According to the Failte Ireland Hotel Survey 2008 the decrease in hotel guestnight is due to the weakness in overseas business and the current financial climate. In 2008 it

was hotels that are grade 3* who experienced the highest occupancy rates. Northern Ireland is very important to the North West as it accounts for 20 per cent of the bednights sold. Over all market share was 31 per cent in 2008 which was the lowest in 6years. Hotels accommodation overall basis is expected to fall by 27per cent in 2010. According to Failte Ireland Review 2008 large hotels (100+ rooms) experienced an 11 per cent decrease in occupancy rates, falling to their lowest level in six years. Smaller hotels (under 20 rooms) experienced slight increase and Guestnight demand fell by 1per cent in 2008. (Failte Ireland Report, Peter Crane, 2008)

The preliminary hotel review presented by Failte Ireland for 2009 highlighted that the occupancy rates fell for the second year in succession, this resulting as the lowest occupancy rates in twenty years. This decline along with the drop recorded in hotel rates would have had a significant impact on hotel yield. In the North West in 2009 it was reported again by Failte that demand fell by eight per cent along with a fall in occupancy of five per cent on 2008.

2.8 Conclusion

In conclusion the literature review has highlighted the importance of customer retention management, the use of customer loyalty programs as the common CRM tool in the hospitality sector and also that national and local national institutions implement different strategies in order to benefit the sector. Theory reviewed also recognised that the measurement of customer retention management initiatives, in specific loyalty programs should be implemented in order to ensure success. These factors will be later examined in further research processes.

Chapter Three – Research Methodology

3.1 Introduction

In this chapter the philosophy and inquiry approach to the research investigation will be highlighted. The research strategy and reason for the choice in strategy will also be highlighted. In order to fulfil the research aims, the research adopted a two phase approach. In phase one the researcher took a descriptive approach, the researcher determined this approach appropriate for phase one as the researcher used survey

questionnaires. Descriptive research allows the researcher to identify various answers related to the research topic. It allows the researcher to be descriptive when providing conclusions on the understudy. (McNabb 2004) The researcher felt that as well as descriptive the research process would be more successful if it also took an exploratory approach. Therefore the researcher used an exploratory research approach in phase two. This approach is used to investigate a topic or an issue in order to develop an insight to the underlying nature of the topic. This is relevant to the research process as the researcher's objective is to examine the research topic from an internal perspective and also an external perspective. For phase two the researcher used a mixed mode research process, this was used in order to further explore the research topic.

The selected approaches for this study are considered appropriate for the research, which investigated the use of CRM strategies in the Donegal Hotel Sector.

3.2 Research Objectives

The primary research objectives and aims considered in the inquiry process, which were highlighted in the introduction to the research study:

- 1) Current customer retention strategies implemented in the Donegal hotel sector
- 2) Changes in these strategies been recently due to the current economic climate
- 3) Involvement in external Initiatives
- 4) Measurement of CRM and external initiatives
- 5) Practical examples compared to those suggested by theorists

3.3 Research Philosophy

According to Creswell 2003, research philosophies, also know as a paradigm, is the assumption that the researcher will begin the research process with, in relation to what they will learn and how they will learn during the inquiry process. According to Creswell 2003, philosophical researchers claim what knowledge is, is known as Ontology, how we know it, is known as Epistemology, what values are added to it is Axiology, how we write about it, is known Rhetoric and the process for studying it is known as the Methodology.

Alternative research philosophies include post positivism, constructivism, participatory and pragmatism, (Creswell 2003). This research adopted a constructivist approach. Constructivist approaches are identified by Crotty 1998 as several assumptions such as “the meanings are constructed by human beings as they engage in the social setting that they are interpreting”, “humans engage with the world and make opinions based on their own cultural perspectives, the researchers seek to get an understanding of the context of the participants and to make an interpretation the researcher makes this based on their own cultural perspectives”, and “ the researcher process tends to be a generation of meaning which is social in nature and arising from interaction in communities”.

3.4 Research Design

The research process took approaches classified as both descriptive and exploratory. The exploratory research objective is to explore or search through a problem or situation to provide insights and understanding. Descriptive research is research that describes market characteristics or functions and involves pre-planned and structured design which is generally used to make specific predictions (Malhotra 2007) With exploratory research information can be loosely defined research, the research process is flexible and unstructured and the sample is generally small. The results of exploratory research are tentative and generally followed by further research. (Malhotra 2007) Using mixed method approaches to research allows the researcher to develop triangulation on the research topic. Triangulation is an important element to the research process it offers the researcher a flexible and in-depth approach in the research process (Seal & Barnard 1998) Triangulation is defined as the use of two or more independent data collection methods to corroborate research findings within the study. (Saunders et al., 2009) According to Arksey & Knight (1999) the advantages of using triangulation in the research process are that the researcher can increase confidence in research results, it can strengthen the completeness of the research process, it can address different but complementary questions in order to provide a full understanding of the research area and it can enhance the interpretability of the research process as one set of data can help the understanding of the other data collected.

3.5 Data Collection

Initially an intensive review of relevant literature was carried out in order to identify relevant secondary data which guided the primary data collection methods. Literature reviewed included data regarding customer retention methods, processes of customer retention, customer retention process in the hospitality sector, other marketing process which didn't directly relate to the research question but was relevant to area of marketing. Literature on the area of tourism and the hospitality in Ireland, the North West and Donegal was also examined in order to provide an understanding of the current situation of the research area.

Further research carried out was firstly descriptive research and secondly exploratory research was completed. The descriptive research concluded phase one of the primary data collection which was carried out by administering surveys to the target population.

Primarily the researcher intended to use a qualitative approach by holding in-depth interviews but due to time constraint this was not a viable method therefore the option was given to respondent of the manner that they would assist with the research process this was in order to ensure a high response rate. The exploratory research was carried out in a mixed mode method.

