THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM) ON CUSTOMER'S LOYALTY: EVIDENCE FROM FOUR STAR HOTELS IN ADDIS ABABA

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DECLARATION

I, Tirisit Ayalew, the undersigned person declare that the thesis entitled "The Effect of Customer Relationship Management (CRM) On Customer's Loyalty: Evidence from Four Star Hotels in Addis Ababa" is my original and submitted for the award of Master of Art Degree in Marketing Management from St. Mary University at Addis Ababa and it hasn't been presented for the award of any other degree. Under this study, fellowship of other similar titles of any other university or institution of all sources of material used for the study has been appropriately acknowledged and notice.

Tirisit Ayalew   _____   _____

   Candidate   Signature   Date

CERTIFICATION

This is to certify that Mrs. Tirisit Ayalew has properly completed his research work entitled "The Effect of Customer Relationship Management (CRM) On Customer's Loyalty: Evidence from Four Star Hotels in Addis Ababa" with my guidance through the time. In my recommendation, his task is appropriate to be submitted as a partial fulfillment requirement for the Master of art Degree in Marketing Management.

Research Advisor

Mulugeta G. (PhD)

_____

Signature and Date

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ABBREVIATIONS/ACRONYM

CRM – Customer Relationship Management

ICT - Information and Communication Technology

IS – Information System

IT - Information Technology

TCT Transaction cost theory

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ABSTRACT

This study examined the effect of customer relationship management on customer loyalty in star hotels in Addis Ababa. The data collected from 219 from hotel guests in Addis Ababa were entered into SPSS for analysis. Frequency count and percentage and correlation and regression analysis were used using a five -point liker scale questionnaires and proportional stratified sampling method. Accordingly, design, the study revealed that there is a weak usage of adopted automation systems on CRM like computerized, digitized operations. These hotels have well incorporated CRM based on value-creating marketing strategies that help to deliver customer value. Using explanatory research design, this study found that there is a significant effect between automation procedure, business process, online communication channels, accounting program, marketing program and customer loyalty. Thus, the study concluded that automation procedure, business process, online communication channels, accounting program and marketing program help to standardizes CRM to enhance consumer loyalty. As result, the study suggests that hotels may enhance their ability of CRM through secured information exchanges, minimize transaction and system costs and maximize the relationship's benefits in order to repeat the exchange processes in the future.

Key Words: **Customer Relationship Management,** *Customer Loyalty*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Hospitality Industry is related the tourism industry in which the process of customer retention is coming to be a strict mentality (Rahimi, 2007). Within the field of hospitality, hotels are very significant in offering services and play a sufficient role in expanding the tourism industry and in improving and developing economic circumstances (Sotoudeh, 2006). Due to increased competition, customer relationship management (CRM) has become even more relevant. The significance of CRM in today's organizational competitiveness is admitting and its level of practice and its possible results on the hotel industry. This is due to the fact CRM is one of the most important strategies to achieve competitive advantage in today's competitive world. In addition, loyalty and profitability that has increased as a result of implementation of CRM (Eid and Vallabh, 2014) particularly Min and Hockey (2002) also stated that CRM helps to increase customer loyalty and profitability in the hotel industry. Darrel (2010) confirmed that Customer relationship management (CRM) has become one of the emerging tools essential for organizational success and from the year 2006 to 2010, it was rated the second best effective management tool after strategic planning.

CRM has recently become one of the most controversial issues and a focal-point in the business field. Hotels in order to have loyal customers they have to make sustainable relationship with them (Balaram and Adhikari, 2010). In this regard, CRM strategy is of great benefit to the organizations, adopting it, as such organizations can reap the benefit of increasing sales through better market segmentation, customized products and services, obtaining higher quality products, gaining access to information and employee satisfaction, and above all, ensuring long-lasting customer-retention and loyalty (Alomtairi, 2009). However, due to the existence of firms which offer cheap CRM systems, which made CRM programs uncomplicated (Anuj et al, 2010). Thus, the issue of CRM and its consequence in customer loyalty should be understood exclusively. This is because there were more than 1.3 billion travellers traveled all over the world according to data from World Tourism Organization (2019). When compared with global average of 7%, International tourist arrivals to Africa increased by 8.6%. The tide is turning for Ethiopia's

tourism Industry as of Ministry of Culture and Tourism that has long term plan to triple the number of foreign visitors to be more than 2.5 million by 2020. And to achieve its goals by making Ethiopia as one of Africa's top four tourist destinations in the year 2020. Tourism receipts of Ethiopia increased from 639 million US dollars in 2006 to 2,503 million US dollars in 2017 growing at an average annual rate of 17% (Ministry of Culture and Tourism, 2019). Accordingly, the Ministry of Culture and Tourism of Ethiopia has stated its aspirations to make Ethiopia a top four tourist destinations in Africa by 2020. In a very competitive industry like hotels; it is indispensable to strive for a steady improvement and a sustainable competitive advantage. This only can be achieved if hotels are able to understand, meet, and exceed the rapidly developing demands of their employees and customers.

Since the number of international travelers to Ethiopia has kept on increasing from time to time the need of accommodation, food, beverages and other related services are mandatory. Quality assurance of the services to tourist/customers through the implementation of CRM is again mandatory (Eid and Vallabh, 2014). Thus, this study was interested in examining the effect of CRM on customer loyalty in hospitality Industry, especially on selected four star hotels in Addis Ababa. This is also reasoned as Addis Ababa has got variety of hotels with attractive facilities and amenities. The number of hotels in Addis Ababa is increasing from time to time. The hotels range from four star international chains to one star hotels. Addis Ababa is well known for its lovely Meskel festivities and other attractions like: Addis Ababa Museum, Africa Hall, Selassie (Trinity), Cathedral, Beata Mariam church, IES, Ethnographic Museum, National Museum of Ethiopia, St. George's Cathedral , the city's main commercial hub Merkato, and Oromia cultural center are major ones. Addis Ababa is also a seat of International Embassies, ECA (economic commission for Africa) and AU (African Union).

1.2 Statement of the Problem

Many researchers have confirmed that there is still lack of research on CRM in hospitality Industry. And they have put the result of their research as follows. CRM is identified as an important practice for the hotel sector (Alomtairi, 2009). The hotel sector is evident from the growing amount of literature, there appears to be potential for further research (Wu & Lu, 2012). It has been noticed that there is still a marked lack of research on CRM in the Hospitality industry (Wu and Lu, 2012). Vogt (2011) conveys that "despite the ever-increasing use of CRM

in the tourism sector, studies investigating its variety of applications in this industry are still limited.

Although there is ever-increasing use of CRM in the tourism sector, there is still limited research investigating its variety of applications in such significant industry (Vogt, 2011). It is clear that many researches confirmed the importance of conducting studies on CRM strategies and practices in the hotel sector. Evidence suggests that research investigating CRM practices experienced by the customer, which is referred to as customer-facing CRM, has been given limited attention. Scholars (Ammari, & Nusair, 2014) also explored CRM to be the best business strategy for hotel companies to differentiate themselves from their competitors. From all the studies made it is possible to know that CRM is an important marketing activity or function which can solve the challenges faced by hotels. Therefore, the significance of CRM in relation to hotels in Ethiopia and in Addis Ababa has to be researched. However the adoption of customer relationship management by selected four star hotels was not yet fully realized and the benefits are not fully achieved. The problem with these hotels was the absence of laid down guidelines, implementation and practices. Each four star hotel understudy viewed and practiced CRM differently. Yet there is no doubt that an effective and efficient practice of customer relationship management is crucial in success of those hotels. Hotels struggle to adapt models to their business contexts. CRM is not novel concept, the careful application of CRM philosophies, perspectives, and processes have not yet to be fully implemented within hospitality context as strategic hotel challenges escalate. It is essential for hospitality professional to embrace CRM techniques to heighten the probabilities of increasing customer and retain them.

As a summary, this study has identified several gaps in the existing body of knowledge. Firstly, despite the extensive scholarly interest in CRM, the research on CRM in the hotel context remained scant. Secondly, other than loyalty programs, many important customer facing CRM practices were not used to measure the effectiveness of CRM in generating loyalty.

Thirdly, even though many studies have investigated the factors affecting switching, no study so far looked at customer inclination in entering into long-term relationships with hotels, and the impact of Variety Seeking behavior (VSB) on customer switching. Fourthly, the perspectives of buyers have been neglected by researches on marketing largely, and focused mainly on the sellers' perspective (Shirazi & Som, 2011; Wu & Li, 2011). Fifthly, since the literature on CRM

and VSB has been discussed dichotomously, the opportunities to obtain a comprehensive view on the effectiveness of CRM in the hotel sector may have been neglected. Therefore, the study assessed the status and ways CRM has been put into practice by the hotels in Ethiopia by taking four star hotels in Addis Ababa. Effect of CRM strategies and practices in influencing customer loyalty was identified by the research paper.

1.3 Research Questions

1.3.1 Main Research Question

- To what extent the customer relationship management influence customer's loyalty in the selected four stars rated hotels in Addis Ababa?

1.3.2 Specific Research Questions

- To what extent does automate procedures influence customer's loyalty in the hotel sector in Ethiopia?
- To what level does business processes influence customer loyalty in the hotel sector in Ethiopia?
- To what level do communication channels influence customer loyalty in the hotel sector in Ethiopia?
- What is the level of accounting programs competence influence customer loyalty in the hotel sector in Ethiopia?
- What is the level of marketing programs competence influence customer loyalty in the hotel sector in Ethiopia?

1.4 Objectives of the Study

1.4.1 General Objective

The study aimed to examine the effect of customer relationship management on customer loyalty in star hotels in Addis Ababa.

1.4.2 Specific Objectives

- To find out the level of effect, automate procedures has on customer loyalty in the hotel sector in Ethiopia.

- To determine the level of effect, business processes has customer loyalty in the hotel sector in Ethiopia.
- To investigate the effect of communication channels on customer loyalty in the hotel sector in Ethiopia.
- To determine the effect level accounting programs has customer loyalty in the hotel sector in Ethiopia.
- To find out the level of effect, marketing programs has on customer loyalty in the hotel sector in Ethiopia.

1.5 Significance of the Study

The significance of the study is explained in three ways. Firstly, it highlights the scant attention given to the key areas of concern of the study of CRM. Secondly, it shows the significance of the research context of hotels. Thirdly, it elaborates the contribution of the study to both the body of knowledge, and the practitioners. While the requirement adopts both qualitative and quantitative methods accentuated to adopt mixed methods, the remaining scant focus on contribution to knowledge in the area of this study through mixed methods makes this research more significant. Signifying the importance of the accommodation sector, Page (2007) stated that among the many expenditures related to travel, undoubtedly the highest expenditures of a tourist is allocated to accommodation. Therefore, research on leisure travel combined with an investigation related to accommodation is considered a significant contribution to the body of knowledge.

This study contributes to the theory of CRM by extending it to the hotel context. It investigates whether CRM takes place in the hotel context, and identifies unique factors contributing to CRM of tourists. This study involves in a detailed investigation of customer-facing CRM and its effectiveness. Moreover, this study provides understanding of the CRM practices adopted by the hotel industry at the customer-facing stage in the context of seeking different degrees of variety. It also investigates the influence of CRM practices in influencing variety seeking behavior (VSB) of tourists, and the influence of VSB on the effectiveness of CRM to generate loyalty.

The methodological rigor of this study could also be considered as a significant contributory factor to the development of knowledge. The proposed study adopts a sequential mixed method design. By adopting both qualitative and quantitative approaches it expects to generate a

comprehensive view of the problem under investigation. Covering both the depth and the breadth of the research problem on the one hand, facilitates the exploration of the concepts in detail whereas on the other hand it generalizes the findings to a larger population. Further, contributing to the methodological rigor, this study develops and validates a scale for measuring CRM in the hotel context which could be further used by researchers and practitioners in the hotel industry. The practical contribution of this study is focused mainly on the hotel managers. Based on the findings, management could gain a perspective on the most effective customer facing CRM practices for tourists that seek different degrees of variety.

To summarize; the information gained from study assists as guideline to all owners of tourist hotels in Ethiopia and members of the general public by enabling them to be aware of CRM strategies used by hotels in Addis Ababa, the impact of those CRM strategies and practices on performance of tourist hotels and the challenges they face in implementing those strategies. The findings of this research study also are used by the Ministry of Culture and Tourism and other stakeholders of the tourism industry (Ethiopian Tourism Council and Tourism Board, Tourism organization, Addis Ababa Culture and Tourism Bureau, and regional tourism bureaus).

CRM helps the management of hotels under study, to identify any performance gaps in their customer management efforts and hence take corrective actions. To professional extension of existing knowledge on CRM practices: The study also suggests areas for further studies. And give general and specific recommendations that may help the hotels to improve their customer management the research finding helps the policy makers, government, and management of the hotels. It serves as empirical information to the hotel management for policy formation. This information is relevant to them because it is expected that effective CRM in hotel industry will have positive effect to come up with strategies that enhance the capacity of four star hotels in Addis Ababa to compete at both, local and international level through utilization of CRM strategies which will help for the development of tourism in Addis Ababa in particular and in Ethiopia in general. Generally, this study contributes for development of CRM in selected four star hotels in Addis Ababa as well as in other hotels in the country (Ethiopia). As a result, the management and employees of hotels under study will able to know their strength and weaknesses with the implementation of CRM.

1.6 Scope of the Study

This study is limited in terms of conceptual, methodological and geography and time scopes.

1.6.1 Conceptual Scope

This research is related to hotel Industry. It included selected four star rated hotels only. And other star hotels were not in the purview of this research. The study is confined with the customers from four star hotels only. The scope of the present study is confined to only one technological based customer relationship management and it includes services provided by people to customers. There are a lot of factors which affect the activity of hotels but the theoretical framework of this study was delimited only on the technological based customer relationship management activities of hotels and its output on satisfaction, loyalty, and retention. So, other aspects related to the influence of CRM on revenue or profitability of the hotels was not included under this study.

