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Abstract
Organizations continually seek new ways to acquire, retain and increase business, since the cost of losing customers is rising. This study investigated the marketing strategies employed by hotels and guesthouses in the Upper East Region of Ghana. The main objective of the research was to examine the effects of marketing strategies on customer retention in the region. In a qualitative and quantitative study of 87 owners/managers of hotels/guesthouses in the region were selected with the use of the simple random sampling technique from 2 municipals and 5 districts. A structured questionnaire was used to collect data from owners/managers of hotel/guesthouses in the region. The results revealed a positive relationship between pricing, product/service, promotion, place and physical evidence strategies with customer retention for growth of small hotels/guesthouses. It is suggested that these hotels and guesthouses should employ coordinated marketing strategies in their transactions to attain higher performance. This performance can be achieved if managers/owners and employees work together to ensure provision of quality goods and services to satisfy customers.

Keywords: Marketing, Retention, customers, Strategies, Managers, Business.

INTRODUCTION
Small and Medium Enterprises (SMEs) continually seek new ways to accomplish, retain and increase their business, because the cost of losing customers is rising. The service rendered by any business organisation is an important factor in retaining clients. The role of service, therefore, is more important than ever, and is expected to become even more critical with time (Choi & Chu, 2001: 289).

In most developing countries, about 80% of the workforce is employed in the service sector. By the early 2000, it was estimated that service sector accounted for 72% of the gross domestic product (GDP) of developed economies, and 52% of the GDP of developing economies (Hill, 2007). In Ghana, the service sector in 2008 contributed 32% of GDP (Ghana Statistical Service, 2008). The hospitality industry has become one of the fastest growing sectors of the economy of countries in recent times. The industry has grown phenomenally since 2001 and has been driven by both leisure and business demand (Kloppers, 2005). In 2007, the hospitality industry was expected to grow by 6.2% and the tourism industry by 4.1% (Economist Intelligence Unit, 2005). Since the late 1980s, tourism has received considerable attention in the economic development strategy of Ghana. The government, therefore, established a Ministry of Tourism in 1993 to emphasize its commitment to tourism development, and with assistance from the United Nations Development Programme (UNDP) and the World Tourism Organisation (WTO), prepared a 15-Year Tourism Development Plan for the period 1996 to 2010.

The number of tourist arrivals and amount of tourists’ expenditure has steadily increased, while both public and private investment activity in various tourism sub-sectors have expanded (Teye, 1988). Tourism contributed about 6.2 per cent to the Gross Domestic Product (GDP) in 2010 (Okaikoi, 2010). Hotels and guesthouses play an important role in the tourism industry and have helped in the attainment and acceleration of the social and economic growth of the country and in the tourism sector.

In the Upper East Region, the potential growth and development towards industrialisation and its programmes to promote local and foreign tourism led to the growth of the hotels, guesthouses and other resorts that are now serving the region. The Upper East Region is fast becoming a tourist spot because of the beauty of the natural resources, game reserves and the rich cultural heritages such as the presence of ancestral buildings and places of worship. The Region is considered one of the most beautiful and peaceful places in Ghana due to its strategic location and the interesting adventurous sceneries that are preserved and protected by the government and natives to attract tourists. Thus, the industry provides career opportunities for the people of the region. Service quality as an important factor in retaining clients in the hospitality industry has become more important than ever, and is expected to become even more critical with time (Choi & Chu, 2001). Small hotels and guesthouses that have the ability to attract, satisfy and thus retain customers are more likely to survive than hotels and guesthouses that do not do so. Successful customer retention allows a hotel to build relationships with its customers (Hoffman, Kelley & Chung, 2003). Kurtz and Clow (1998) argued that irrespective of the efforts by service organisations to introduce competitive strategies to attract customers and efficiently manage the supply of services they offer, customers do not always purchase from the same organisation – nor do they always
remains loyal. Within the field of strategic marketing, decisions on how to market one’s product or service has always been a problem, where the focus has been on placing the product at the best place with the best possible price. Thus, small hotels/guesthouses need to proactively manage the service mix they offer, by applying a suitable selection of marketing strategies. Small firms must also adapt new marketing methods in order to sell and market their services effectively. For this reason of survival, retention of loyal customers and growth, small industries use a lot of methods to market their products or services.