3.5.1 Phase One – Surveys

A survey according to Jankowiz (2000) is when questions are directed at relatively large groups of people, in order to explore issues largely in the present.

Target Population: The target population for the study was the Donegal hotel sector therefore a comprehensive list was compiled from up to date lists gathered from the IHF, the Tourism Approval Board and Failte Ireland.

Sampling: The sampling frame consisted of each hotel in Donegal and the sampling frame was a census sample. A census sample is a complete enumeration of the elements of a population or study objects. The nature of a census sample is non-destructive research method. (Malhotra 2007)

Survey Design: Saunders et al, highlights the importance of a well designed questionnaire as it needs to collect the precise data that is required to answer the research objectives. In order to ensure the survey focused on the right areas the research objective and aims were considered in depth against the literature review. The survey was designed to answer the research questions which were designed leading from the themes of the literature review. The survey was designed using structured questions which are questions that pre-specify the set of response alternatives and the response format. The question formats used were nominal, which uses numbers to identify and class percentages. Comparative scales were also used using rank orders as well as likert scales. Dichotomous questions were also used in the survey and along with this was space for respondents to specify their answer. A dichotomous question is a structure question with only two response alternatives such as yes and no. (Malhotra 1999)

The survey went through a number of revisions before being sent to respondents to ensure the successful collection of necessary data. Surveys were administered via mail to the census population. The surveys were accompanied with stamped-addressed envelopes in order to increase response rate. Surveys were also accompanied by a cover letter detailing the purpose of the research and also to ensure that the research would be conducted in an ethical manner.

3.5.2 Phase Two – Mixed Mode Research

Phase two of the research process, the exploratory phase, took the form of a mixed mode research method. This involved respondents been given the option of how they preferred to contribute to the data collection process. The sample were given the option to participate in the research process at an appropriate time and location that suits the respondent. The respondent was given the option to participate via phone, Skype, interview or email. Mc Daniel et al, 2009 highlighted that this method increases the rate of responses as it can be adjusted to suit the respondents, as well as this it was recognised that this method is suitable when the researcher has time constraints. (M. M Bergman 2008) Therefore with limited time and other academic requirements the researcher decided that this was an appropriate method for phase two of the data collection process.

Target Population: The population targeted for this phase were collated by using a survey respondent, representatives from Failte Ireland and a marketing expert in this area CRM in the hospitality sector. In total five respondents participated in this phase of the research process.

Sampling frame: The sampling frame was sample by a judgement sampling process from respondents from the administered surveys, members of various national institutions and various marketing experts. Judgement sampling was appropriate for this phase of the research process as phase one highlighted apparent themes and from this the researcher chose appropriate respondents for further research. Judgement sampling is when the researcher uses knowledge about the area to be sampled and about the reason for sampling, to select specific samples for testing (Ellison et al. 2009). The sampling frame was contacted first to receive permission to use them as part of the research phase. They were also be given the option of how they would prefer to participate in the data collection process. In total three representatives from Failte Ireland, two from the North West Region and one national representative, one survey respondent were selected based on the feedback given and the agreement to participate further with the research process, a marketing expert was also be used for this stage of the research process. The five respondents that agreed to participate in the research process choose to contribute via email.

In order to ensure that this stage of the research process answer the objectives of the research, the aims and objectives were be considered in depth against the literature review and the survey responses. This developed the concepts and broad considerations into initial questions, which were used as a template for the exploratory research. These theme sheets were administered to respondents via email along with a cover letter. Respondents were sent theme sheets with a cover letter explaining the research. The theme sheet also included an introductory paragraph and ended with a foot note assuring respondents that all completed questionnaires would be treated with confidence.

The theme sheets comprised of eleven open-ended qualitative questions that the respondents answered in their own words and respondents elaborated as needed in order to provide the researcher with an in depth view into the topic area.

3.6 Measurement Techniques & Data Analysis

The data from phase one was compiled on to an excel document and within this the researcher completed an analysis of results and use graphs and tables to represent and illustrate the results accordingly.

The data collected from phase two was collated on to a word document and analysed the opinions of the respondents and highlighted the prevalent themes in the responses.

3.7 Ethical Consideration

According to Saunders et al., (2003) ethics in the context of research refers o the appropriateness of behaviour in relation to the rights of those who become subject to your work, or are affected by it. Therefore it was necessary to consider ethical issues throughout the period research and remain sensitive to the impact of the work on those subjects who were approached to partake in the research. In the initial stages of clarifying the research question and gaining consent, ethical consideration was given to the design of the questionnaire, confidential information, collection and storage of data, processing of data, and results analysis. (Saunders et al., 2003)

3.8 Conclusion

In conclusion it is felt that the methods adopted would answer the research questions, achieves its aim, address all relevant ethical issues and ensure the research is reliable and valid. This chapter introduced the major methodology, approaches to research developed from the literature review. The chapter continued to consider the design of the methodology development and the chapter then consider the process of actual research undertaken.

Chapter Four – Research Findings

4.1 Introduction

In chapter four the researcher discusses the finding from both phase one and phase two of the research process. The researcher highlights the prevalent themes in the both research processes. Phase one which consisted of the hotel surveys has provided the researcher with a view of how the hotels in Donegal view the importance of CRM,

how they have implemented CRM strategies, if any, the measurement of these initiatives and also other factors influencing the use of CRM. By providing the researcher with this information the hotel surveys have helped answer the research objectives. Phase two consisted of 5 respondents from different areas of the industry giving their opinion on CRM in the hospitality sector and hotel industry in Donegal.