1.6.2 Methodological Scope

In addition, this study employed descriptive and explanatory survey design and in the course of researching both primary and secondary data was employed. With regard to the secondary sources various publications, books, and journals articles regarding the subject matter were included. Population of the study was customers of the selected star hotels in Addis Ababa. To achieve the research objectives, a well-designed five point Likert scale questionnaire and interview checklist, and close ended questionnaires were used to gather data from sample respondents.

1.6.3 Geographical and Time Scopes

The scope of the present study was confined to the geographical limit of the city of Addis Ababa. The study was conducted in the surveyed hotel premises. This study was delimited to geographical location as it focuses in Addis Ababa with in private hotels in Addis Ababa. The study was conducted from August to November, 2020.

1.7 Organization of the Study

The study is organized into four major chapters in order to make presentable to readers. The first chapter dedicates to an introductory part composed of background of the study, research problem

and questions. The second chapter presents the literature reviewed. In the third chapter presents the research methodology that includes research design, population and samples of the study, data collection and analysis tools are presented. The fourth chapter covers the data analysis and presentation and finally chapter five portrays summary of major research finding, conclusion and recommendations.

CHAPTER TWO
REVIEW OF RELATED LITERATURES

2.1 Review of Theoretical Literature

2.1.1.1   Definitions and Concepts

CRM is a process of managing customer relations in an organized way with the core aim of ensuring that each individual customer always has a positive moment of truth (Ahmad and Jawabreh, 2012). CRM is an attitude and mind-set which involves the value that one places on a business and its relationship with customers (Roberts-Phelps, 2001). It enables businesses to understand their customer groups and to respond quickly and at times, instantly to shifting customer desires (Darrel, 2010). As Armstrong and Kotler (2013) define CRM, as the sum process of establishing and sustaining profitable customer relationships through superior delivery of customer value and satisfaction. CRM refers to technologies, strategies, and practices used by firms to analyze and manage customer data and interactions throughout customer lifecycle (Kanchan & and Sharma, 2015).

The idea of CRM is the identification of potential buyers, understanding them closely and personally, and the creation of positive long-term perceptions of the firm and its product/service offerings so that the potential buyers will choose them (Chon and Sparrowe, 2008). According to Payne & Frow (2005), Customer Relationship management is a strategy of integrated cross-functional processes, assisted by technology, influencing knowledge to improve long-term sustainable relationships with customers and shareholders. CRM is a marketing approach that works through relationships, networks, and interactions (Parvatiyar and Sheth, 2000) and is often supported by information technology (IT) that allows for increased interactivity between a firm and its customers.

Going beyond the importance of attracting customers, CRM emphasizes the role of retaining customers (Kanchan & and Sharma, 2015). It also focuses on strategies and tools that reorient the totality of a business organization to concentrate on customer satisfaction (Boone and Kurtz, 2011). When building customer experience, company should create unique culture that is supporting customer centricity. This culture honesty and transparency should be supported by well-defined processes and technologies. Customer is not external element of the interaction (;

Dzian, 2014). It should be internal and important part of the company. Customer becomes a member of the company; we can say that we need customer who is identified with the company as well as employees.

This can be done when a company has unique, strong corporate identity based on corporate culture and company's values. Company values should be internalized by employees and also by customers. In this case, employees and customers shared the same values. This sharing of company values among company stakeholders is: unique, intangible, valuable, rare and also it is costly to imitate by our competitors. If the company is well organized then it can capture the value of such a resource and the company can create sustained competitive advantage (Kaputa and Supin, 2010).

The concept of CRM originated in developed economies, primarily in organizations whose priority is to retain existing customer base as an important business segment especially in competitive environment. CRM is a philosophy, process, concept of development and management of customer relationships. With implemented CRM concept hotels are able to identify and anticipate customer`s needs and desires. Rapid changes in technology and changes in customer's everyday life have enabled successful implementation of CRM concepts and new forms of communication (Chon and Sparrowe, 2008).

CRM concept is based on a marketing strategy which integrates internal processes, functions and external networks in order to create value to customers, in order to achieve profit (Buttle, 2009). CRM has been defined by many authors in recent decades, yet there has been a great divergence in formulating a unified definition for CRM. This divergence can be due to the differences in the scientific background of these authors. Stone & Findlay (2001) defined CRM as "the organization carrying out a lot of information about the customer from various resources and keeping it in order to divide the territories, analyze and reuse. This definition limited CRM to only collecting and recording information about the customer". Later, Forss & Stone (2001) defined CRM as the company use of its skills in research methodologies, technology and ecommerce in order to manage customer relationships. This definition considers CRM as the ability to use technology in dealing with customers. Parvatiyar & Sheth (2002) came out with a broader definition to CRM; they viewed CRM as a broad strategy that includes the process of acquiring certain customers, keeping them and cooperating with them to create a distinguished

value for both the company and the customer. This definition regards CRM as a strategy aiming to deliver distinguished value to the customer through improving the marketing productivity.

Payne & Frow (2005) demonstrated that there are various perspectives related to the concept of CRM. Whiles some points of view regard CRM as correspondence in direct mail, a diagram for customer loyalty programs or databases, others regarded it as an assistant office work or a call center. Still, some considered it as just data storage, search and processing. In the light of the above, and in an attempt to summarize the different d*e*finitions of CRM, the researcher focuses on the definition that states that CRM implementations usually involve the four dimensions including focusing on customer-oriented strategies, managing knowledge, organizing around CRM and incorporating CRM based technology (Chen and Ching 2004).

2.1.2 Theories Related to Relationship Marketing

2.1.2.1 Neo Classical Microeconomics Theory

The laws of supply and demand are microeconomic concepts that state that in efficient markets, the quantity supplied of a good and quantity demanded of that good are equal to each other. The price of that good is also determined by the point at which supply and demand are equal to each other (Winer, 2001). Neoclassical economics is a broad theory that focuses on supply and demand as the driving forces behind the production, pricing, and consumption of goods and services. It emerged in around 1900 to compete with the earlier theories of classical economics (Greenberg, 2002). Thus, this theory is necessary as it stated that people make decisions to allocate resources such as time, labor, and money in order to maximize their personal satisfaction. .The daily transactions people actually engage in to get what they need or desire are an important part of the economy.

2.1.2.2 Transaction Cost Theory

Transaction cost theory (TCT) believes that any transaction between two partners creates specific costs. These costs are called transaction costs. They include research provider fees (or information costs); negotiating costs and concluding contracts, control costs of the management and the monitoring of the signed contract. These are four in number: asset specificity, uncertainty of the transaction, the frequency of the relationship and evaluation facility of the provider's service4. It is recommended when the assets are highly specific to maintain them internally in

order to avoid the risk of dependence (Chon and Sparrowe, 2008). Thus, this theory is crucial as it is related to expenses incurred when buying or selling a good or service. It included include communication charges, the information cost of finding the price, or the labor required to bring a good or service to market. For example, when buying a good or buying foreign exchange, there will be some transaction costs (in addition to the price of the good.

2.1.2.3 Relational Contracting Theory

All contracts are embedded in relations on a scale that ranges from discrete to relational. Thus ('somewhat confusingly'): the term relational sees both to the approach of contracts as to a specific type of contracts. This means that they produce (relational) norms over time and that there are many conventions (customs) that are not written down (Kanchan & and Sharma, 2015). Relational contract is defined as contracts in which what is expected by both sides is not written out in detail but develops as an ongoing relationship. Thus, it is not only based on expectation but also underpins the mechanism of encouraging mutual collaboration between parties (Payne & Frow, 2005). This study takes this theory as it saves cost by establishing mutual trust and encouraging multi-disciplinary approach which creates long-term tangible and intangible value that promotes mutual cost-efficient collaboration and flexible dealings.

2.1.2.4 Social Exchange Theory

Social Exchange Theory is a theory of both psychology and economics. It is concerned with how society is based on a series of exchanges being carried out between two or more parties, with all parties involved receiving positive consequences from the transactional relationship. Relationships among individuals and organizations are based on exchange. People decide whether forming a relationship with another individual or group has more benefits than costs (Parvatiyar and Sheth, 2000). This study takes this hoary as exchange is at the heart of economic systems. From barter economies, in which certain goods and services are exchanged for other goods and services, to our money-based economies, where goods and services are exchanged for an amount of currency that is ascribed commensurate value to the products in question, transactions that are mutually beneficial for all parties involved is at the backbone of not just economy, but society in general.

2.1.2.5 Equity Theory

Equity theory states that people will be better motivated if they are treated equitably, and demotivated if they are treated inequitably. There are two forms of equity: distributive equity or distributive justice, which is concerned with the fairness with which people feel they are rewarded in accordance with their contribution and in comparison with others; and procedural equity or procedural justice, which is concerned with the perceptions employees have about the fairness with which company procedures in such areas as performance management, promotion and discipline are being operated (Tamilarasan, 2011).

2.1.2.6 Resource Dependence Theory

Resource Dependence Theory (RDT) came out of a study into how organizations' external resources affect the behavior of those organizations. In other words, the theory examines the relationship between organizations and the products they need to operate. Resources come in many forms, such as raw materials, financing, and employees. Acquiring these external resources is an important aspect of the strategic and tactical management for any business parties (Payne & Frow, 2005). When a company owns all stocks of a particular external resource, it will make other companies dependent on them to operate. This creates a symbiotic relationship. Too much dependence creates uncertainty and vulnerability, and the risk of external checks being imposed on the organization. External checks can be imposed by governments as well as other organizations, and this can have a significant effect on the operational activities of a business, for instance when it comes to financing or hiring. Accordingly, this theory is crucial as it based on the principle that resources are the key to an organization's success and that access to and control over these resources is a foundation for power.

2.1.2.7 Resource Advantage Theory

Resource-advantage (R-A) theory is a theory of competition that was proposed by Robert M. Morgan. Resource-advantage theory is an evolutionary, process theory of competition that is inter disciplinary in the sense that it has been developed in the literatures of several different disciplines. Resource-advantage theory argues that the value of a resource to a firm is seen in terms of its potential to yield competitive differentiation and/or customer value delivery that enhances performance outcomes (Tamilarasan, 2011). He also stated resource advantage is

capable of explaining important strategies in organizations, including resource-based strategy, competency-based strategy, industrial-based strategy, market-oriented strategy, brand equity strategy, market segmentation strategy, and relational marketing strategy. Thus, this study focused on this theory as it explains the internal resources more broadly, i.e. financial, legal, legality, human, organization, and relation.

2.1.2.8   Customer Relationship Management in Hotel Industry

According to Chon and Sparrowe (2008), Tourism is expanded to a very large extent claiming that it has become a huge provider for jobs. Hospitality Industry is a part of Tourism Industry. The term Hospitality Industry usually makes people think about restaurants and hotels which are some of the places for entertainment of visitors or guests. The term hospitality not only includes hotels and restaurants it also refers to the institutes that provide food and shelter to the people. Hotel Industry as a part of Hospitality Industry is a large diverse industry. It covers all the enterprises ranging from small to large firms that give an efficient contribution to national and international economy (Chon and Sparrowe, 2008). Hotel Industry is at times very complex because of several reasons which are listed as the industry may be very complex as there are a number of categories in an industry which are very large. These categories can be hotel location like rural side or seaside, hotel quality like luxury, midrange or first class, hotel style like resort hotel or traditional hotel (Jones, 2007). In this case it is good to understand the following criteria of hotels that must be fulfilled to carry the title of a 1,2,3,4, and 5 star hotels in the United Kingdom, A single star hotel is a hotel that offers only the essentials while still meeting reasonable hygiene and security standards. One star hotel offers the bare essentials such as a bed and clean sheets, a fully functioning bathroom (occasionally shared), self-service meals / vending machines. A 2 star hotel is a hotel that provides the bare essentials with some comfort quality. Standard (**)At a 2 star hotel, in addition to the comfort and hygiene essentials, the amenities for the guest are of a significantly higher quality and appeal than to that of a 1 star hotel. A 3 star hotel is a hotel that provides average amenities, higher quality service, physical attributes and design. Ranking: comfort (***) Three star hotels aim towards meeting guest expectations and providing pleasant stay. **A 4 star hotel** is a hotel that provides above average, deluxe service and experience for the guest. First class (****) A 4 star hotel has a larger range of facilities available and the design is high quality. All service standards are aimed towards pleasing the guest. These

hotels are usual located near city centers and are equipped with dining areas, exclusive facilities such as in-house gyms and swimming pools. A 5 star hotel is a hotel that provides a luxury service through all its means of operation. Luxury (*****) A 5 star hotel is geared towards catering to guests at the highest level.

2.1.3 Customer Relationship Management Dimensions

CRM dimensions have not been widely researched by many scholars and it is considered a new scholarly area with only a few studies in the hotel sector and call centers (Abdullateef, Mokhtar, Yusoff, 2010). The range of information on this concept is therefore quite limited." CRM consists of four broad behavioral dimensions. Key customer orientation, CRM organization, knowledge management and technology-based CRM (Sin, Tse, Yim, 2005). In this regard, investigation of Abdullateef *et al*., (2010) on the impact of CRM dimensions on call-centers in Malaysia identified customer orientation as one of the most important dimensions of CRM). Furthermore, several researches highlight the important effects of conducting studies on CRM dimensions in the hotel sector (Mohammed, 2011).

2.1.3.1 Customer Orientation

Customer orientation can also serve as an important factor for implementation of CRM. And again customer orientation has a role of enhancing the performance of hotels. Sigala (2005) found that customer orientation was a crucial factor in the successful implementation of CRM. Customer orientation can be achieved through a positive relationship between customer and service provider. Research asserts that customer orientation leads to increased organizational performance (Hermans, 2009).

2.1.3.2 Customer Relationship Management Organization

Without the involvement of people, implementation of CRM is unthinkable. To support this idea Hamid, Sin, and Sigala (2011) stated that organizations have to develop an appropriate working environment to ensure that service employees always maintain customer-oriented behaviors. This includes providing staff with modern tools and technology, customer satisfaction tracking and complaints management systems, inspirational leadership, and appropriate rewards systems. CRM cannot be successful even if the organizations enjoy the most advanced technology and adapt a customer-oriented approach, unless the project completely integrates employees. CRM

organization within the firm may influence future marketing decisions, such as brand differentiation, price, communication, and distribution (Sigala, 2005).