The study aimed at testing the relationships between marketing strategies and customer retention and firm growth of hotel and guesthouses in the Upper East Region of Ghana.

**MATERIALS AND METHODS**

**Description of the Study area**

The Upper East Region is bounded by the Republic of Burkina Faso to the north, the Upper West Region to the west at the Sisili River, the Republic of Togo to the east, and the Northern Region of Ghana to the south. Bolgatanga is the capital. The Upper East Region of Ghana has a population of 1,031,471 comprising 497,139 males and 534,339 females. The region has a population density of 117 per square kilometre (per sq. km.) (Ghana Statistical Service, 2010).

The nature of the region makes it a site of tourist attraction and, therefore, many hotels and guesthouses can be found. The Region is fast becoming a tourist spot because of the beauty of the natural resources, game reserves and the rich cultural heritage such as the presence of ancestral buildings and shrines. The Upper East Region was chosen for the study because it is considered one of most beautiful and peaceful places in Ghana due to its strategic location and the interesting adventurous sceneries to attract repeat tourists. Hotels/guesthouses play an important role in the attainment and acceleration of the social and economic growth of the country. In the Upper East Region, the potential growth and development towards industrialization and its programmes to promote local and foreign tourism led to the growth of the hotels and resorts that are now serving the region (Ghana Tourist Board, 2008).

**Data Collection**

Both primary and secondary data sources were used to gather relevant information for analysis and discussions. The purposive sampling technique was used to select 6 out of the 9 Municipal/Districts with hotel and guesthouse facilities. In purposive sampling, the researcher selects the sample with a purpose in mind and it involves one or more specific predefined groups. Unlike the various sampling techniques that can be used under probability sampling (for example, simple random sampling, stratified random sampling, and others), the goal of purposive sampling is not to randomly select units from a population to create a sample. The main goal of purposive sampling is to focus on particular characteristics of a population that are of interest, which will best enable the researcher to answer the research questions (Collis & Hussey, 2003:159). The municipals selected for the study were Bolgatanga and Bawku. The districts selected included Buiilsa, Kassena Nankana East, Kassena Nankana West, and Bongo districts. These municipals and districts were selected because they had a lot of hotels and guesthouses. In addition, they have a lot of sceneries that serve as tourist sites. The simple random sampling technique was used in selecting the hotels and guesthouses from the population of 195 hotels and guesthouses to form the sample size of 103 for the study from the six municipals and districts selected for the study. The simple random sampling was carried out by writing the names of the hotels and guesthouses and assigning numbers to each of them. These numbers were written on small sheets of papers which were folded and put in a bowl. The folded papers were picked at random till the required sample size was met. The use of the simple random sampling technique helped to ensure that each hotel and guesthouse in the sampled municipals and districts had an equal chance of being selected. Close and open ended questionnaire were used to collect data from the interviewees. In addition to the questionnaire, empirical verification was done via observation of attitudes and behaviours of managers. All stakeholders in the sector of all status were interviewed. Focus group discussions were held with various groups. It involved managers of Hotels/Guesthouses, the Ghana Tourist Board, some opinion Leaders in the industry etc.

**Regression analysis**

The regression analysis was used to model the linear relationship between marketing strategies and the response of constructs on customer retention rate, the constructs on firm growth and market share. The model is represented by:

\[ Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{12} + \cdots + \beta_k X_{ik} + \varepsilon_0 \]

Where the \( Y_i \)’s are the \( n \) independently sampled observations; the \( X_{ij} \)’s are the predictor variables (marketing
strategies) and the random noise \( \varepsilon_1, \ldots, \varepsilon_n \) are assumed to be \( \varepsilon \sim \mathcal{N}(0, \sigma^2) \). The conditional mean of the \( Y_i \) is a linear function of the \( X_i \).

\[
E(Y/X) = \beta_0 + \sum_{i=1}^{n} \beta_i X_i
\]

**Data Analysis**

The data obtained was analyzed using Statistical Package for Social Scientist (SPSS) and Microsoft Excel.