4.2 Phase One Findings

In total the researcher sent 62 surveys along with stamped addressed envelopes via post to hotels in Donegal. They were sent to the census population which was a comprehensive list from Failte Ireland, the IHF and the TAA. From the census sample the researcher received 17 responses to the survey (27 per cent) which allowed the researcher to use the data as a representation of the sector and to compare and contrast the data. The response rate was satisfactory to the researcher as the typical response rate via postal survey is between 20-30 per cent according to Kent (2001). The overall findings from the surveys highlighted that few hotels in Donegal employ a full time marketing manager at present, it came to light that among the hotel sector there is confusion to what marketing is, some hotels have implemented different aspects of customer retention but the majority of hotels do not measure the effectiveness of their programs. The researcher further highlights the most relevant findings below.

4.2.1 Current customer retention strategies implemented in the hotel sector in Donegal

From the survey response the following hotel profiles were identified.

Years in Operation	
0-5	25%
06-10	19%
10+	57%

Table 1.1Hotel Profile: Number of Years in Operation

Table 1.1 shows the length of time in operation of the respondents hotels, it highlights that the hotels in operation the longest have the highest response rate at 57%.

Room Occupancy	
0-20	19%
21-49	38%
50-99	25%

100+	19%
------	-----

Table 1.2 Respondent Profile: Hotel Capacity

Table 1.2 reflects the capacity of the respondent hotels, showing that the highest response rate received was generated by hotels with a room capacity of 21-49, totalled 38% of responses.

Marketing Personnel	
Owner	25%
Manager	38%
Marketing Manager	25%
External	6%
Other	6%

Table 1.3 Respondent Profile: Marketing Personnel

Table 1.3 reflects the personnel in charge of marketing in the respondent hotels. It identifies that only 25% of the hotels have dedicated marketing managers. The majority of the hotels marketing is managed by hotel managers (25%) or owners (38%).

Job Status	
Full time	69%
Part time	31%

Table 1.4 Respondent Profile: Job Status

Table 1.4 highlights that 69% of personnel in charge of marketing are full time employees with around one third of personnel part time (31%).

The survey responses highlighted that the majority of hotels that had marketing in place did not have a dedicated marketing manager, only 25% of respondents. The majority of respondents were in the 10+ years in operation bracket and 38% of respondents were in the 21-49 room capacity bracket.

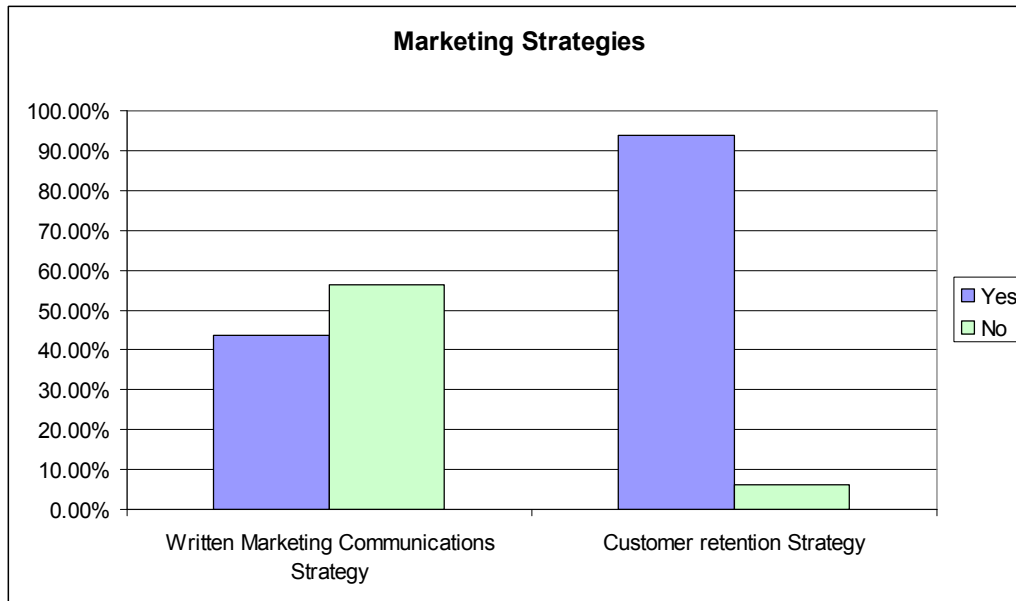


Figure 1.1 Marketing Strategies

From figure 1.1 it is evident that the response hotels highlighted that 57% of the hotels that respondents do not have written marketing communications strategies in place. Along with this the respondents highlighted that 94% have customer retention management strategies in place.

Table 1.5

Marketing Activities Importance	Important	Not Important
Market Research	75%	19%
Marketing Planning	86%	14%
Relationship marketing	81%	19%
Online	94%	6%
Advertisements	94%	6%
Media Coverage	94%	6%
Marketing metrics	75%	25%

Marketing Activities Importance

In table 1.5 the importance of a number of relevant marketing activities is rated. 25% of respondents identified that market research was either not important or not applicable to their hotel. 19% of respondents also highlighted that relationship marketing was not important to their hotel while 25%, one quarter of respondents identified that marketing metrics were not important to their hotels.

The majority of respondents highlighted that online promotions and advertisements were very important to their hotels. The responses also highlighted that only 25% of hotels rate the importance of marketing metrics as very important. Only half of the respondents stated that relationship marketing is very important to their hotel but 94% previously highlighted that they implement customer retention strategies.

Importance of CRM Strategies	Important	Not Important
	Customer Loyalty	100%
Customer Service	100%	0.00%
Customer Complaints Handling	100%	0.00%
Customer Data Collection	88%	12%
Post Purchase Follow up	81%	19%

Table 1.6 Importance of CRM Strategies

As evident in table 1.6 respondents highlighted that loyalty, customer service and customer complaints handling were of importance while they identified that 12% classed customer data collection as not important and post purchase follow up was classed not important by 19%.