2.1.3.3   Knowledge Management

Knowledge about tourists/customers of the hotels helps management and employees to improve performance. This is because information about customers can be gathered through interactions with them or from different touch points within the organization itself (Sigala, 2004). Managing knowledge effectively can help an organization to successfully build better customer relations that can result in a positive impact on organizational performance (Fan, 2011). Customer knowledge management is firmly associated with marketing capabilities, and it greatly enables organizations to take strategic decisions to improve performance. For knowledge management to be successful in the hospitality industry, hotels must display a behavior that reflects customer interaction as a learning culture and also create opportunity to accumulate new information regarding its guests (Biggam, 2008)..

2.1.3.4   Technology Based Customer Relationship Management

In order for hotels to be successful with implementation of CRM, use of technology is mandatory. Technology is used to automate procedures, provide better information and to transform entire business processes (Dedrick *et al*., 2003). According to Mohammed (2012) CRM strategy will end in failure if the information technology is not used properly. The suitable use of technology in marketing in the hotel industry is important to get the right information from the right people at the right time, so that the right decisions regarding services can be made.

CRM also integrates the use of information and communication technology and other business processes as a means to satisfy customer needs. In this scenario, CRM is defined as the integration of technologies such as communication channels (website, social media), accounting programs, marketing programs for the improvement in customer relations (Biggam, 2008). Thus, CRM is the ability to keep customers and make them become loyal customers through the use of various tools that will lead to the accomplishment of these objectives. Anything that has to do with helping an organization manages and maintain clients can be considered as CRM. The key to the success of any organization is the ability to support customers, generate profit and making customers loyal (Mc Kim, 2002). For this reason, CRM is a crucial tool for the

hospitality industry, particularly, those hotels that are struggling to maintain customers because it is harder to get a new customer than to maintain an existing one.

In line with this view, Hermans (2009) found out that CRM technology dimension is firmly related to customer loyalty. This is because new technologies are considered the core drivers for change (Sigala, 2004). And a number of these studies have revealed that many customer centric strategies cannot achieve their goals without the help of information technology. Consequently, CRM based technology enables organizations to plan and implement successful marketing actions for retaining customers and making the organizations more profitable" (Roberts et al., 2005). As indicated by Biggam (2008), CRM technology improves marketing capabilities by providing valuable information about customers, which in turn help both managers and employees to achieve specific marketing goals much more effectively. Automate Procedures that is related to electronic integration of data and the automation of hotel business practices (Thompson, 2001). While business processes customer relationship management requires a change in the organization and the business process structure (Kanchan & and Sharma, 2015). On other hand, online communication channels effectively use web site and social media for timely communication, by adding new customer interacting services to develop new and improved ways of communication with the customers (Dzian, 2014). Accounting programs is relted to a series of processes and techniques used to identify measure and communicate economic information that users find helpful in making decisions (Chon and Sparrowe, 2008) while marketing programs focus resources on customer sales, service and support, and essential interface elements for ensuring continued patronage (Dzian, 2014). Finally, customer loyalty refers to customers' commitment to repeat past purchases of a preferred service over time, even if other more convenient or suitable alternatives exist (Thompson, 2001).

2.1.2.4.1 Automation Procedure

Many firms have adopted automation systems: computerized, digitized operations that let salespeople work more effectively anytime, anywhere. Companies now routinely equip their salespeople with technologies such as laptops, smartphones, and wireless web connections, Webcams for videoconferencing, and customer-contact and relationship management software. Armed with these technologies, it needs a proper automation procedure and salespeople can more effectively and efficiently profile customers and prospects, analyze and forecast sales,

schedule sales calls, make presentations, prepare sales and expense reports, and manage account relationships (Sin *et al.*, 2006).

2.1.2.4.2 Business Process

Jason Kulpa (2015) stated that customer Relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Customer relationship management is not only pure business but also ideate strong personal bonding within people. Development of this type of bonding drives the business to new levels of success. Once this personal and emotional linkage is built, it is very easy for any organization to identify the actual needs of customer and help them to serve them in a better way. It is a belief that more the sophisticated strategies involved in implementing the customer relationship management, the more strong and fruitful is the business. Most of the organizations have dedicated world class tools for maintaining CRM systems into their workplace. Some of the efficient tools used in most of the renowned organization are Batch Book, Sales force, Buzz stream, Sugar CRM. At its core, customer relationship management (CRM) is all of the activities, strategies and technologies that companies use to manage their interactions with their current and potential customers.

2.1.2.4.3 Online Communication Channels

Building good customer relationships calls for more than just developing a good product, pricing it attractively, and making it available to target customers. All communications must be planned and blended into carefully integrated programs. Just as good communication is important in building and maintaining any kind of relationship, it is a crucial element in a company's efforts to build profitable customer relationships (Kerin et al, 2009). For example, social media that make it easier than ever for people to share and to have conversations and express their opinions, needs, ideas, and complaints and similarly a web site designed to build customer goodwill, collect customer feedback, and supplement other sales channels rather than sell the company's products directly (Buttle, 2004).

2.1.2.4.4 Accounting Program

A saying frequently heard and said in many businesses is "customer is king." CRM helps businesses build a relationship with their customers that in turn create loyalty and customer retention. Since customer loyalty and managing customers' financial status are both qualities that

affect a company's revenue, CRM is a management strategy that results in increased profits for a business. At its core, a CRM tool creates a simple user interface for a collection of data that helps businesses recognize and communicate with customers in a scalable way. At its core, customer relationship management is simple (Shirazi & Som, 2011). However, it can be implemented in a huge array of methods: websites, social media, telephone calls, chat, mail, email and various marketing materials can all be integrated into a CRM solution. Due to CRM's diversity, it doesn't only benefit larger businesses using and maintaining a CRM tool is the basis for a scalable sales and marketing system. Any company will benefit from maintaining a record of which conversations, purchases and marketing material can be associated with leads and customers (Anuj *et.al*. 2010).

2.1.2.4.5 Marketing Programs

It is necessary to creating value for customers in order to capture value from customers in return. Thus, marketers must be good at creating customer value and managing customer relationships nowadays. Outstanding marketing companies understand the marketplace and customer needs, design value-creating marketing strategies, develop integrated marketing programs that deliver customer value and delight, and build strong customer relationships. In return, they capture value from customers in the form of sales, profits, and customer loyalty (Nasution & Moavondo, 2008). The company's marketing strategy outlines which customers it will serve and how it will create value for these customers. Next, the marketer develops an integrated marketing program that will actually deliver the intended value to target customers. The marketing program builds customer relationships by transforming the marketing strategy into action.

2.2   Empirical Literature

2.2.2   Global Evidences

Apart from the theoretical backgrounds, various empirical research outputs confirm that CRM has proven benefits in the real business arena. CRM is based on the premise that, through a better understanding of the customers' needs and preferences, we can keep them retained for longer period and sell more to them. So, this execution of CRM needs implementation of the three CRM components. Whereas, according to Stock and Hoyer (2005), the service provider's should be able to help its customers, which leads not only to higher customer satisfaction and being

positively related to employee performance but also to a level of emotional commitment of these customers to the firm. Statistical analysis performed by Growth Strategies International (GSI) in 40 countries by info-quest shows a fully satisfied customer contributes 2.6 times much revenue to a company than a bit satisfied customer. After all, according to Limayew (2004), a good mix of CRM should be implemented in order to fetch from the success of CRM strategy. He also proposes a mix of 70% people, 20% process and 10% technology. If so, firms can satisfy and retain customers.

On the other hand, several research studies have shown that all customers are not equally profitable (in fact in some cases 80% of the sales come through 20% of the customers). Therefore, the company must be selective and tailor its marketing programs and other efforts by segmenting and selecting appropriate customers. "The company must therefore be selective and tailor its program and marketing efforts by segmenting and selecting appropriate customers for individual marketing programs. In some cases, it could even lead to outsourcing of some customers so that a company better utilize its resources on those customers it can serve better and create mutual value however, the objective of a company is not to really prune its customer base but to identify appropriate customer programs and methods that would be profitable and create value for the firm and the customer" (Osman and Hemmington, 2008). In addition, in Rahim is (2007) study of Feasibility on the application and implementation of CRM in hotel industry the following conclusions were made: "Hotel industry is experiencing increased globalization, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations.

Implementing CRM in the form of gathering information for personalization of services, using one to one marketing plans, improving guest services and support and using IT for giving more services in hotels will increase customer satisfaction, loyalty, and retention. Customer loyalty to one organization reduces the risk of service variability, allows for the development of a social rapport with the provider, and the customization of services to his/her specification". "CRM is considered to unite the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to understand customers and concrete value with them.

CRM can be useful for building data warehouses, improving relationships, analyzing data, etc. It uses customer data to create a mutually beneficial relationship between a business and its customers". This analysis, modeling and evaluation help to optimize information sources for a better understanding of customer behavior.

"In operational CRM, Customer data is collected through a whole range of touch points such as contact center, contact management system, mail, fax, sales force, web, etc. The data then are stored and organized in a customer centric database, which is made to all users who interact with the customer. A typical operational CRM is a call center or contact center. A contact management system can provide complete and comprehensive tracking of information relating to any contact with customers. This is known as 100 per cent focus on the customer. The benefit of this type of CRM is to personalize the relationship with the customer and to broaden the organizational response to the customer's needs (Kotorov, 2007).

2.2.3   Empirical Research in Ethiopian Context

Hotels as part of Hospitality Industry in Ethiopia exist in clusters depending upon certain demand and supply characteristics. While Ethiopia has committed to strengthening its tourism industries, much of this activity remains clustered in the regional cities or around the city of Addis Ababa. Other important tourism hubs need to be researched. The hotels in Addis Ababa collect data in fragmented way. As four star hotels they have to collect data from all sales centers of the hotels and from tourists/customers in an organized manner. The data in these hotels are not properly stored and organized in a customer centric database and employees who interact with customers cannot not know about the data Sosina (2015) agreed with this fact by saying, As we are under information age and information becomes indispensable resource available in the market for everyone, the one who use this resource become the winner. She further established that, hotels in Addis should think like the time and concentrate again and again. Then, they can develop a customer database which allows the hotel to provide a consistent service at any time; with any personnel; whatever the reception who registers the guest is there or not on how to serve each individual like a segment. This is done by analyzing the information gathered about the guest during check in time. If they fail to do so, they lag behind the time and one day, when the country becomes prosperous well and other multinational firms will be attracted to the industry and the existence of the current firms become under question mark. When it comes to a

better understanding of the customers' needs and preferences, and keeping them retained for longer period and sell more to them, the hotels in Addis Ababa and all hotels in Ethiopia are expected to improve their performance standard and productivity standard to the level of International tourist class hotels through the implementation of CRM. It is quite common that any firm will exist in the market, if and only if, when they can keep customers satisfied and delighted. If they can do this well, they can achieve customer retention and loyalty. So, the center of excellence for all individuals around the hotels should be providing good service than competitors and keeping customers satisfied. In order to do this, they must send value added services like sending welcome messages during check in and good bye messages during departure, electronic good wish messages during a birthdays and wedding anniversaries (Sosina, 2015).

According to Limayew (2004), if there is a mix of 70% people, 20% process and 10% technology, firms can satisfy and retain customers. This fact remains true with hotels in Ethiopia too. Because the hospitality industry is labor intensive. So more attention to be given to employees they need to be knowledgeable, skilled, and have customer centric attitude. Sosina also confirmed the importance of people in this way. The hotel should think of giving modern and updated training for their employees. The professional ability of their employees will serve as a competency and base of competitive advantage for the hotels. This is because human resource is the only organization resource which cannot be imitated or copied (Sosina, 2015).

It is far easier to grow a business by retaining customers than by finding new ones. Customer service, however, should be viewed as one part of customer relationship management (CRM) strategies and while individual technologies may be used to ease pain points, the full benefits will not be realized until the concept of customer centricity is accepted enterprise wide. The Internet boom has driven the demand for Web-based customer service solutions. Web sites can provide a powerful customer self-service capability. These self-service sites allow customers to interact with the enterprise without human interaction. Customers can resolve inquiries, check the status of an order, view product information, check and edit account details, and perform abroad range of other tasks.

2.3   Summary of Related Literature Review

Even though there is a disagreement amongst researchers and scholars in what customer relationship management is about, its scope, its depth, its definition, still it is regarded as an important field of study where its application can be found across Industries. Buttle (2004) mentioned that there is still incongruity in CRM definition and meaning. Moreover, there are no commonality in the degree of implementation and evaluation of CRM effectiveness practices (Sigala, 2002). The most interesting findings made for the past years was the work of Wang and Feng (2012) where they identified the six capabilities or elements of CRM. Their comprehensive study illustrated the key factors in CRM which are customer interaction, customer upgrading, customer win back, customer orientation, CRM Technology and customer satisfaction.

Through the perspectives of both the hotels and the hotels' clients, a through scrutiny was made by the researcher to find the perceptual gaps between the perspectives. One of the prime benefits of using a CRM is improving customer satisfaction. According to Elsevier (2014), companies need to maintain positive relationship with their customer. A good CRM (customer relationship management) program that helps company in satisfying the customer, the research study would explore different methods and techniques for establishing effective CRM to satisfy the customers.

Once the customers lost and have been identified, they need to be contacted through online surveys, evaluation forms or personal telephone calls to find out what the reasons are for their dissatisfaction. Then an analysis should be conducted using data gleaned from the research to determine the main issues facing the business. Resolve any problems the customers experienced with your products or services and then select a suitable strategy to win them back In order to enhance service experience; hoteliers need to focus on customer interaction. In the service oriented organization, the delivery of service in a hotel occurs when there is interaction between service providers and the service encounter (Ki Lee *et al*., 2006).

2.4   Research Gap

A CRM system helps companies stay connected to customers. Streamline processes, and Customer-relationship management (CRM) is an approach to manage a company's interaction with current and potential customers. It uses data analysis about customers' history with a

company to improve business relationships with customers, specifically focusing on customer retention and ultimately driving sales growth. When people talk about CRM, they are usually referring to a CRM system, a tool that is used for contact management, sales management, productivity, and more. The goal of a CRM system is simple: Improve business relationships.