**RESULTS AND DISCUSSION**

**Table 1: Educational status of respondents**

<table>
<thead>
<tr>
<th>Educational Status</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Education</td>
<td>6</td>
<td>6.9</td>
</tr>
<tr>
<td>Secondary</td>
<td>50</td>
<td>57.5</td>
</tr>
<tr>
<td>Tertiary</td>
<td>31</td>
<td>35.6</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Field work, (2014) N=87*

The result in Table 1 shows that most of the respondents (57.5%) had had secondary education. Those who had tertiary education are 31 (35.6%) while the rest (6.9%) had only basic education. It can be inferred from the results that some graduates from the tertiary institutions are working in the hotel industry.

**Table 2: Years the hotels/guesthouses have been in existence**

<table>
<thead>
<tr>
<th>Years in existence</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 years</td>
<td>48</td>
<td>55.2</td>
</tr>
<tr>
<td>11-15 years</td>
<td>18</td>
<td>20.7</td>
</tr>
<tr>
<td>16 and above years</td>
<td>21</td>
<td>24.1</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Field work, (2014) N=87*

An analysis to ascertain the number of years the hotels and guesthouses had been in existence revealed that they had been operating for one to sixteen years and above. Table 2 shows that a majority of 48 respondents representing 55% indicated that their hotels or guesthouses had been in existence for 1-5 years while 18 (21%) said they had been in operation for a range of 11 to 15 years. Twenty-one (24.1%) of the respondents reported that they had been in operation for more than 16 years. This finding gives a clear indication that the hotels and guesthouses business is growing thereby highlighting the fact that this type of small business is on the increase in the research area.

**Marketing strategies employed by small firms**

The first objective of this study was to identify marketing strategies used by hotels/guesthouses. To achieve this objective the views of the respondents were sought. Figure 1 shows the marketing strategies employed by the hotel facilities.
Field work, (2014) N=87

Figure 1: Type of marketing strategies employed

Figure 1 shows the responses in percentages in a graphical illustration. The results indicated that hotels/guesthouses in the Upper East Region, in general, apply the seven “Ps” of marketing strategies which are product, price, place, promotion, process, people and physical evidence. The results indicated that these hotels/guesthouses under study put much emphasis on the physical evidence strategy which emanated as the highest strategy employed (26.4%) and was followed by place strategy with 20.7%. The rest in the order of magnitude were price, product/service and promotion strategies respectively. The least of the strategies used was promotion (10.3%). The two other strategies, process and people, were not mostly used. It can be inferred from the data that physical evidence, place, price, product/service and promotion strategies were the most widely used marketing strategies out of the 7 “Ps” of marketing strategies. Process and people strategies were not widely used by the hotels and guesthouses. It can, therefore, be concluded that the hotels and guesthouses employed the 7 “Ps” of marketing strategies.

These findings are in line with the views of Lovelock and Wirtz (2007) and Mujtaba and McFarlane (2007) who stated that the only function in an organisation that brings operating revenues into a business is marketing and, in order for firms to be competitive and remain in business, their products, prices and promotional activities must be satisfactory and offer as good a value as most rivals and industry leaders. They were also of the view that marketers can use big and complicated models or small and easy ones, or even none at all; but to be able to create a valuable and attractive marketing proposition some guidelines need to be followed.

From the results of the analysis of data indicated that all respondents (100%) strongly agree that the beds in their hotels met hotel standards. The results also reveals that 39% of the respondents strongly disagree with provision of internet services while 24% of them strongly agree with the provision Internet services as a strategy of capturing customers. In assessing customers’ response to pricing as a strategy, the results indicate that all respondents were against penetrating pricing as a strategy worth undertaking. Also, 77% of these respondents agree with discount pricing as a strategy of winning customers and 86% of the respondents agree that credit terms was an effective strategy of getting customers while 14% of them strongly agree with this strategy.