Current CRM Strategies	
Loyalty Programs	44%
Discounts	6.0%
Customer Service Initiatives	12%
Customer Comment Tracking	19%
Follow Ups	12%
Targeted Promotions	6%
Customer Data Collection	19%

Table 1.7 Current CRM Strategies

In table 1.7 it is evident that the hotels that operate CRM strategies that loyalty programs have the highest usage with 44% of respondents who have CRM strategies in place stating that they use loyalty programs. While 12% of respondents who state that they have CRM in place identified that they use customer service initiatives in order to retain customers.

4.2.2 Affects of current economic climate on CRM strategies

Agreement of Statements:	Agree	Disagree
There is a lack of marketing knowledge in our business	31%	68%
Our financial resources limits our investment in marketing	87%	12%
Our customer retention initiatives are beneficial to the success of the company	87%	12%
Our customer retention initiatives have been introduced since the economic downturn of the country	19%	81%
The customer retention initiatives have been updated since the economic downturn of the country	75%	25%

Table 1.8 Factors affecting CRM within Respondent Hotels

In table 1.8 it is evident that 19% of respondent agree that there is a lack of marketing knowledge in their hotels and 57% of respondents identified that financial resources within the hotel limit their investment on marketing. As well as this it is important to note that respondents have identified that since the downturn of the economy 75% of respondent hotels have updated their CRM initiatives.

Importance of:	Important	Not Important
Repeat Custom	94%	6%
Turnover per Customer	100%	0.00%

Table 1.9 Important Factors influencing CRM

From table 1.9 it is evident that for 94% of respondents repeat custom is of importance and 100% state that turnover per customer is also of importance.

4.2.3 Involvement in external Initiatives

Involvement in External Initiatives	Yes	No
	87.50%	12.50%

Table 2.1 Involvement of respondents in External Initiatives

It was highlighted in the survey responses that 87.50% of hotels in Donegal have involvement in external initiatives in order to increase awareness and drive business. Below is a list of external initiatives mentioned by respondents:

Failte Ireland
Donegal Live
Sheephaven Initiatives
Donegal Direct
Discover Donegal
Local Councils
Inishowen Tourism
Chamber of Commerce
Trade Fairs
Foreign Travel Shows
Other Local and National Initiatives

4.2.4 Measurement of CRM and external initiatives

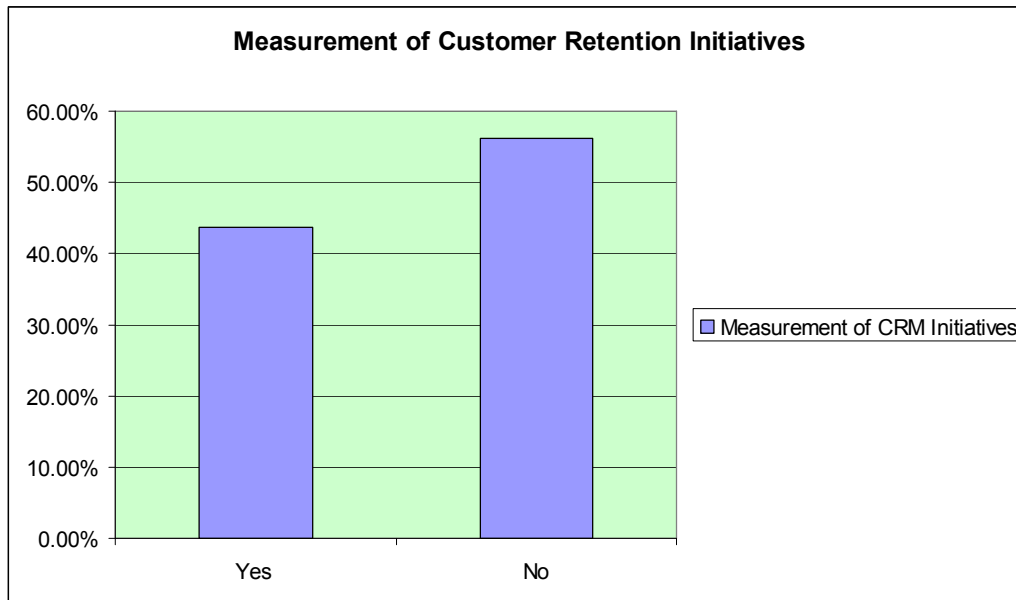


Figure 1.2 Measurement of CRM Initiatives in respondent hotels

From figure 1.2 it is evident that 56% of respondent hotels do not measure the effectiveness of the CRM strategies they implement.

4.3 Phase Two Findings

From the phase two research processes the findings were in agreement with the findings which were prevalent in phase one. The consensus agreed with the following:

- Lack of full understanding of marketing and CRM
- Lack of full utilisation of CRM strategies
- Most common CRM strategies – Loyalty Programs
- Lack of the use of relationship marketing
- Lack of measurement of implemented marketing initiatives

Current customer retention strategies implemented in the hotel sector in Donegal:

From phase two the researcher recognised that respondents had a good understanding of CRM and CRM in the Donegal Hotel Sector. It was highlighted when asked about the Donegal hotel sector and CRM within the sector that the hotels are relatively slow to embrace marketing initiatives and that they need to be more strategic in approach introducing marketing plans and embracing new initiatives such as online activities and social networking.

One respondent stated that:

“Donegal is still quite “young” in marketing” and “Smaller companies do not fully understand marketing”

Phase two also recognised that customer service, complaints handling, data management, targeted promotional campaigns, relationship management, loyalty schemes, value added packages, marketing plans and market research were all highlighted by the consensus as important CRM initiatives.