With regard to the impact of information technology on organization performance, studies revealed the following facts. Many customer-centric strategies cannot achieve their goals without the help of information technology in case of adverse situation and urgent cases (Abdullateef *et al.*, 2010). Thus, CRM should be based technology enables organizations to plan and implement successful marketing actions for retaining customers long-last and making them more profitable, because of the customer database and other information-storing systems (Roberts, Liu, and Hazard, 2005). Chang, Park, and Chaiy (2010) confirm that CRM technology improves marketing capabilities by providing valuable information about customers, which, in turn, helped both managers and employees to achieve specific marketing goals much more effectively.

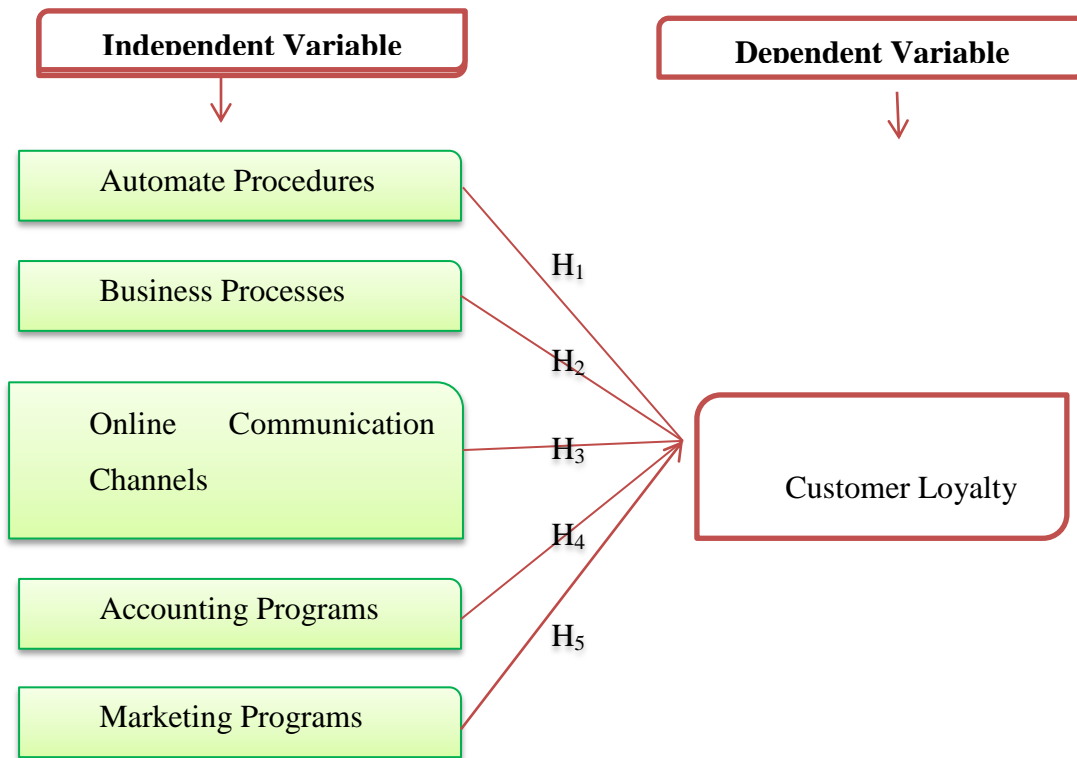## 2.5 Conceptual Framework of the Study

Figure 2.1 Conceptual Framework Adapted from Sigala (2004)

This study shows that customer relationship management has significant effect on the customer satisfaction and both variables have positive relation. According to Tracey Sandilands (2015), when the business loses customers, it is critical to find out the reasons for their defection. After knowing why they left, strategies can be devised to win them back. Thus, the suitable use of technology in marketing is one of the greatest opportunities in hotel industry, because of the fact that it is important to get the right information from the right people at the right time, so that the right decisions can be made and /or the services can be rendered (Dev and Olsen, 2000). In support with that view, Kasim and Minai (2009) find out that CRM technology dimension is firmly related to hotel performance, because hotels need to use information technology for improving their performance. In this regard, new technologies are considered as the core drivers for change (Minghetti, 2003). Thus, this study included automate procedures, business processes, online communication channels, accounting programs and marketing programs as independent variables and customer loyalty as dependent variables.

2.6   Research Hypothesis

According to Kotler (2010), upgrading or automating is the process of replacing a product with a newer version of the same product. In computing and consumer electronics an upgrade is generally a replacement of hardware, software, with a newer or better version, in order to bring the system up to date or to improve its characteristics. CRM has direct relationship with customer up grading how hotels understudy used automated capabilities or elements. As Ki Lee (2006) stated that hoteliers need to focus on customer interaction said in order to enhance service experience. During the interaction between service providers and the service encounter in four star hotels, customers/tourists have forwarded their appreciation for their quality services and good interactions. And they also complained for the defects observed in the process of delivering the service. From the feedback obtained from tourist/customer respondents, it is not possible to generalize by saying that these four star hotels were offering quality services to their standard to guarantee customer satisfaction.

- **Hypothesis 1: Automate procedures have a positive and significant effect on customer loyalty.**

Processes of customer relationship management requires a change in the organization and the business process structure (Kanchan & and Sharma, 2015). Processes of customer relationship

management require a change in the organization and the business process structure. It requires organizational structure, organizational commitment and human resource management are important (Sigala (2004). An issue that should be considered is commitment in the organization. For this purpose it is necessary to have instruments required in sales, marketing and technical expertise of other resources. This is related to success in attracting and retaining customers depends on the commitment of resources to identify and meet the needs of key customers (Hermans, 2009).

- **Hypothesis 2: Business process has a positive and significant effect on customer loyalty.**

Sigala (2004) established that customer loyalty programs applied by these stations include various types of loyalty cards, maintaining databases of customers, utilizing various kinds of communication modes, giving customers different bonuses and maintaining collaborative partnerships with other non-competing organizations. In this regard, online technology tends to improve the understanding of customer behavior, develop predictive models, build effective and efficient communications with customers as well as build customer loyalty (Mohammed, 2012).

Online technologies and communications are so important in adverse situation and urgent cases because, firstly, we have to create satisfaction which lasts longer with customers. Secondly, as a result of satisfaction, customer-loyalty can be created. It is served as an important factor for implementation of CRM. In addition, they will serve as a catalyst role of enhancing the performance of hotels. This could be because" it helps the organization to serve and understand customers (Sigala 2004). And as indicated by Mohammed (2012) there is a relationship between customer orientation and marketing planning capabilities. One of the prime benefits of using a CRM is improving customer loyalty. In order to enhance service experience, hoteliers need to focus on customer interaction. As in the service oriented organization, the delivery of service in a hotel occurs when there is interaction between service providers and the service encounter (Lee *et al*., 2006).

- **Hypothesis 3: Online communication channels have a positive and significant effect on customer loyalty.**

According to Elsevier (2014), in a highly competitive market, companies need to maintain positive relationship with their customer. A good accounting program that helps company in

satisfying the customer, the research study would explore different methods and techniques for establishing effective CRM to satisfy the customers. Accounting is not an end in itself: it provides information to decision makers. Whether an entity is oriented towards making profits, such as a company, a partner- ship or a sole trader, or towards meeting goals other than profits, such as a political party, a charity, a club or a church, accounting information is universally employed by decision makers (Chon and Sparrowe, 2008). A CRM system helps company's stay connected to customers, streamline processes, and Customer-relationship management (CRM) is an approach to manage a company's interaction with current and potential customers. It uses data analysis about customers' history with a company to improve business relationships with customers, specifically focusing on customer retention and ultimately driving sales growth. When people talk about CRM, they are usually referring to a CRM system, a tool that is used for contact management, sales management, productivity, and more. The goal of a CRM system is simple: Improve business relationships.

- **Hypothesis 4: Accounting programs have a positive and significant effect on customer loyalty.**

Dutu and Halmajan (2011) are of the opinion that CRM strategy will end in failure if the information technology is not used properly, thus the suitable use of technology in marketing is one of the greatest opportunities in hotel industry, because of the fact that it is important to get the right information from the right people at the right time, so that the right decisions can be made and /or the services can be rendered (Dev and Olsen, 2000; Moriarty-Jones et al., 2008). In support with that view, Kasim and Minai (2009) find out that CRM technology dimension is firmly related to hotel performance, because hotels need to use information technology for improving their performance. In this regard, new technologies are considered as the core drivers for change (Minghetti, 2003). Furthermore, several studies, made about the impact of information technology on organization performance report similar findings about the positive role of information technology in CRM strategy. In other words, these studies revealed that many customer-centric strategies cannot achieve their goals without the help of information technology (Abdullateef et al., 2010 ;).Consequently, CRM based technology enables hotels to plan and implement successful marketing actions for retaining customers long-last and making them more profitable , because of the customer database and other information-storing systems (Roberts, Liu, and Hazard, 2005). Additionally, Chang, Park, and Chaiy (2010) confirm that CRM

technology improves marketing capabilities by providing valuable information about customers, which, in turn, will help both managers and employees to achieve specific marketing goals much more effectively. Customer upgrading is one of the major Customer Relationship Management activities (Valenzuela, Torres, Hidalgo, & Farías, 2014; Wang & Feng, 2012) and has been mostly analyzed from a supply-side perspective and/or in the context of business relations. Namely, in terms of a firm's needed resources (i.e., antecedents) and a firm's performance (i.e., consequences) (Wang & Feng, 2012). Similarly, drivers of relationship upgrading have been often examined in the context of business-to-business relations, such as buyer-supplier relationships.

- **Hypothesis 5: Marketing programs have a positive and significant effect on customer loyalty.**

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Description of the Study Area

The selected four star rated hotels on which this study is mainly focusing are located in Addis Ababa. Addis Ababa is a city where many local and international star rated hotels have been constructed and operating. The selected hotels for this research included Saro-Maria Hotel, Golden Tulip hotel, Best Western Hotel, Friend Ship Hotel, Harmony Hotel, Azma Hotel and Mariot Hotel. These hotels are located at the hub of the city of Addis and their specific locations are Bole and Kirkos Sub-Cities of Addis Ababa. The researcher selected these hotels to study thinking that as four star hotels they can be benchmarked by the rest of five, three, two, and one star hotel if they have implemented CRM. These are the hotels which most tourists prefer to stay with. The hotels are assumed to be places where quality services are given.

3.2 Research Approach

Qualitative method focuses on distinction or attributes than amount. In qualitative method, data is presented in the form of quotations, or descriptions of the phenomenon. One of the most common techniques of data gathering applied in qualitative method is unstructured interview. On the other hand, quantitative method focuses on information that is numerical, and it is confirmatory in nature. Qualitative method isolates variables to explain causal relation between them and determines the magnitude and frequency of the relationships. Common techniques applied in quantitative method are surveying with questionnaires or Structured Interview. On other hand, mixed methods involved the collection and analysis of qualitative and quantitative information in a single study (Sin *et al.,* 2005).

Thus, this study attempted to understand a problem more comprehensively to customer relation management on technology based relationship management. This study used the study attempted to describe the current practices of CRM in the selected hotels and the status of customer loyalty. In addition, this study examined the causal relation between CRM and customer loyalty and determined the magnitude and frequency of the relationships. Thus, this study applied mixed methods gives opportunity to build knowledge on pragmatic grounds and bases the research on the techniques that can best address the problems and questionnaires at hand.

In addition, this study used deductive approach as conclude from true statements the observation of fact statements. Deductive approach was chosen because the study starts from literature overview which is again compared with empirical findings and also the purpose of this study was to produce any new theories but to give efficient solutions for Customer Relationship Management in hotel industry. In the case of this study, the study concentrated on assessment of customer relationship management technology in the tourism industry. It focused on CRM of the surveyed four star hotels in Addis Ababa. Both qualitative and quantitative research approaches were employed in this study to get a better understanding of the research issue.

3.3 Research Design

The research design can be classified using a variety of ways, such as the methods of data collection, time dimension, researcher participation and the purpose of the study. On the other hand, the most widely-used classification is the one based on the purpose of the study. There are three types of research design based on the study's purpose: exploratory, descriptive and causal (Creswell, 2009). The exploratory study provides more insight and ideas to discover the real nature of the issue under investigation. Descriptive study stems from prior knowledge and is concerned with describing specific phenomena; it is a means to an end rather than an end, since it encourages future explanation. Causal or explanatory research explains causal relationships between variables. These three basic designs are interrelated, and the research can combine more than purpose.

This study attempted to investigate the cause and effect relationship between customer relationship management factors such as automation procedure, business process, online communications and accounting and marketing program and customer loyalty. Because the research was conducted to test the effect of the independents variables on dependent variable and explain the relationships between the studies constructs in hotel market. The study explained causal relationships among factors influencing consumers' behavior in CRM and customer loyalty to facilitate generalization and to predict the future. Additionally, it employed mathematical models and theories pertaining to customer locality and CRM as well as consumer behavior. Besides, the study provided a complete picture of CRM and loyalty situation in hotel Ethiopia and explained the buying behavior of the addition, it described various aspects about

hotel services in Ethiopia with its perceived consumer buying decision behavior. Thus, this study appropriately employed descriptive study and explanatory research.

3.4 Population and Sampling

3.4.1 Target Population

The term population is an entire group of individuals, events or objects that have a common observable characteristic. It refers to all elements that meet certain criteria for inclusion in a given universe (Luck & Lancaster, 2003). Thus, this study used 9205 customers of four star hotels. These hotels are accredited by Ministry of Culture and Tourism of Ethiopia.

3.4.2 Sampling Techniques

Sampling is defined as the selection of some parts of aggregate of the totality based on which a judgment or inference about the aggregate or totality is made. It is a process of selecting a group of people, events, behavior, or other elements. An important issue influencing choice of a sampling technique is whether a sampling frame is available (Kandampully & Suhartanto, 2000).