Results from promotion strategies reveal that 61% of respondents agree with sales promotion while 59% agree with media (television and print). Eighty-six per cent (86%) agree with posters, 40% with word of mouth and 36% to bulletin boards as viable strategies for promotion in the hospitality industry. It can, therefore, be concluded that promotion strategies in winning and retaining of customers are very important in marketing services in the hotel industry. On place strategy, 67% of respondents strongly agree with location of the hotels and guesthouses, 37% strongly disagree with provision of transport as a strategy, 95% agree that access to...
market is worth noting as a strategy and 60% also strongly agreed that a pleasant environment (for example, lighting) is a good practice to capture customers.

The study also examined the use of people strategy. The results indicated that the management of the hotels and guesthouses employed the people strategy in winning and retaining of their customers. Sixty-six per cent (66%) of the respondents agree with the view that management expertise is a requisite strategy in promoting their business while 55% agree with the recruitment of the right staff. Sixty-seven per cent (67%) of the respondents strongly agree with training of staff, 66% agree with sound employee retention and 76% strongly agree with efficient and hardworking employees as ways growing their businesses.

The process strategies were also analyzed in this research. Results from the process strategies analysis indicated that a variety of process activities had been employed by the management of hotels and guesthouses to help the growth of their businesses. About 63% of the respondents agree that they used prompt service delivery; 64% agree to quality customer service; 67% agree to customer information services; and 100% agree to efficiency of operation. The results, therefore, show that process as a strategy had been adopted by the people in the hotel industry to help the growth of their businesses.

Physical evidence was also examined as a strategy in the hospitality industry in the research. The outcomes of the study reveal that 57% of the respondents strongly agree with the view that good and proper ventilation was a way of winning customers while 57% strongly agree with the use of physical resources (fridges). Other things the respondents perceived as ways of winning and retaining customers were availability of packing space, proper sanitation and cleanliness, beautiful interior and exterior decoration and the size of rooms. About 63% agree to availability of parking space; 62% strongly agree to proper sanitation and cleanliness; 79% strongly agree to beautiful décor (interior and exterior); and 76% strongly agree to the size of rooms (small and large) as strategies of winning new customers and retaining their already existing customers. These results, therefore, indicated that the hotels and guesthouses employed the “7Ps” marketing strategies (product, price, promotion, place, process, physical evidence, and people) in winning and retaining their customers. These findings are in line with the views of Boom and Bittner (2008 in www.continuumlearning.com) that the Marketing Mix model can be used by marketers as a tool to assist in defining the marketing strategy. Marketing managers use the “7-Ps” model to attempt to generate the optimal response in the target market by blending seven variables in an optimal way. The 7-Ps model is more useful for services industries and arguably also for knowledge-intensive environments. The most common variables used in constructing a marketing mix are price, promotion, product and place.

Effects of marketing strategies on customer retention
The second objective sought to examine the extent to which respondents considered the effects of the employment of the marketing strategies on customer retention. The result indicates that 95% of the respondents strongly agree with the view that the use of the marketing strategies returns on sales while 66% agree with increasing sales revenue. All respondents (100%) agree with the view that implementing the strategies helped to expand the business (innovation); 89% agree with the idea that the use of the strategies helped them to compare business performance (profit and sales) with that of other competitors. Finally, 47% agree with return on equity as growth indicators relevant to the growth of their business.

The results, therefore, indicate that the use of the marketing strategies had positive effects on customer retention. The respondents reported that they had high returns on sales and revenues of the hotels and guesthouses. These findings are in line with the ideas of Kim and Sullivan (2006) and Kim (2002) that the changes companies make in marketing strategies in a competitive market are of great importance in enhancing business. It has been shown that those increasing or maintaining their level of advertising will increase sales, income and market share during and after a recession.