One respondent stated that:

“Marketing plans are crucial, providing direction for your business and keeps you in line/or ahead of your competitors”

These elements were also highlighted in the literature review in order to successfully implement CRM strategies. Rawoski *et al.*, 2005, stated that customer retention profitability is one of three key factors to determine the success of a product/service within the context of customer relationship marketing, the other two factors being customer satisfaction and the degree of customer loyalty.

Measurement of CRM

It was highlighted by the respondents that although hotels are slowly becoming more proactive in their marketing and retention initiatives, it is recognized that the measurement of the success of these CRM activities is not common across the industry.

One respondent stated that “measurement is still a weak area”.

Another stated that “many fall down in the measurement of marketing initiatives”.

While a third stated that hotels will “pay the money” for the initiative but “not measure the return on investment”.

Loyalty programs according to Furinto *et al.*, (2009) are one of the most popular marketing strategies developed firms, to retain their customers.

According to Lui and Yang (2009) consumer enthusiasm to embrace loyalty programs has rapidly grown over recent years despite their existence for quite some time.

Nunes and Dreze (2006) suggest that loyalty programs can serve different goals such as retaining customers, increase spending and customer insights.

Effects of the Economic Downturn

It was agreed by all respondents that due to the economic downturn the hotel sector was facing the decision to cut various areas of their budgets and it was highlighted that this is generally the HR or marketing areas of the budget. Therefore not all hotels have the budget to fully implement CRM initiatives or for some employ marketing managers. Despite this the Donegal Hotel sector is said to be one of the strongest hotel sectors in the IHF groups.

One respondent stated that “Donegal hotels are considered one of the most proactive group in the IHF in Ireland”.

Another claimed that the cut in marketing budgets has “consequences in continuity”, while a third stated that those who “drastically” made cuts in marketing budgets that “effects will be seen in 2011 and beyond”.

4.4 Conclusion

In conclusion both the findings from phase one and two were highlighted through the use of tables, figures and descriptive text. Both the findings from phase one and phase two allowed the researcher to have a triangulation approach to analysing and making conclusions based on the findings from both research phases. The researcher had the ability to describe the findings from the survey and then further explore the area to corroborate the findings on the topic area.

Chapter Five – Analysis, Conclusions and Recommendations

5.1 Introduction

In this chapter, Chapter five, the researcher analyses findings, make conclusions and recommendations and also suggests future research in the research reflections. The researcher analyses both sets of data collected in order to further highlight findings and to relate this findings to theory highlighted in the literature review. The researcher uses both the data collected and the findings in order to make conclusions and recommendations.

5.2 CRM in Hospitality – Donegal Hotel Sector

Current Customer Retention Strategies

From carrying out phase one it was apparent that according to the target populations the most common customer retention strategy in use in the Donegal hotel sector was customer loyalty programs, such as frequent flyer programs. A total of 94% of respondents from phase one that had CRM in place stated that they used loyalty programs as the main CRM activity. Of respondents that stated that they had customer retention in place 44% of respondents stated that they used loyalty programs to retain customers. 19% of respondents stated they implement customer comment tracking and 19% also stated that they used customer data collection as part of the CRM. Only 12% of the respondents highlighted that they use customer service initiatives and 12% used post purchase follow up's. Taking into consideration that customer service initiatives can be relatively low cost, the researcher recognises that this is a low

percentage compared to customer loyalty programs which are generally a higher cost to the company. A further 6% stated that they used discounts and 6% used targeted promotions in order to retain customers.

In phase two of the research process when respondents were asked which initiatives were most important to retain customers customer service, complaints handling, data collection and utilisation, targeted promotions, relationship marketing, loyalty schemes, value added incentives and market research were all recognised as important initiatives to retaining customers. In phase two of the research process relationship marketing is seen to be important to CRM. 19% of the respondents stated that relationship was not important to their hotel, 19% stated that market research was not important to their hotel and a further 25% of respondents highlighted that marketing metrics were not important to their hotels. The researcher notes the link that is evident from the literature review and the data collection phases. It is apparent that loyalty schemes are an important method of currently retaining customers in the Donegal hotel sector. It is also clear that relationship marketing and marketing metrics are not seen as important to the respondents.

The use of loyalty programs was also highlighted in the literature review. For example, Boltan *et al.* (2000) recognises that in the hospitality industry reward programs which are based on usage levels are commonplace and generally the goals of these programs are to establish higher customer retention of valuable/profitable customer segments by increasing satisfaction and adding value. Loyalty programs according to Furinto *et al.* (2009) are one of the most popular marketing strategies developed to retain their customers. In addition, it was recognised that loyalty programs can serve a number of different roles and to implement a CRM program that is successful it should include success measurement that relate to the goals of the firm (Nunes and Drèze, 2006). Therefore, although the current strategies are a common method of retaining customers, relationship marketing and the metrics are not being implemented in order to maximize the success of the strategies in use. As highlighted in the literature review in order to have a successful CRM strategy data-collection, follow-up procedures and relationship marketing are necessary. According to the research carried out by Ang and Buttle (2005, 2006), which was highlighted in the literature review, companies manage their customer retention process through a number of different organisational processes which include the “customer satisfaction measurement process, customer retention planning process, quality assurance process,

win-back processes and the complaints-handling (recovery) process. Also highlighted in the literature review and reiterated in phase two of the research that to measure the effectiveness of reward programs companies should examine the consumer usage levels, the positive financial outcomes and ensure that they exceed the amounts invested in the loyalty programs.

Trends in the Donegal Sector

A total of 75% of respondents stated their customer retention strategies had been updated since the economic downturn. This has highlighted that hotels have recognised the importance of CRM and retaining customers and that hotels have reviewed and updated CRM strategies accordingly. The hotel respondents highlighted that 57% of their hotels do not have a written marketing strategy while when asked about the importance of market planning the response highlighted that 86% stated that it was of importance.