Respondents have been chosen among the customers of these hotels helping for data collection study. This research was limited to only select four-star hotels mentioned above and which have been accredited as four Stars by Ministry of Culture and Tourism of Ethiopia. Among accredited four star hotels. In order to select samples from the population, non-probability sampling technique and purposive sampling techniques was employed. Williman (2006) states that purposive sampling are used where the researcher selects what he/she thinks is a typical' sample based on specialist knowledge or selection criteria. This is because most of the customers in the four star rated hotels and purposive sampling technique were used to select key informants purposely from hotels' managers and concerned employees based on their profession, status, and experience, and knowledge level about the issue. Due to inaccessibility to reach all, cost and time constraint the researcher used non-probability convenient sampling to collect data from the four star hotels under study and stake-holders who were assumed to be good informants.

3.4.3 Sample Size Determination

The total number taken from each hotel's sales centers included Saro-Maria HotelBottom of Form, Golden Tulip hotel, Best Western Hotel, Friend Ship Hotel, Harmony Hotel, Azma Hotel

and Mariot Hotel. In order to select the sample of this research of respondent, customers were calculated by using (Yamane, 1973) formula with 95% confidence level. The calculation is presented as below. Sample size for ±5% precision levels where Confidence Level is 95% and P=.5. For 9205 size of population, the sample Size (n) for precision (e) of 5% was 384. The formula is presented below:

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

$$n = \frac{9205}{1 + 9205(0.05)^2}$$

$$=384$$

Where

- n = number of sample size and N = Total number of study population e= level of confidence to have in the data or degree of freedom which is 95% apply for this study with 5% error.

Table 3.1 Selection of Hotels

No	Hotels	Estimated monthly customers	Proportion =384/9205	samples per hotels
1	Saro-Maria Hotel	1330	0.04172	55
2	Golden Tulip hotel	1260	0.04172	53
3	Best Western Hotel	1470	0.04172	61
4	Friend Ship Hotel	1190	0.04172	50
5	Harmony Hotel	1435	0.04172	60
6	Azma Hotel	1295	0.04172	54
7	Mariot Hotel	1225	0.04172	51
	Total	9,205		384

Survey result, 2020

In this study, proportional stratified sampling was used to select the respondents based on their daily customer estimation. The study assigns hotel's customers based on their estimated customers visits and computes proportionally of the designated customers. Therefore, sample size of the study was 384 respondents or customers in Addis Ababa.

3.5 Data Collection Technique

In this study the researcher collected data from both primary and secondary data. Priority was given to primary data rather than secondary data. The firsthand information as gathered through close ended questionnaires for 4 star rated hotels' managers, employees and clientele/Tourists in Addis Ababa. Primary data collection methods that has been used to collect data included; questionnaires and interviews. Moreover, in order to address all research objectives exhaustively, secondary data was collected from all available documents including books, journals or research documents.

3.5.1 Questionnaire

A questionnaire is a set of questions which are usually sent to the selected respondents to answer at their own convenient time and return back the filled questionnaire to the researcher (Novatus Bartholome, 2013). Therefore, the researcher decided the main data collection instrument to be structured questionnaire. Questionnaire was used for data collection in this study. Questionnaires helped to cover large sample at low cost. The researcher believed that asking several questions around the major concerns of the inquiry were one appropriate technique to promote accuracy. And customers/tourists in the hotels Section two A questionnaire is a set of questions which are cover large sample at low cost consisted of questionnaire on CRM practices in the selected four star hotels in Addis Ababa. Primary data was collected by a structured questionnaire, where Tourist respondents gave their opinion on the following 5-point Likert Scale.

3.5.2 Interview

A through interview was made with purpose fully selected informants in 4 star rated hotels. Informants from each hotel were marketing and sales managers, front office Managers, According to (Kothari, 2006), an interview is a set of questions administered through oral or verbal communication, tape recorder, or is a face to face discussion between the researcher and the interviewee respondent. These are structured and unstructured interviews that are recognized in social science research. In structured interview, a carefully worded questionnaire is administered as instrument or tool for data gathering. For this study, the researcher preferably chose unstructured interview. Unstructured interview encourages capturing of respondents'

perceptions in their own perspectives; and they are very desirable in qualitative enquiries. Unstructured Interview was conducted with selected nine Interviewees. Among fifteen recruited Interviewee only nine of them was taken because of data saturation. The nine of them were chosen based on the knowledge they had within the hotels operation and because of the challenges they have experienced with. Interviews helped to obtain qualitative information. Interview also helped the researcher to assess the current challenges and opportunities of four star rated hotels in Addis Ababa. The purpose of this interview was to collect detailed information through measuring attitudes, feeling and approach of the respondents about the hotels' performance. It also helped to assess the effectiveness of the standards of the hotels under study and allowed the respondents to use their own words to answer the questions and was encouraged to express their thoughts and gave them a chance to show their freedom of expression.

3.6 Data Reliability and Validity

3.1.1 Instrument Validity

Content validity of a measuring instrument was used to see if the extent to which it provides adequate coverage of the investigative questions guiding the study. In this study, content validity was determined by consulting the expertise of the supervisor and two financial marketing experts. The questionnaire was distributed to eight experts to identify questions that might be unclear or ambiguous to the respondents. These marketing and hotel specialists looked at every question in the questionnaire and do their own analysis to ascertain that the questions answer research objectives of the area understudy. Recommendations from the experts were taken into consideration in order to improve the instruments.

3.1.2 Instrument Reliability

Reliability basically means consistency. This particularly refers to the internal consistency of measuring instrument. This means the data gathering instrument has to include items that add information relating to the objective of the investigation. Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials.

Table 3.2 Reliability Test Results

Dimensions	Cronbach's alpha	No. if Items
Automation procedure	.868	5
Business Process	.802	5
Online Communication Channels	.811	5
Accounting Program	.860	5
Marketing Program	.871	6
Customer Loyalty	.815	4
Overall	.931	30

Source: Survey result, 2020

The purpose of deriving a scale score by having multiple items is to obtain a more reliable measure of the construct than is possible from a single item. Therefore, Cronbach's alpha gives the proportion of the total variation of the scale scores that is not attributable to random error. This study used more than .75 test results as considered as excellent. There variables of this study were more than 0.75 and the data collection instrument is reliable.

3.7 Data Analysis

Once the data collection was finished, the findings were written using content analysis method; by analyzing the content of interviews, and discussions. Once the data was received, it was edited by checking for missing data or unfilled sections of the questionnaire. Only sections properly filled was used. SPSS version 20 (statistical package for social sciences) was used as statistical software that applied to analyze the collected data. Descriptive statistics in this study helped to describe, showed and summarized the large amount of data collected in the meaningful manner. The descriptive analysis adopted in this study including frequencies and percentages. This was the most appropriate in order to deduce any patterns emerging from the data for meaningful interpretation.

Data analysis is how researchers go from a mass of data to meaningful insights. Once the data collection is over, the findings were written using content analysis method; by analyzing the content of interviews, discussions, and observational field notes in order to identify the main themes that emerge from the responses given by respondents considered as information of the

study hoping that the sample size enabled to draw implication towards general population. Once the data was received, it would be edited by checking for missing data or unfilled sections of the questionnaire. Only sections properly filled was used. The statistical software that was used to analyze the data was SPSS version 20 (statistical package for social sciences). Data collected was quantitative data. Descriptive statistics in this study helped to describe, showed and summarized the large amount of data collected in the meaningful manner.

Model specification

The multiple linear regression model of the study is based on the theoretical regression model as indicated follows

$$Y=a+b_1x_1+b_2x_2+b_3x_3+b_4x_4+b_5x_5+e$$

Where:

$Y=$ Customer Loyalty

$a=$ the y intercept.

X_1 – Automation Procedure

$b_1=$ the regression coefficient of Automation Procedure

X_2 - Business Process

$B_2=$ the regression coefficient of Business Process

X_3 – Online Communication Channels

$B_3=$ the regression coefficient of Online Communication Channels

X_4 – Accounting Programs

$B_4=$ the regression coefficient of Accounting Programs

X_4 – Marketing program

$B_4=$ the regression coefficient of Marketing Program

$e=$ error term.

3.8 Ethical Considerations

All the participants of this study were provided detailed information about the purpose and procedure of the current study, in all cases directly from the researcher. The information regarding the purpose and procedure of the study were provided through both verbal means when personally meeting each of the participants as well as through a written form that is included with the questionnaires. Information obtained was held in strict confidentiality by the researcher. All assistance and collaboration were acknowledged properly and ethically. In addition, all the

collected data through the questionnaires and interviews were employed only for this particular research project and will not be used in any other contexts or other research purposes.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

This chapter presents findings of the study, followed by their interpretations. It includes the frequency of response rate and respondents profile of customers as well as response analysis by descriptive statistics and qualitative data analysis to answer the research objective.

Response Rate

A total of 384 self-administrated questionnaires were distributed to the respondents with close follow up and guide in filling the questioners. In view of that, 209 respondents properly filled and returned the questionnaires in proper form; and they were applied to analysis. It indicates that fifty four percent (54%) of the total targeted respondents were participated in the study. In addition, only ten interviewees were conducted over phone based on the prepared interview checklist and the result of their responses are discussed accordingly.

4.1 Respondents' Profile

This part of the data presentation summarized demographic profiles of the respondents, i.e. distribution of respondents in sex, age, income, nationality, marital status as well as their dealings years with the surveyed hotels. In view of that, their responses are presented in the following figures, followed by the implication of the responses.
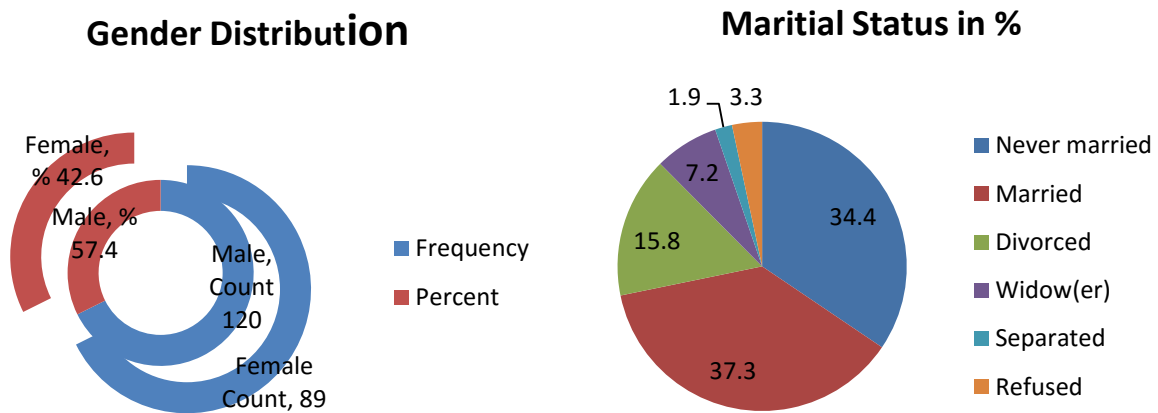
Own survey, 2020

Figure 4.1: Gender distribution and marital status of the respondents

Out of 209 the total of customer respondents of this study, 89% (42 in number) of the respondents are females and 57% of the respondents (120 in numbers) are male as shown in the above figure. The next graph shows marital status of the respondents. Most of the respondents (37.3 %, 78 in number) are married and single (34 %, 72 in number). In view of this, the majority respondents are married showing that they have been exercising the role of accountability and responsibility. In addition, it shows the distribution of gender participants in the study is relatively equal even if the majority of the respondents are male.

Table 4.1 Respondents' Profile

	Category	Count	Column N %	Total
Respondent age	51-75	56	26.8%	
	26-50	114	54.5%	100 in %,
	Below 25	39	18.7%	209 in count
	above 76	0	0.0%	
Monthly Income	Below 5000	0	0.0%	
	5001 – 10000	25	12.0%	100 in %,
	10001 – 15000	56	26.8%	209 in count
	Above 15001	95	45.5%	
	Refused	33	15.8%	
Nationality	Ethiopian	143	68.4%	100 in %,
	Foreign	66	31.6%	209 in count
Number of years doing business with this hotel?	Below 1 year	65	31.1%	
	1-2years	68	32.5%	100 in %,
	3-4 years	35	16.7%	209 in count
	Above 5 years	41	19.6%	
On which occasions, do you need to stay in a hotel	Business	64	30.6%	
	Leisure	68	32.5%	100 in %,
	In daily life	36	17.2%	209 in count
	Temporary living place	41	19.6%	

Own survey, 2020

The age composition of respondents indicate that more than half of the respondents (55%) sampled from customer lie between 26 to 50; 31 % of the respondents aged between 51 to 75 and other below 25 and no one were in above 71 years of age. From the age composition of

respondents, it can be seen that majority of the respondents were in active and energetic age group. In this study, most of the respondents are Ethiopian (143 in account and 68.4%) and others are foreigners from various countries (66 in account and 31.6 %). The number of foreign respondents is low as decreasing the number of tourists due to Covid 19. In addition, this study attempted to know more about the respondents attachment with the hotels services and overall. For example, most the respondents have known these hotels for long time. It is marked on their responses on number of years doing business with these hotel (3-4 years, 35 in account; 16.7% and above 5 years 41 in account 19.6% and 1-2 years 68 in count and 32.5%). Whereas experiencing these hotels below 1 year was marked by 65 in number and 31.1%. On which occasions, do they need to stay in a hotel, some said for business 64 in number and 30.6%, others for leisure (68 accounted 32.5%), few for temporary living place (41; 19.6%) and in daily life (36; 17.2%). This indicates that the study fortunately included those customers who have extensive experience through various hotels services within various age composition and income group. It shows that most of the respondents are in active and at the age of maturity where they can feel more responsible to properly play the roles expected of them with the sense of accountability.

4.2 Response Analysis

4.2.1 Descriptive Statistics

Table 4.2 Respondents' Response

Dimensions	Mean	Max	Min	Sd
Automation procedure	3.94	4.02	3.88	.977
Business Process	4.24	4.36	4.11	.713
Online Communication Channels	4.06	4.23	3.61	.918
Accounting Program	4.26	4.51	4.1	.867
Marketing Program	4.37	4.45	4.11	.811
Customer Loyalty	4.24	4.43	4.06	.846

Own survey, 2020

Descriptive statistics such as mean and standard deviation were used to present the various characteristics for data sets. Targeted respondents were asked to express their opinion about CRM factors and customer loyalty in relation to hotel services in Addis Ababa. This response analysis presents ratings of respondents' level of agreement for each dimension: Nunes & Dréze (2006) indicates more than 4.51 as excellent, 3.51- 4.50 good, 2.51 – 3.50 satisfactory and below 2.50 poor.