Marketing strategies influencing firm growth
The third objective sought to examine firm growth as the hotels and guesthouses adopted the marketing strategies. The analysis shows that 77% of the respondents agree with the view that customer loyalty was an indicator of a firm’s growth; 64% strongly agree on return on capital employed; 54% agree with price in relation to cost of production; 51% strongly disagree with seeking low cost of production; 93% agree with increasing profit levels and; 100% agree with seeking organizational growth. The results of the study, therefore, indicate that when the marketing strategies are employed by the hotels and guesthouses, there are customer loyalty, increasing profit levels, return on capital and organizational growth. These results are in consonance with views of Bowie and Buttle (2004) and Cooper et al. (2008). They stated that in the modern competitive world where there is ‘Survival of the Fittest’, an enterprise needs to be strong enough to successfully face the challenges posed by changing business environment in order to grow. The growth of an enterprise is reflected in the increase in its sales, volume of output, assets and profits. When industries grow they tend to apply a lot of strategies that are able to influence customers to be purchasing the products or services continuously.
Hypotheses testing

The hypotheses formulated were tested using simple regression analysis with the aid of the Statistical Package for the Social Sciences (SPSS) Version 19.0 to examine the relationship between the independent variables and the dependent variables. Each independent variable in the hypothesis was regressed on a dependent variable to assess the relationship between the dependent and independent variables. A regression equation was built to test the hypotheses so as to assess whether a particular hypothesis is supported or not. The sign of the beta coefficient (β) was taken into consideration.

The Standardized Beta Coefficients gave a measure of the contribution of each variable to the model. A large value indicates that a unit change in this predictor variable has a large effect on the criterion variable.

The t and Sig (p) values gave a rough indication of the impact of each predictor variable – a big absolute t value and small p value suggest that a predictor variable is having a large impact on the criterion variable. Table 4 shows the results of the regression analysis.

Table 3: Simple regression analysis of marketing strategies (Price, Promotion, Product/Service, Physical Evidence and Place) Constructs and the Customer Retention and Firm Growth Construct

<table>
<thead>
<tr>
<th>Predictor</th>
<th>R</th>
<th>R square</th>
<th>Beta</th>
<th>t</th>
<th>sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>PXS</td>
<td>0.523</td>
<td>0.279</td>
<td>0.538</td>
<td>9.518</td>
<td>0.000</td>
</tr>
<tr>
<td>PROMOS</td>
<td>0.539</td>
<td>0.301</td>
<td>0.529</td>
<td>11.417</td>
<td>0.000</td>
</tr>
<tr>
<td>PRODSERV</td>
<td>0.453</td>
<td>0.298</td>
<td>0.547</td>
<td>7.575</td>
<td>0.000</td>
</tr>
<tr>
<td>PHYSE</td>
<td>0.549</td>
<td>0.412</td>
<td>0.679</td>
<td>13.307</td>
<td>0.000</td>
</tr>
<tr>
<td>PLACEST</td>
<td>0.672</td>
<td>0.213</td>
<td>0.433</td>
<td>10.013</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Customer Retention

<table>
<thead>
<tr>
<th>Predictor</th>
<th>R</th>
<th>R square</th>
<th>Beta</th>
<th>t</th>
<th>sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MKST</td>
<td>0.569</td>
<td>0.279</td>
<td>0.796</td>
<td>16.106</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Firm Growth (Sales volume)

<table>
<thead>
<tr>
<th>Predictor</th>
<th>R</th>
<th>R square</th>
<th>Beta</th>
<th>t</th>
<th>sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MKST</td>
<td>0.579</td>
<td>0.490</td>
<td>0.697</td>
<td>12.249</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Firm Growth (Profitability)

<table>
<thead>
<tr>
<th>Predictor</th>
<th>R</th>
<th>R square</th>
<th>Beta</th>
<th>t</th>
<th>sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MKST</td>
<td>0.571</td>
<td>0.240</td>
<td>0.361</td>
<td>9.235</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Firm Growth (Market share)

Source: Field work,(2014)N=87

The first hypothesis was formulated to determine the effect of pricing strategy on customer retention. The hypothesis stated was as follows:

H₁: Pricing strategy has a positive effect on customer retention of small hotels and guesthouses in the Upper East Region.