From both stages of the research process it has become apparent that there is confusion present when it comes to marketing in the Donegal hotel sector. Although 94% of respondents said that they have CRM strategies in place, 12% of respondents stated that customer data collection was not important and 19% of respondents stated that post purchase follow-up was not important and also relationship marketing was rated not important by 19% of respondents. Therefore the researcher would note that a full understanding of marketing and marketing initiatives is not fully present in the Donegal Hotel sector. This may be due to the financial limitations in the hotel sector or that according to phase one of the research process respondents highlighted that although 69% of marketing personnel were full time only 25% of respondents who manage marketing are marketing managers. 25% stated they were owners and 38% stated they were hotel managers.

From both research phases it is possible to make conclusions that marketing activities that are most important to the Donegal Hotel sector are online promotions, media coverage and advertisements which 94% of the respondents highlighted as important to their hotels.

5.3 Measurement of CRM Strategies in the Donegal Hotel Sector

It also became apparent that more than half (57%) of respondents do not measure the marketing/CRM initiatives implemented. It was highlighted in the literature review and again in phase two of the research that in order to successfully operate effective CRM strategies it is imperative to measure their outputs. In order to ensure CRM strategies are effective and cost efficient it is important to measure the effectiveness of reward programs and companies should examine the consumer usage levels, the positive financial outcomes and ensure that they exceed the amounts invested in the loyalty programs. In phase two of the research respondents highlighted that hotels fail when it comes to measuring the outputs of their strategies implemented. It is thought that hotels would spend a certain percentage of their budgets on advertisements yet not measure the success of the outputs. The researcher notes that this is a point of recommendation for hotels.

5.4 External Initiatives

It is evident from both research phases that hotels have an awareness and participation in external initiatives but it was also highlighted that hotels find it hard to measure the impact of external initiatives. 87% of respondents from phase one stated that they had involvement in external initiatives in order to increase their business performance. The respondents stated they used the following initiatives:

- Failte Ireland
- Donegal Live
- Sheephaven Initiatives
- Donegal Direct
- Discover Donegal
- Local Councils
- Inishowen Tourism
- Chamber of Commerce
- Trade Fairs
- Foreign Travel Shows
- Other Local and National Initiatives

In phase two of the research the respondent also stated that there is a wide range of support and services for the Donegal hotel sector. One respondent stated that Failte Ireland North West were accommodating as best they could be with funding and also with the other services they provide. It was also highlighted in the literature review that Failte Ireland provides a yearly guide to services, web assistance and marketing mentoring. It is evident that the services provided are being utilised but this could be increased if hoteliers felt they could measure their impact.

5.5 Recommendations

Considering the findings and analysis of data collected and theory in the literature review the researcher believes that the first step to improving the use of marketing and CRM is to maximise the use of market research, implement a written marketing plan and as part of the plan focus on customer retention management and how marketing activities can link to retaining customers. Hotels should make the most of marketing training and advice available from national organisations such as Failte Ireland. It has become apparent to the researcher that marketing in hotels is quite restricted and limited and that hotels should make more innovative approaches in order to retain customers. The researcher also believes that hotels that implement CRM strategies should measure their effectiveness and measure the financial benefits that they produce. The researcher would recommend that CRM strategies are measured considering their usage, the cost and the output from these strategies. Also data retrieved from customers should be analysed and used to determine why customers defect and strive to eliminate this cause. Hotels should strategically choose which customers are the most valuable and which customers they want to target with their CRM strategies. Hotels should then use the most appropriate methods to develop the profitability of the target customers. Hotels should review their marketing plans regularly and revise them according to their success or the limitations at that time.

5.6 Strengths and Limitations of Research

The researcher notes that the research process had a number of strengths which included using a triangulation approach. This allowed the researcher to corroborate the findings and provide an effective analysis and make relevant conclusions and

appropriate recommendations. If the researcher were to undertake the research again then time limitations would be further considered and efficient time in order to carry out in-depth interviews to further probe the respondents to gain further insights into the research topic. Future research may also be carried out to identify whether the Donegal Hotel sector can be used as a representation of the Hotel sector in Ireland. Future research may also examine whether the Donegal Hotel Sector may be used as a representation of CRM in the hospitality sector. The researcher also highlights that the use of marketing metrics in the Hotel sector may be another study and also the understanding of marketing in Donegal may be a possible future research topic.

5.7 Research Reflections

From completing this research dissertation the researcher has further developed knowledge in the area of CRM, the process of CRM and also CRM in the hotel sector in Donegal. Also the researcher gained an insight into the implications that the hotel sector in Donegal faces during the economic downturn and the researcher has developed an understanding of the financial limitations that restrict marketing within hotels. It is also evident that the researcher has learned the current CRM strategies used in the hotel sector and also that the majority of hotels do not measure the effectiveness of the strategies they implement. The research process has not only allowed the research to gain knowledge in the topic area but also on relevant areas through literature research. Moreover, the researcher has further developed knowledge on research methodologies, philosophies and approaches as well as gaining experience in research design. From the research process the researcher has gained more than initially predicted.

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Appendix

Phase One: CRM Survey

Please fill out the questionnaire below following the instructions to each individual question relating to your organisation. Please answer all questions to the best of your ability. If the question does not apply to you please tick the "N/A" box. If you tick the "Other" box please specify the reason in the space provided.

Section 1: Company Profile

1.