In this study, it was found that the study found the mean responses indicating that automation procedure (3.94), business process (4.24), online communication channels (4.06), accounting program (4.26), marketing program (4.37) and customer loyalty (4.24). Overall, the study found that customer needs to well systemized and computerized CRM application for long-term healthy relationship with hotels services. But future propensity of the consumer to stay with hotels is under question unless automation procedures are well created and developed. Customers need doing business online speedy and have become very comfortable with the arrangement. In view of that, technologically adapted CRM is of quite eminence to customers. This is because it gives great advantages to the customer such as online booking, effective hotel reservation and to get wonderful service as per interweaves suggestions. In addition, it has its own contribution for the overall image of the hotel that improve and the likelihood of the hotel service to be continued. It essentially gives people more control over their money in a very convenient way that they find enjoyable and reassuring. Further, it is understood that their customer relationship management can be described as how the business interacts with their customers as per interviewees' suggestions. Their CRM is well systemized to capture information and helps to meet the needs of existing customers and identify new customers. They help them to segregate customers, create customer knowledge, and build customer relationships and shapes customers' perceptions of the firm. Their CRM can be viewed as an integrated approach to identifying, acquiring and retaining customers.

The above table shows that the low and high itemized analysis of the study. These analysis show that highest mean score range from 4.51 to 4.02 and the lowest mean range scored as 3.88. It shows that customers can easily link to this hotel back-office operation due to CRM. In addition, they can easily cash for goods and services in these hotels. This is because their CRM application linked with sales and marketing, able to provide essential information about its services and quality service all the time as of it's promised. However, the lowest mean from each

five dimensions show that automation procedure hinders the speed up collecting information and not effectively well established to their organizational structure. These hotels could not effectively able to communicate about their policy to their customers (about customers' right, responsibility, and other related issues) and financial information that customers find helpful in making decisions. Interviewees loudly indicated that the standards of facilities and services offered of these hotels have changed over the last decade. It has helped to evolve the use of use of CRM is a sound. However, interviewees assured that their business strategy that is based on the technology and environment friendly services using CRM have been low. Others like philosophy of "customer is king", i.e. customer is put in market segmentation and user preferences, etc. have been evolved. These help to maintain a long-term relationship with customers. They also suggested that designated relationship marketing and more recently room inventory across categories from upscale luxury to CRM should be improved and facilitated businesses to improve in limited services and boutique.

4.2.1 Automation System

This study found that most of the respondents agreed that these hotels can easily link to this hotel back-office operation as the height mean of automation procedure was 4.02. In addition, they disagreed that these hotels have weak automated connection to speed up collecting information. Within information technology, these hotels do not offer information quality service accordingly. They have to identify their lost customers immediately and design strategy to win them back. As Kasim and Minai (2009) showed the hotels understudy did not show much effort to win-back their lost customers. They did not have proper data that showed the exact number of lost customers. They concentrate on new arrivals and staying customers only. The hotels understudy is using IT (information technology). But measure problem was observed as break down of Internet frequently due to certain reasons which are beyond the hotels' management.

4.2.2 Business Process

Regarding business process, this study found that the highest mean was 4.36 and the lowest mean found as 4.66. It shows that these hotels have formulated their business process based on sales and marketing requirements. In addition, these hotels have well established organizational structure. It shows that these hotels attempted to integrate their business proves with the requirements of CRM. Hermans (2009) attempted to relate the business process issues as in the

consideration of commitment in the organization. For this purpose it is necessary to have instruments required in sales, marketing and technical expertise of other resources. This is related to success in attracting and retaining customers depends on the commitment of resources to identify and meet the needs of key customers.

4.2.3 Online Communication Channels

The highest mean was 4.23 for the variable online communication channels and the lowest mean was found as 3.61 in this category. It shows that these hotels provide essential information about its services via web site and social media. However, these hotels could not able to clearly communicate about its policy to their customers (about customers' right, responsibility, and other related issues) via web site and social media. According to Tracey Sandilands (2015), when the business loses customers, it is critical to find out the reasons for their defection. After knowing why they left, strategies can be devised to win them back. Arrange of different communication channels, including a company's website, telephone, email, live chat, marketing materials and more recently, social media. Through the CRM approach and the systems used to facilitate it, businesses learn more about their target audiences and how to best cater to their needs.

4.2.4 Accounting Program

CRM or Customer Relationship Management is a strategy for managing an organization's relationships and interactions with customers and potential customers. Regarding accounting program, the highest mean was 4.51 and lowest mean found as 4.10. This indicates that customers can easily cash for goods and services in this hotel. However, these hotels could not communicate financial information that customers find helpful in making decisions. Sin *et al.*, (2006) found that hotels should equip their salespeople with technologies such as laptops, smartphones, and wireless web connections, Webcams for videoconferencing, and customer-contact and relationship management software. These helped to automate their financial system with several hotel related technologies. This may be related to having appropriate finical automation procedure. In addition, their sales force can more effectively and efficiently profile customers and prospects, analyze and forecast sales, schedule sales calls, make presentations, prepare sales and expense reports, and manage account relationships).

4.2.5 Marketing Program

The highest grand mean scored as 4.37 for marketing program with .811. This means (implies) that majority of the respondents inclined to strongly agree towards positive marketing program efforts of CRM of the surveyed hotels. The lowest grand mean scored as 3.94 for marketing program with .811. This means (implies) that majority of the respondents inclined to disagree towards automation procedure efforts of the surveyed hotels. It showed that these hotels offered quality service all the time as of its promised based on CRM practices.

4.1.1 Customer Loyalty

Table 4.4 Respondents' Response on Customer Loyalty

	Low		Neutral		High	
	Count	%	Count	%	Count	%
I am not intending to leave this hotel in the future	12	6%	14	7%	183	88%
I find it difficult to switch to other hotel because of what I get from this hotel.	11	5%	31	15%	167	80%
I will always choose this hotel over any other hotel.	8	4%	33	16%	168	80%
I am confident of giving positive word of mouth testimonies to others about this hotel.	32	15%	19	9%	158	76%

Own survey, 2020

In regarding to customer loyalty, 88% of the respondents are not intending to leave this hotel in the future and 80% of them find it difficult to switch to other hotel because of what they get from these hotels and always choose these hotels over any other hotel. This study also found that the majority of them have been confident of giving positive word of mouth testimonies to others about these hotels. Rigby et al., (2002) stated that CRM be streamlined as the processes a company uses to track and organize its contacts with both current and prospective customers, recognizing the most valuable customers over time which and build customer loyalty by

providing customized products and services. CRM can be viewed when customers interacting with a company, they perceive the business as a single entity, despite the fact that customers normally interact with several employees in different roles and departments. This is because CRM is the sum of policies, processes, and strategies used and implemented by an organization to unify its customer experience and provide a means to track information about this relation (Nunes & Dréze, 2006).

4.3   Inferential Analysis

Inferential analysis was conducted to test hypothesis in this study in this regard. Karl Pearson Correlation was employed to establish the nature of relationship between the independent variables and the dependent variable. Subsequently, the p-values obtained formed the basis for either accepting or rejecting the Null Hypotheses.

4.3.1 Correlation Analysis

Table 4.5 Pearson Correlation Test Results

	Automation procedure	Business Process	Online Communication Channels	Accounting Program	Marketing Program	Customer Loyalty
Automation procedure	1	$.270^{**}$	$.284^{**}$	$.303^{**}$	$.292^{**}$	$.452^{**}$
		.000	.000	.000	.000	.000
Business Process	$.270^{**}$	1	$.388^{**}$	$.417^{**}$	$.416^{**}$	$.474^{**}$
	.000		.000	.000	.000	.000
Online Communication Channels	$.284^{**}$	$.388^{**}$	1	$.717^{**}$	$.528^{**}$	$.656^{**}$
	.000	.000		.000	.000	.000
Accounting Program	$.303^{**}$	$.417^{**}$	$.717^{**}$	1	$.579^{**}$	$.631^{**}$
	.000	.000	.000		.000	.000
Marketing Program	$.292^{**}$	$.416^{**}$	$.528^{**}$	$.579^{**}$	1	$.565^{**}$
	.000	.000	.000	.000		.000
Customer Loyalty	$.452^{**}$	$.474^{**}$	$.656^{**}$	$.631^{**}$	$.565^{**}$	1
	.000	.000	.000	.000	.000	
	209	209	209	209	209	209

Own study, 2020

Inferential analysis was conducted to test hypothesis. In this regard, Karl Pearson Correlation was used to establish the nature of relationship between the independent variables and the dependent variable. Consequently, the p-values obtained formed the basis for either accepting or rejecting the Null Hypotheses. The results were presented on the above table. Thus, automation procedure had an r-value of .452 (r=*.452,* .000) indicating significant relationship between it and customer loyalty. This was satisfactory to the first objective of the study. In addition, the relationship between business process at hotel industry and customer loyalty was positive as business process (*.474,* .000) is positively correlated with customer loyalty. Moreover, other objectives were satisfactory indicating significant relationship between them and customer loyalty as online communication channels (*.656,* .000), accounting program (*.631,* .000), marketing program (*.565,* .000). This is related to operational CRM that is the form of CRM that is based on direct contact with customers. It includes direct contact and interaction between the enterprise and customers need to have effective business process, linked with accounting and marketing program. In addition, this relationship may develop human to human with a technological medium, human to technology, and technology to technology. Essentially, operational CRM handles the structuring of workflow and communications which contains data collection, transactions processing, and controlling workflow for marketing, sales, and services. It also includes the automation of accounting and bsuiness activities, customer support and service, and enterprise marketing (Mohammed & Rashed, 2012).

4.3.2 Regression Analysis

Linear regression analysis was used to measure the statistical significance of the effect of each individual independent variable on the dependent variable through F and P value. The first attempt was to check the basic assumptions and diagnostic tests and the results and detailed information was presented in Appendix III next to the questionnaire. First test included the average value of the error term is zero (E (ut) = 0); normality, multicollinearity and autocorrelation tests. All were tested and found all the linear regression assumptions were maintained. Second, normality test was done to determine how likely it is for a random variable underlying the data set to be normally distributed. The result demonstrated that the distribution is normal because Kurtosis and Skewness are in between -2 and +2, thus data is normally distributed and had a reasonable variance to use subsequent analysis. Third, linearity test was

made to test how two variables were related in a linear fashion. Moreover, it was made to check that the residuals (errors) are approximately normally distributed. Two common methods to check this assumption include using: (a) a histogram (with a superimposed normal curve) and a Normal P-P Plot; or (b) a Normal Q-Q Plot of the studentized residuals. This study used Normal P-P Plot. Accordingly, it can be concluded the relationship between the independent and dependent variables is linear. A scatter plot was used to illustrate the association of two numerical variables. Further, multicollinearity was done to a situation in which there is exact (or nearly exact) linear relation among two or more of the input variables. The VIF (Variance Inflation Factor) was applied for each term in the model measures the combined effect of dependence among the regressors on the variance of that term. The result shows that the VIF value of four factors was found less than 10. It can be concluded that no collinearity was observed on this data. Finally, test for autocorrelation was done to test the presence of autocorrelation; the popular Durbin-Watson Test was employed and it was found that assumed that the errors were uncorrelated with one another. If the errors are not uncorrelated with one another, it would be stated that they are "auto correlated" or that they are "serially correlated".

4.3.2.1 Regression Test Result

Table 4.6 Regression Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765[a]	.585	.575	.552

a. Predictors: (Constant), Marketing Program, Automation procedure , Business Process , Online Communication Channels, Accounting Program
b. Dependent Variable: Customer Loyalty

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	87.251	5	17.450	57.346	.000[b]
	Residual	61.772	203	.304		
	Total	149.024	208			

a. Dependent Variable: Customer Loyalty
b. Predictors: (Constant), Marketing Program, Automation procedure , Business Process , Online Communication Channels, Accounting Program

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.055	.274		.202	.840
Automation procedure	.190	.042	.219	4.512	.000
Business Process	.174	.062	.147	2.835	.005
1 Online Communication Channels	.297	.061	.322	4.841	.000
Accounting Program	.170	.068	.174	2.493	.013
Marketing Program	.176	.061	.169	2.904	.004

a. Dependent Variable: Customer Loyalty

Own survey, 2020

This statistical measurement is primed by inferring the value of R^2 to explain the magnitude of the effect of the independent variable on the dependent variable. The above table depicted and explained as the linear regression of five independent variables and dependent variable. As shown in the above table, the overall bundle of determinant factors of the five independent variables were 58.5% ($R^2 = .585$) explained the dependent variable (customer loyalty). This suggests that 58.5% of customer loyalty level in the hotel clearly depends on the independent variables while the remaining 41 % is determined by other unaccounted factors in this study. As the second table shows the result F= 57.346, it can be established that the combination of determinant factor have positive effect on customer loyalty which is statistically significant. As a consequence, this study rejects the null hypothesis.

From the above multiple regression table, this study found similar results as there is a positive and significant effect of automation procedure (*.000),* business process (.005), online communication channels (.000), accounting program (.013) and marketing program (.004) on consumer loyalty. Similarly, Mohammed & Rashed (2012) obtained related findings from tourist/customer respondents. In addition Kasim and Minai (2009) automated information technology effects on loyalty and retention; Kanchan & and Sharma (2015) found on processes of customer relationship management; Sigala (2004) established that customer loyalty programs applied by online technology and build effective and efficient communications with customers as well as build customer loyalty (Mohammed, 2012). In addition, Elsevier (2014) accounting

program that helps to establish effective CRM to satisfy the customers and accounting information is employed by decision makers (Chon and Sparrowe, 2008). Further, Dutu and Halmajan (2011) found the suitable use of technology in marketing and Kasim and Minai (2009) find out that CRM technology dimension is related loyalty. Because of the customer database and other information-storing systems, Chang, Park, and Chaiy (2010) confirm that CRM technology improves marketing capabilities and maintain customer loyalty.