The regression equation used to test the relationship was as follows:

CR = a + βPXS + E

The result shows that Pricing strategy has a positive effect on customer retention of hotels and guesthouses (β = 0.538, p<0.005) (Refer to Table 10). The beta coefficient was in the same direction as hypothesized and the regression explained 27.9% of the variations in customer retention. The hypothesis that “Pricing strategy has a positive effect on customer retention of small hotels and guesthouses in the Upper East Region” was supported. The implication is that a decrease in pricing of products and services would result in an increase in customer retention. This result is consistent with some of the findings in earlier studies which reported significant positive relationship between price and customer retention. The findings support the proposition of Pagaso and De la Cruz (2000) that price is a very important factor in the operational market because this is the only element among the extended “Ps” of marketing mix that generates income and a careful utilisation of it is able to attract and maintain customers.

The second hypothesis was formulated to establish the effect of promotional strategies and customer retention. The regression equation used was:

CR = a + βPROMOS + E

The results from Table 3 indicated that there was a significant and positive effect between employing promotional strategies and customer retention (β = 0.529, p<0.005). The beta coefficient was in the right direction as hypothesized and the regression explained 30.1% of the variations in the customer retention. This finding supports the assertion of Baron and Harris (2003) that there is a positive effect between promotional strategy and customer retention. Thus, loyal customers may also provide the organisation with free advertisement in terms of positive word of mouth, which might result in additional sales for the organization.

The third hypothesis was formulated to determine the effect between product/service strategies and customer retention. The regression equation used was:

CR = a + βPROSER + E

The result from Table 3 shows that there was a significant positive effect between employing product/service strategies and customer retention (β = 0.547, p<0.05). The beta coefficient was in the same direction as
hypothesized and the regression explained 29.8% of the variations in customer retention leaving 70.2% of the variation to be explained by other variables. The result, therefore, indicated that owners/managers of small hotels and guesthouses should pay attention to the activities of both their immediate and prospective competitors if they are to perform well in the market. This result supports the views of Bryman and Bell (2007) who reported that in recent years, more than forty per cent of all customers surveyed listed poor service as the number one reason for switching to the competition. Thus, providing quality products/services can enable firms to market and satisfy the needs of the customers better than competitors and this can be the basis for value creation, customer loyalty and increased profitability (Martin & Grybac, 2003).

Hypothesis four was formulated to determine whether physical evidence affect customer retention. The following regression equation was used:

\[ CR = a + β PHYSE + E \]

The results in Table 3 indicated that there was a positive and significant effect between physical evidence and customer retention. The regression explained 41.2% of the variations in customer retention. However, the beta coefficient was in the same direction as hypothesized.

The fifth hypothesis which was formulated to determine whether there was an effect between place marketing and customer retention. The following regression equation was used:

\[ CR = a + β PLACEST + E \]

Table 3 indicated that there was a positive and significant effect between place strategies and customer retention in hotels and guesthouses in the Upper East Region (β = 0.433, p<0.05). The regression explained 21.3% of the variations in customer retention. However, the beta coefficient was in the same direction as hypothesized.

CONCLUSION

The results of the study showed that the managers of hotels and guesthouses in the Upper East Region employed the “7Ps” of the marketing mix to promote customer retention and the growth of their enterprises. The hypotheses testing revealed that a direct positive and significant relationship existed between pricing strategy, product/service strategy, promotion strategy, place strategy and physical evidence strategy and customer retention for the small hotels/guesthouses. Also, the study showed that a significant positive relationship existed between business growth and the use of the marketing strategies, 7Ps, for the small hotels/guesthouses in the Upper East Region. In a nutshell, the positive and significant relationship between market strategies and firm growth in terms of sales volume, profitability and market share of the small hotels/guesthouses in the Upper East Region is an indication of the fact that marketing strategies contribute positively to how well these businesses perform. Thus, an improvement in the utilization of the marketing strategies in the Region will lead to an equally high performance and will in turn ensure a long term survival of the hotel and guesthouse business.

References