- a) Hotel Name: _____
- b) Number of Years in Operation 0-5 6-10 10+
- c) Room Occupancy Capacity 1-20 21-49 50-99 100+

2. Who in your organisation is in charge of marketing?

(Please Tick the most relevant)

- | | | | |
|-------------------|--------------------------------|----------------|--------------------------|
| a) Owner | <input type="checkbox"/> | b) Job Status: | |
| Manager | <input type="checkbox"/> | Full Time | <input type="checkbox"/> |
| Marketing Manager | <input type="checkbox"/> | Part Time | <input type="checkbox"/> |
| External | <input type="checkbox"/> | | |
| Other | <input type="checkbox"/> _____ | | |

3. Rate the following target markets in order of importance to your business:

a) *Resident location of Guests (Please Rate the following from 1-4?)*

- Domestic
- Northern Ireland
- European
- Other Please Specify _____
- _____

b) *Reason For Stay (Please rate by percentages amounting to 100%)*

- Business %
- Leisure %
- Other % _____ (Please Specify)

c) Age Profile of guests (Please tick all that apply) 18-24yrs

25-34yrs

35-54yrs

55+

Section 2: Customer Retention Management *

* Initiatives/ processes/ procedures put in place in order to keep new and existing customers.

4. a) Does your company have a written marketing communications strategy?

Yes No (If no please go to question 5)

b) Please list the 3 most important objectives of your marketing communications strategy:

i) _____

ii) _____

iii) _____

5. Please rate the following marketing activities that you utilise in order of importance to your business:

	Very Important Important	N/A	Important	Not Important	Not at all
Market Research	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marketing Planning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer Segmentation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Targeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Positioning Strategies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relationship marketing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Promotional Strategies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Online	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Advertisements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Media Coverage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Marketing metrics*

*(Measurement of marketing activities)

6. Does the hotel operate a customer retention strategy/strategies*?

*Initiatives/procedures/processes in order to keep new and existing customers

Yes No

(if no please skip to question 9)

Please Specify _____

7. Please rate the following customer retention activities that your hotel operates in relation to importance:

	Very Important		Important		Not Important	Not at all
	Important	N/A				
Customer Loyalty	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer Service	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer Complaints						
Handling	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer Data						
Collection	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post Purchase						
Follow-up's	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Please indicate your degree of agreement/disagreement with the following statements in relation to your business:

N/A
Strongly Agree
Agree
Disagree

- | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| a) There is a lack of marketing knowledge in our business | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b) Our financial resources limits our investment in marketing | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c) Time limitations do not allow the owner to gain marketing know how | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d) Our customer retention initiatives are beneficial to the success of the company | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| e) Our customer retention initiatives have been introduced since the economic downturn of the country | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| f) The customer retention initiatives have been updated since the economic downturn of the country | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| g) We have a high customer churn* problem in our hotel?
*(High rate of customer turnover) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| h) We plan to introduce a customer retention strategy in the future | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

19. Does the hotel measure the effectiveness of customer retention initiatives?

Yes No N/A

Please Specify (if yes) _____

10. Rate the following metrics in order of importance in relation to your hotel

	Very Important	Important	Not Important	Not at all Important	N/A
Occupancy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overall Turnover	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Repeat Custom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Turnover per Customer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	_____			

11. Is the hotel involved in any external initiatives to attract customers to the county? (e.g. Donegal Live etc...)

a) **Yes** **No**

Please Specify _____

b) If applicable, please specify how this has impacted your business _____

Thank you for taking the time to help me with my research I greatly appreciate your response. If you wish me to forward my findings to you please tick the opt in box below.

Opt In ***(Please supply email below)***

Opt Out

I would also like to reassure you that all responses are dealt with in a confidential manner.

Phase One : Survey Cover Letter

Dear Sir/ Madam

My name is Roisin Mc Cullagh and I am currently completing my Masters of Science in Marketing Practice at the Letterkenny Institute of Technology. As part of my course I am required to complete a research study and my chosen topic is “Customer Retention Management in the Hospitality Industry – A Profile of the Hotel Sector in Donegal”. I have chosen this topic as with the economic downturn I am interested to see if the hotel industry is implementing marketing tactics in order create new and maintain existing customers, such as managing customer retention within the hotel sector.

With this letter I have sent a survey on this topic area and I would be very grateful if you would take the time to fill it out for me. The return deadline is two weeks from the above date. I would greatly appreciate your help. I would like to assure you that all information will be kept confidential.

Kind Regards,

Roisin Mc Cullagh

Phase Two: Theme Sheet

Q.1 What is your opinion on the use of marketing initiatives in the Donegal hotel sector?

Q.2 *What is your understanding of Customer Retention Management?*

Q.3 What is your opinion of Customer Retention Management?

Q.4 What, in your opinion, would you say would be the main marketing methods to retain customers?

Q.5 In your opinion do you think that the hotel sector in Donegal employ marketing initiatives efficiently?

Q.6 In your opinion, do you think that the hotel sector focus on customer retention management? Why? Please Explain

Q.7 Do you feel that national organisations such as Failte Ireland aid the hospitality industry in marketing their businesses?

Q.8 In your opinion, do you think that Customer Retention or other marketing initiatives impact the success of the businesses?

Q.9 In your opinion, what marketing initiatives are the most important for hotels?

Q.10 In terms of the current economic situation, do you think hotels use marketing in order to compete efficiently or would you feel that this would be a department that has lost focus due to cutbacks etc... Please Explain

Q.11 In your opinion, do you think that hotels in Donegal have an understanding of the importance of marketing and the different marketing initiatives such as customer retention management, brand loyalty, relationship marketing etc..., and how these marketing methods can benefit their companies? Please Explain

Q.12 Is there anything else you would like to add?