4.3.2.2   Model Specification

The multiple linear regression model of the study is based on the theoretical regression model as indicated follows

$$Y=a+b_1x_1+b_2x_2+b_3x_3+b_4x_4+b_5x_5+e$$

$$Y=.055+.190x_1+.174x_2+.297x_3+.170x_4+.176x_5+e$$

Where:

Y= Customer Loyalty

a= the y intercept.

X_1 – Automation Procedure

b_1= the regression coefficient of Automation Procedure

X_2 - Business Process

B_2= the regression coefficient of Business Process

X_3 – Online Communication Channels

B_3= the regression coefficient of Online Communication Channels

X_4 – Accounting Programs

B_4= the regression coefficient of System Quality

X_5 – Marketing program

B_5= the regression coefficient of Marketing program

a is the intercept term- it gives the mean or average effect on Y of all the variables excluded from the equation, although its mechanical interpretation is the average value of Y when the stated independent variables are set equal to zero. β_1, β_2, β_3, β_4 and β_5 refer to the coefficient of their respective independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables.

4.4 Hypothesis Testing

Automation Procedure

Using correlation analysis, this study established the relationship between automation procedure and customer loyalty (r=.452, .000), and tested the influence on customer loyalty in hotel industry (Sig, 0.0001) by applying multiple regression analysis. Then, the result of the regression analysis displays that it has a positive and significant effect on customer loyalty in hotel industry and then the study approved the hypothesis is accepted. Kasim and Minai (2009) confirmed that automation affects customers' loyalty. Thus, this study concluded that there is a significant positive relationship between automate procedures and customer loyalty.

Business Process

Using correlation analysis, this study established the relationship between business process and customer loyalty (r=*.474,* .000), and tested the influence on customer loyalty in hotel industry (Sig, 0.005) by applying multiple regression analysis. Then, the result of the regression analysis displays that it has a positive and significant effect on customer loyalty; this assure that the hypothesis is accepted. Similarly, the customer loyalty can be affected by the change in the organization and the business process structure (Kanchan & and Sharma, 2015). Sigala (2004) considered similarly and it related to success in attracting and retaining customers to identify and meet the needs of key customers (Hermans, 2009). Thus, this study found that there is a significant positive relationship between business process and customer loyalty.

Online Communication Channel

Using correlation analysis, this study established the relationship between online communication channel and customer loyalty (r=*.656,* .000), and tested the influence on customer loyalty in hotel industry (Sig, 0.0001) by applying multiple regression analysis. Then, the result of the regression analysis displays that it has a positive and significant effect on customer loyalty; this assure that the hypothesis is accepted. Similarly, Sigala (2004) established that customer loyalty programs applied by communication channels and online technology tend to build customer loyalty (Mohammed, 2012). Tracey (2015) stated that CRM approach and the online systems used to facilitate service experience; hoteliers need to focus on customer interaction. Thus, this study

found that there is a significant positive relationship between online communication channels and customer loyalty.

Accounting Program

Using correlation analysis, this study established the relationship between accounting program and customer loyalty (r=*.631,* .000), and tested the influence on customer loyalty in hotel industry (Sig, 0.013) by applying multiple regression analysis. Then, the result of the regression analysis displays that it has a positive and significant effect on customer loyalty; this assure that the hypothesis is accepted. Similarly, Elsevier (2014) maintain positive relationship and effect of accounting program and customer loyalty. A good accounting program that helps to process accounting information and records and as result this helps to improve decisions (Chon and Sparrowe, 2008). Thus, this study also confirmed that there is a significant positive relationship between accounting programs and customer loyalty.

Marketing Program

Using correlation analysis, this study established the relationship between marketing program and customer loyalty (r=*.565,* .000), and tested the influence on customer loyalty in hotel industry (Sig, 0.004) by applying multiple regression analysis. Then, the result of the regression analysis displays that it has a positive and significant effect on customer loyalty; this assure that the hypothesis is accepted. Similarly, Dutu and Halmajan (2011) stated that use of technology in marketing helps to get the right information from the right people at the right time, so that the right decisions can be made and /or the services can be rendered and then loyalty comes. CRM based technology enables hotels to plan and implement successful marketing actions to make customers loyal (Roberts *et al*., 2005). Additionally, Chang et al., (2010) confirm that CRM technology improves marketing capabilities, in turn, will help to make customer more loyal. In consequence, this study confirms that there is a significant positive relationship between marketing programs and customer loyalty.

Table 4.7 Summary of Hypotheses

Hypothesis	Sig. Value	Status
Hypothesis 1: There is a significant positive relationship between automate procedures and customer loyalty.	.000	Supported
Hypothesis 2: There is a significant positive relationship between business process and customer loyalty.	.005	Supported
Hypothesis 3: There is a significant positive relationship between online communication channels and customer loyalty.	.000	Supported
Hypothesis 4: There is a significant positive relationship between accounting programs and customer loyalty.	.013	Supported
Hypothesis 5: There is a significant positive relationship between marketing programs and customer loyalty.	.004	Supported

Own survey, 2020

4.5 Discussion

CRM concept is considered a paradigm shift taking place in marketing transforming service marketing to customer based marketing. Accordingly, the organization's need to update their processes and practices to align with customer's want to remain relevant and accountable to their customers and to stakeholders. This is because this study found that there is an effect of customer relationship management on customer's loyalty that evident from star hotels in Addis Ababa. This is also assured Mohammed & Rashed (2012) through the relationship that may develop human to human with a technological medium, human to technology, and technology to technology. It is also further explained by Chen and Ching (2004) as CRM is an integrated approach for managing relationships by focusing on customer retention and relationship development and points out that customer loyalty and long profitability are the benefits of CMR to an organization. Basically, CRM is a business approach that needs highly automated information technology which as per Kasim and Minai (2009) findings it has an effects on loyalty and retention. In addition, it seeks to create, develop and enhance relationships with carefully targeted customers with an aim of improving customer value and corporate profitability thereby maximizing shareholders value.

A similar study also found by Kanchan & and Sharma (2015) found on processes of customer relationship management; Sigala (2004) established that customer loyalty programs applied by online technology and build effective and efficient communications with customers as well as build customer loyalty (Mohammed, 2012). This is why CRM is defined as a combination of people, process and technology seeking to understand company customers (Chen and Ching, 2004). This implies that a CRM organization makes an effort to efficiently and effectively create a synergy between people (internal and external customers), process and technology so as to create positive relationships with both its existing and potential customers.

Further, Elsevier (2014) affirm that successful CRM implementation focuses on keeping and maintaining long term relationship with customers which yields customer satisfaction and loyal customers. Thus, according to him, accounting program that helps to establish effective CRM to satisfy the customers and as it is engaged by decision makers (Chon and Sparrowe, 2008). Thus, loyal customers in turn contribute to the organization long run profitability. This is achieved as customers develop a sense of familiarity and social relationship with the organization thus making it difficult to switch to competitors (Dutu and Halmajan, 2011).

However, Kasim and Minai (2009) warned that CRM performance failure has been fueled by organizations considering CRM as an IT solution and a technology for a marketing strategy. They found the suitable use of technology in marketing and find out that CRM technology dimension is related loyalty. This is because most organizations have failed to mainstream CRM benefits into their activities to enable them develop closer relationship with their customers thus failing in their CRM initiatives. This suggests that successful CRM implementation requires organizational culture, change management; sharing information, marketing efforts, CRM technology and better understand customers' needs and preferences so as to develop customer centric strategies (Chang et al., 2010). Therefore, automation procedure, business process, online communication channels, accounting program and marketing program will affect consumer loyalty. They will provide a CRM port with an integrated approach in managing important aspects of customer relationships and adding value to various dimensions involved in customer relationships.

CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This part of the study presents closing chapter of the study which includes summary of findings, conclusion and appropriate recommendations regarding the study findings.

5.1 Summary of Findings

This study aimed to examine the effect of the effect of customer relationship management on customer loyalty in star hotels in Addis Ababa. It employed explanatory and descriptive research design, and applied primary and secondary data sources. The study revealed that there is a weak usage of adopted automation systems on CRM like computerized, digitized operations that let hotels work more effectively anytime, anywhere. Their CRM is weakly automated and hinder speed up collecting information and these hotels unable to clearly communicates about their policy to their customers (about customers' right, responsibility, and other related issues) via web site and social media. However, customers can easily cash for goods and services in these hotels and they hotel provides high quality service all the time as of their promised.

In this study, the most important construct of customer loyalty (by regression and correlation tests) was done. The findings of this study expresses that it is necessary to consider as to how they might improve customer loyalist in today's competitive hotel industry. These hotels strongly incorporate CRM and marketing activities based on well design value-creating marketing strategies that help to deliver customer value and delight, and build strong customer relationships. In addition, there is a positive and significant relationship between automation procedure (r=*.452,* .000), business process (*.474,* .000), online communication channels (*.656,* .000), accounting program (*.631,* .000), marketing program (*.565,* .000) and customer loyalty and there is a positive and significant effect of automation procedure (*.000),* business process (.005), online communication channels (.000), accounting program (.013) and marketing program (.004) on consumer loyalty.

5.2 Conclusion

In the hotel sector, customer loyalty, satisfaction and retention becomes a crucial phenomenon since this sector has perceived substantial growing and competition both globally and locally. Customer loyalty provides a clear picture of customers' relationship with their favorite hotels. Consequently, it is a must to assess the factors that would influence their decision to stay with or leave their current hotel. The study found that automation system influence customer loyalty through with technologies such as laptops, smartphones, and wireless web connections, Webcams for videoconferencing, and customer-contact and relationship management software to enhance the usage of CRM effectively. In addition, effective business process affects customer loyalty based on not only pure business but also ideate strong personal bonding within people. They may have world class tools for maintaining CRM systems into their workplace which includes Batch Book, Sales force, and Buzz stream, Sugar CRM to use to manage their interactions with their current and potential customers. Online communications channels also have a significant effect on customer loyalty via effectively planned and blended into carefully integrated marketing and accounting programs. This may include integration of social media that make it easier than ever for people to share and to have conversations and express their opinions, needs, ideas, and complaints and similarly a web site designed to build customer goodwill, collect customer feedback, and supplement other sales channels. In addition, accounting and marketing programs have a significant influence on loyalty based on their CRM tool may be simple user interface for a collection of data that helps businesses recognize and communicate with customers in a scalable way. Accounting program should be integrated with websites, social media, telephone calls, chat, mail, email and various marketing materials into a CRM solution. Overall, results of this analysis have also shown that there is a positive and significant effect of automation procedure, business process, online communication channels, accounting program and marketing program on consumer loyalty. It is also essential to understand the phenomenon of automated CRM to maintain customer loyalty and retention. Customer loyalty is a means of an ultimate organization's success in retaining the business of its existing customers.

5.3 Recommendations

These hotels and concerned bodies like government and related sectors like tour operators and others may understand that the importance of CRM on hotel operators. It has its own great

importance on rapid changes in hotels and entertainment industry structure, competition, strategies and business environment. These changes came as a result of marketing thoughts (customer) and technological developments and adaption (information and system quality) which are the primary factors affecting the hotel industry. As a result, this study suggests the following:

- These hotels may enhance their ability of CRM through facilitate secured information exchanges, make relationship exchanges more possible, reduce transaction and system costs, and maximize the relationship's benefits in order to repeat the exchange processes in the future.

- These hotels may meet customers' expectations through adapting latest technologies may continue using information system as it is a source of customer retention in different applications such as mobile and telecommunications service This is because adaptive technology demonstrates that satisfaction is the key determinant of customer loyalty in hotel industry context;

- Since CRM has a significant effect on customer loyalty, the government may develop the telecom industry to improve technology based CRM through maintain comprehensive databases of customers to improve their services, necessary hardware and software facilities to address the dynamic need of customers towards advancement of hotel technologies, technical personnel support for utilization of computers and hotel technologies to improve the capability of employees about the technologies;

- The relationship among business-to-business companies should be enhanced to bring a clear focus and to collaborative CRM in business-to-consumer contexts furthermore, it helps to shed light on the relationships between unique industry characteristics and collaborative CRM.

- Every business, including the hospitality industry, may spend so much on an advertisement, to enhance its customer service and customer loyalty. This because of technology as it has offered several options to business regarding how to keep in touch with clients and make them loyal.

- Companies may engage the services of various marketing tools as a way to enhance customer experience. Among these tools include promotions and other different forms of loyalty programs. The use of CRM mechanism is found to reduce cost and decrease the hassles in reaching out to customers especially through the use of social media.

5.4 Limitations of the Study

Even though the research has shown interesting result in terms of CRM initiatives, their critical success factors, difficulties and obstacles, some limitations did emerge. The most significant limitation will be from the differing sizes of the cases studied. This was because of the problems faced from the research, while trying to gain access to the organizations chosen, in different hotel. This research was dependent upon the qualitative data given to the researcher from the interviewees, and hence, the analysis and results were dependent on the data obtained and the secondary research. Furthermore, the data collected was limited to the time frame given to complete this research. Another limitation was that assessing the current research is that the model did not include any measurement matrices or measurement tools.

5.5 Future Areas of Research

Further research may focus on an all-around perspective to factors affecting customer relationship management such as security and information quality, digital communications and brand effectiveness. In addition, they may investigate factors affecting adoption of CRM in the hotel industry in relation to employee's and executive's perception as this study mainly included perception of customers. Furthermore, researchers can examine factors affecting CRM management and flexibility by incorporating other factors such as Covid 19 outbreak, internal and external communication, employees' motivation and others.

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Annex

Appendix I - Questionnaire

Customer Satisfaction Survey
(To be filled by Customers)

Dear respondent,

I am Tirsit, a postgraduate Marketing Management student at St Marry University in Addis Ababa. The main purpose of the study is to assess the Effect of Customer Relationship Management (CRM) on Customer's Loyalty: Evidence from Four Star Hotels in Addis Ababa. This study will be conducted only for academic purpose.

In addition, I ensure you that the information provided will be kept confidential and will not be used for any other purpose. Your highly valued responses for the questions are extremely important for successful completion of my thesis. As a final point, I would like to thank you very much for your kind cooperation and spending your valuable time for my request. Your participation is voluntary and no need to write your name.