Hotel Target Population

Premises Name	Classification	Address	Town
ABBEY HOTEL	Three Star	The Diamond	DONEGAL
ALLINGHAM ARMS HOTEL	Three Star	Main Street	BUNDORAN
AN CHUIRT	Four Star	Gweedore , Co Donegal	GWEEDORE
An Grianan Hotel	Three Star	Burt, Co. Donegal	DONEGAL
ARNOLDS HOTEL	Three Star	Main Street, Dunfanaghy	DUNFANAGHY
BALLYLIFFIN HOTEL	Three Star	Ballyliffin, Clonmany	BALLYLIFFIN
BALLYLIFFIN LODGE & SPA	Four Star	Shore Road, Ballyliffin	BALLYLIFFIN
Bayview Hotel & Leisure Centre	Three Star	Main Street, Killybegs	KILLYBEGS
BEACH HOTEL	Three Star	Downings, County Donegal	DOWNINGS
CAISEAL MARA HOTEL	Three Star	Foyle Street, Moville	MOVILLE
CAISLEAIN OIR	Two Star	Annagry, Via Letterkenny	ANNAGRY
CARLTON REDCASTLE HOTEL & SPA	Four Star	Redcastle, Moville	REDCASTLE
CARRIGART HOTEL	Three Star	Carrigart, County Donegal	CARRIGART
CASTLE GROVE COUNTRY HOUSE	Four Star	Ballymaleel	LETTERKENNY
CASTLE MURRAY HOUSE HOTEL	Two Star	Saint Johns Point, Dunkineely	DUNKINEELY
CENTRAL HOTEL CONFERENCE & LEISURE CENTRE	Three Star	The Diamond, Donegal	DONEGAL
CLANREE HOTEL	Three Star	Derry Road, Letterkenny	LETTERKENNY
CREEVY PIER	One Star	Kildoney Glebe, Ballyshannon	BALLYSHANNON
DERRYBEG HOTEL	One Star	Cotteen, Derrybeg	DERRYBEG
DORRIANS IMPERIAL HOTEL	Three Star	Main Street, Ballyshannon	BALLYSHANNON
DOWNINGS BAY HOTEL	Three Star	Downings, Letterkenny	DOWNINGS
FITZGERALDS HOTEL	Three Star	Bundoran, County Donegal	BUNDORAN
FORT ROYAL HOTEL	Three Star	Rathmullan, County Donegal	RATHMULLAN
GALLAGHERS HOTEL	Three Star	110 Upper Main Street, Letterkenny	LETTERKENNY
GLEN HOTEL	One Star	Arranmore Island, County Donegal	ARRANMORE ISLAND
GRAND CENTRAL HOTEL	Three Star	Main Street, Bundoran	BUNDORAN
GREAT NORTHERN HOTEL	Four Star	Bundoran, County Donegal	BUNDORAN
HARVEYS POINT COUNTRY HOTEL	Four Star	Lough Eske, Donegal	DONEGAL
HIGHLANDS HOTEL	Two Star	Glenties, County Donegal	GLENTIES
HOLYROOD HOTEL	Three Star	Bundoran, County Donegal	BUNDORAN
INISHOWEN	Three Star	Railway Road	BUNCRANA

GATEWAY HOTEL			
JACKSONS HOTEL	Three Star	Ballybofey, County Donegal	BALLYBOFEY
Kees Hotel	Three Star	Stranorlar, Ballybofey	BALLYBOFEY
LAKE HOUSE HOTEL	Three Star	Glebe, Clooney	PORTNOO
LAKE OF SHADOWS HOTEL	Two Star	Grianan Park, Buncrana	BUNCRANA
LETTERKENNY COURT HOTEL	Three Star	29-45 Main Street, Letterkenny	LETTERKENNY
MAGHERY	Newly Registered	Brighton Terrace , Bundoran	BUNDORAN
MCGRORYS OF CULDAFF	Three Star	Culdaff, Inishowen	INISHOWEN
MILL PARK	Four Star	The Mullins, Killybegs Road	DONEGAL
MOUNT ERRIGAL HOTEL CONFERENCE AND LEISURE CENTRE	Three Star	Letterkenny, County Donegal	LETTERKENNY
NESBITT ARMS HOTEL	Three Star	Main Street, Ardara	ARDARA
OSTAN GWEEDORE HOTEL & LEISURE COMPLEX	Three Star		BUNBEG
OSTAN LOCH ALTAN	Two Star	Gortahork	GORTAHORK
OSTAN NA ROSANN HOTEL AND LEISURE CENTRE	Three Star	Dungloe, County Donegal	DUNGLOE
OSTAN THORAIGH HOTEL	Two Star	Oilean Thoraigh, Tory Island	TORY ISLAND
RADISSON BLU HOTEL LETTERKENNY	Four Star	Paddy Harte Road	LETTERKENNY
Station House Hotel	Three Star	Lower Main Street, Letterkenny	LETTERKENNY
RATHMULLAN HOUSE HOTEL	Four Star		RATHMULLAN
ROSAPENNA HOTEL AND GOLF RESORT	Four Star	Downings, County Donegal	ROSAPENNA
SANDHOUSE HOTEL	Four Star		ROSSNOWLAGH
SEA VIEW HOTEL	Three Star	Ostan Radharc na Mara	BUNBEG
SHANDON HOTEL SPA AND WELLNESS	Four Star	Marble Hill Strand , Port-Na-Blagh	MARBLE HILL
SILVER TASSIE HOTEL	Three Star	Ramelton Road, Letterkenny	LETTERKENNY
SOLIS LOUGH ESKE CASTLE	Five Star	Donegal Town, Donegal	DONEGAL COUNTY
STRAND HOTEL	Two Star	Ballyliffin	BALLYLIFFIN
TARA HOTEL	Three Star		KILLYBEGS
THE MALIN HOTEL	Two Star	Malin Town, Inishowen	MALIN
THE MILFORD INN HOTEL	Three Star	Loughnakey, Milford	MILFORD/CO.DONEGAL
THE WATERS EDGE	Three Star	Rathmullen, Co. Donegal	RATHMULLAN
TRASNA HOUSE HOTEL	Two Star	Ballyliffin, Co.Donegal	BALLYLIFFIN

VILLA ROSE HOTEL

Four Star

Main Street

BALLYBOFEY