If you have doubts you can contact me via:

E-mail

Cell Phone No:

Thank you

Part I: *General Profile.*

Instruction: **Please select an appropriate response category by encircling the number of your choice.**

1. Demographic Variables

Gender: Female ☐   Male ☐

Age (in year):   < 25 ☐   26-50 ☐   51- 75 ☐   Above 76 ☐

Marital Status	Never married	☐	Married	☐	Divorced	☐	Widow(er)	☐
	Separated	☐	Refused	☐				

Monthly Income	Below 5000	☐	5001 – 10000	☐	10001 – 15000	☐	Above 15001	☐

Nationality   Ethiopian ☐   Foreign ☐

2. Customer Related Questions

1. Number of years doing business with this hotel?

     Below 1 year ☐   1-2years ☐   3-4 years ☐   Above 5 years ☐

2. On which occasions, do you need to stay in a hotel?

     Business ☐   Leisure ☐   In daily life ☐   For temporary living place ☐

3. What kind of services in the hotel you use? (Please check all that apply)

     Room ☐   Food and Beverage ☐   Spa and/or Swimming ☐   Conferences and workshop ☐

     Gymnasium ☐   Other service (Specify) _____

Part II: Customer Relationship Management Dimensions

Instruction: Please rate the extent to which customer relationship management dimensions and the level of customer loyalty of the hotel. *You can Indicate* your degree of agreement/disagreement by encircling the appropriate number, Where *(1=strongly disagree (SD); 2=Disagree (D); 3=Neutral (N) l; 4=Agree (A); and 5=strongly agree (SA)*

No	Measurement Items	Measurement Scale				
		SD	*D*	*N*	*A*	*SA*
		1	2	3	4	5
Automation procedure	The hotel service is well computerized.					
	The hotel service is well systemized.					
	I can easily link to this hotel back-office operation.					
	This hotel is automated to speed up collecting information.					
	I can be able to react immediately to any event in this hotel.					
Business Process	This hotel has well established organizational structure					
	Employees of this hotel are committed.					
	The hotel has well established human resource management.					
	This hotel has devices required in sales and marketing.					
	This hotel provides necessary resources to meet the needs of customers.					
Online Communication Channels	This hotel provides essential information about its services via web site and social media					
	This hotel clearly communicates about its policy to their customers (about customers' right, responsibility, and other related issues) via web site and social media					
	This hotel clearly communicates about how and where to complain in case of a problem					
	I create good intimate relationship with this hotel via its social networks and web site.					
	This hotel\s web and social networking sites give me an ability to personalize my hotel preferences					

		1	2	3	4	5
Accounting Program	I can easily cash for goods and services in this hotel.					
	This hotel is well organized to support its credit customers' businesses for a short period of time.					
	This hotel has well established customers' accounting database.					
	I believe this hotel presents my financial information properly.					
	This hotel communicates financial information that customers find helpful in making decisions.					
Marketing Program	This hotel gives room upgrades to their frequent guests.					
	This hotel gives patronage discounts to very important customers.					
	The hotel provides quality service all the time as of its promised.					
	The hotel creates strong brand identities.					
	This hotel price is designed to create real customer value					
	This hotel designs promotion programs that communicate the value proposition.					
Customer Loyalty	I am not intending to leave this hotel in the future					
	I find it difficult to switch to other hotel because of what I get from this hotel.					
	I will always choose this hotel over any other hotel.					
	I am confident of giving positive word of mouth testimonies to others about this hotel.					

Thank you for taking your quality time to respond to this research questionnaire

Appendix II - Interview Checklist

Dear Sir/Madam,

I really appreciate for your valuable responses to the following checklists. It will not take much of your time. Shall I proceed with my questions?

Thank you

1. Do you think marketing and accounting programs are integrated in star hotels in Addis Ababa?

    _____

    _____

2. Are the star hotels handling customer relationship properly in Addis Ababa? If yes, how these hotels respond to customer complaints and request?

    _____

    _____

3. Do you think all online communication channels are available in the star hotels in Addis Ababa that helps to deliver quality Service?

    _____

    _____

    _____

4. Do you think automated procedures are clearly presented in the star hotels in Addis Ababa?

    _____

    _____

    _____

    _____

    Thank you!

Appendix III - Assumptions and Diagnostic Test

Assumptions and diagnostic tests are presented here that include

I.   First test - average value of the error term is zero (E (ut) = 0); normality, multicollinearity and autocorrelation tests. All were tested and found all the linear regression assumptions were maintained. Test for average value of the error term is zero (E (ut) = 0); the first assumption required is that the average value of the errors is zero. In fact, if a constant term is included in the regression equation, this assumption will never be violated. Therefore, since the constant term (i.e. α) was included in the regression equation, the average value of the error term in this study is expected to be zero.

II. Normality Test

Normality test helps to determine how likely it is for a random variable underlying the data set to be normally distributed. There are several normality tests such as Skewness Kurtosis test, Jarque Bera test, Shapiro Wilk test, Kolmogorov-Smirnov test and Chen-Shapiro test. This study used Kurtosis and Skewness test.

Appendix Table 1 - Normality Test

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Automation procedure	209	3.94	-1.052	.468	.470	.335
Business Process	209	4.24	-1.591	.468	3.577	.335
Online Communication Channels	209	4.06	-1.444	.468	2.134	.335
Accounting Program	209	4.26	-1.858	.468	4.001	.335
Marketing Program	209	4.37	-2.001	.468	4.544	.335
Customer Loyalty	209	4.24	-1.476	.468	2.061	.335
Valid N (listwise)	209					

Own survey, 2020

The above table shows the descriptive statistic of Kurtosis and Skewness statics calculation and demonstrates that the distribution is normal because Kurtosis and Skewness are in between -2 and +2, thus data is normally distributed and had a reasonable variance to use subsequent analysis. The histogram and the P-P plot of the residual suggest that the residual is probably normally distributed

III.   Linearity Test

Linearity is the assumption that two variables are related in a linear fashion. If variables areblinearly related, then when plotted in a scatterplot, the data will fall in straight line or in a cluster that is relatively straight.
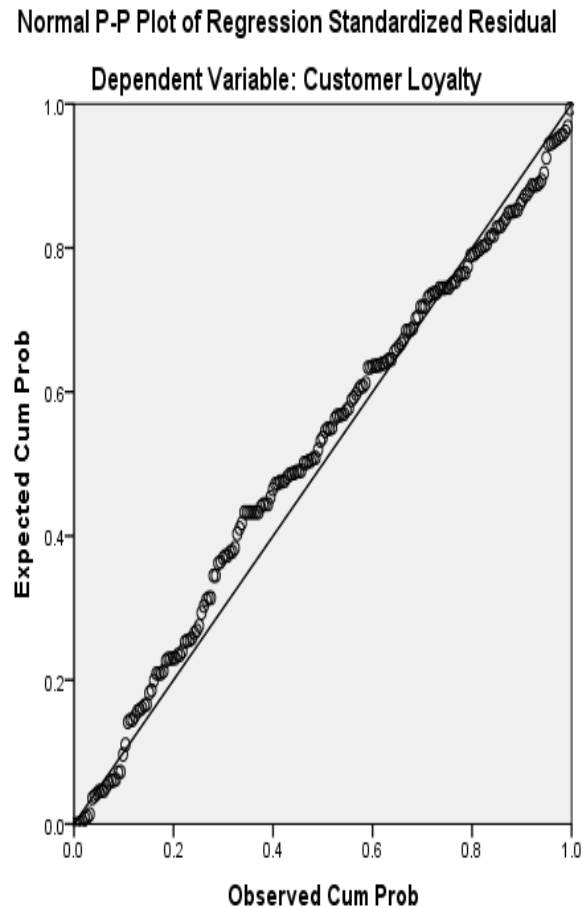
Appendix Figure 1 - Normal P-P

Finally, it is essential to check that the residuals (errors) are approximately normally distributed (we explain these terms in our enhanced multiple regression guide). Two common methods to check this assumption include using: (a) a histogram (with a superimposed normal curve) and a Normal P-P Plot; or (b) a Normal Q-Q Plot of the studentized residuals. This study used Normal P-P Plot. Accordingly, it can be concluded the relationship between the independent and dependent variables is linear.

IV.   Heteroscadacity through scatter plot
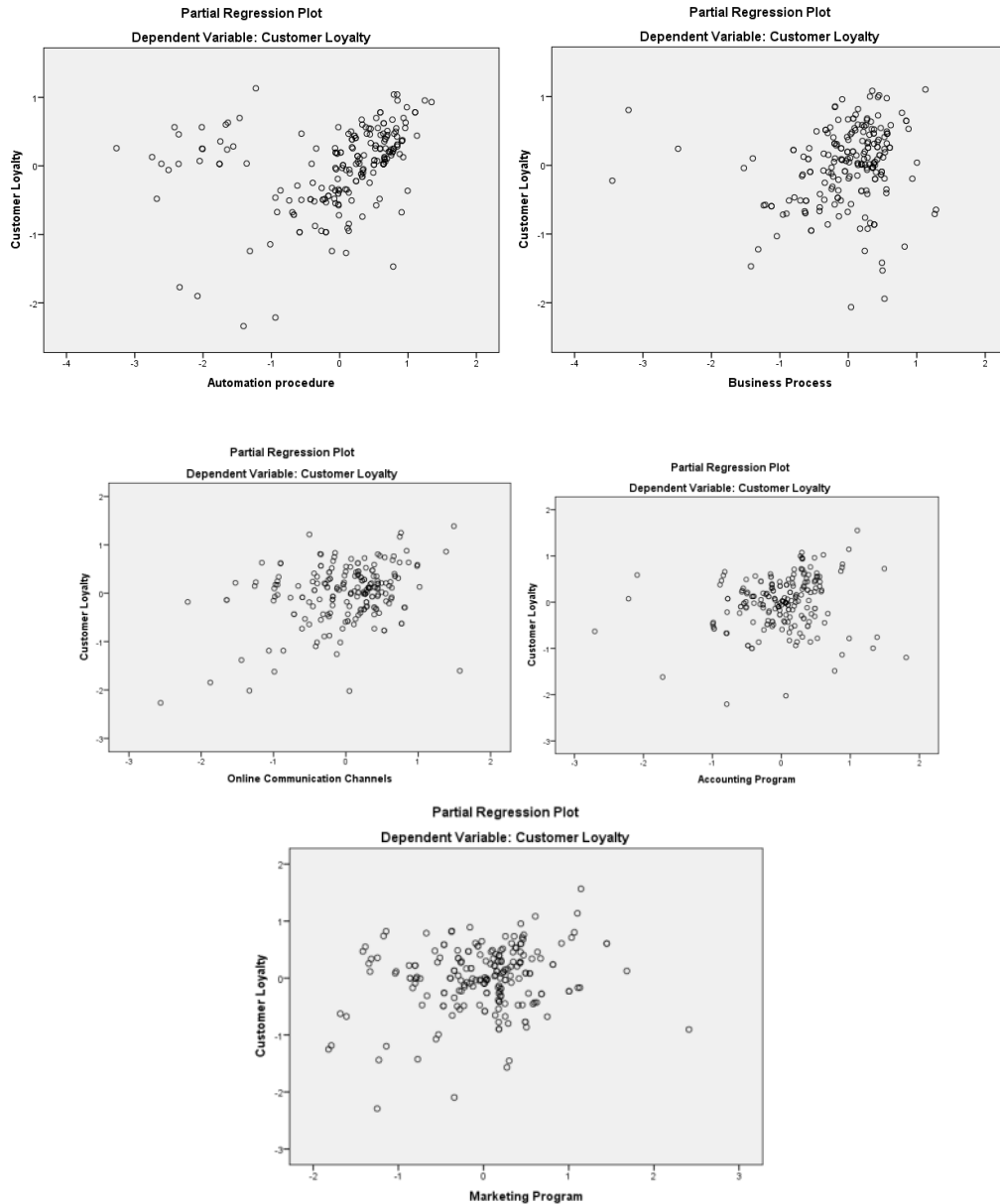
Own survey, 2020

Appendix Figure 2 - Scatter plot

A scatter plot is a graphical technique used to illustrate the association of two numerical variables. Data are represented visually by making a graph with two axes: horizontal (x axis) and vertical (y axis). Each point in the plot represents one observation. When all observations are plotted, the diagram conveys information about the direction and magnitude of the association of the two variables(x and y). Since the dots are dispersed, it shows the data meet the assumptions

of the errors being normally distributed and the variances of the residuals being constant. By using the least squares method (a procedure that minimizes the vertical deviations of plotted points surrounding a straight line), it is able to construct a best fitting straight line to the scatter diagram points as indicated above.

V. Test for multicollinearity

Multicollinearity refers to a situation in which there is exact (or nearly exact) linear relation among two or more of the input variables (Uma, 2003).

Appendix Table 2 - Multicollinearity Test

Model		B	Collinearity Statistics	
			Tolerance	VIF
1	(Constant)	-.036		
	security and Privacy	.088	.389	**2.573**
	Relative Advantage	.119	.152	**6.600**
	Information Quality	.175	.202	**4.943**
	System Quality	.098	.249	**4.014**
	Customer Satisfaction	.545	.188	**5.310**

Own survey, 2020

The VIF (Variance Inflation Factor) for each term in the model measures the combined effect of dependence among the regressors on the variance of that term. If any of the VIF results exceed 5 or 10, it is an indication that the associated regression coefficients are poorly estimated because of multicollinearity. The above table shows that the VIF value of five factors was found less than 10. It can be concluded that no collinearity was observed on this data.

VI. Test for Autocorrelation

Assumption that is made of the multiple linear regressions disturbance terms is that the covariance between the error terms over time (or cross-sectionally, for that type of data) is zero.

Appendix Table 3 - Autocorrelation Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.765ª	.585	.575	.552	1.397

a. Predictors: (Constant), Marketing Program, Automation procedure , Business Process , Online Communication Channels, Accounting Program

b. Dependent Variable: Customer Loyalty

Own survey, 2020

To test the presence of autocorrelation, the popular Durbin-Watson Test was employed in this study. In other words, it is assumed that the errors are uncorrelated with one another. If the errors are not uncorrelated with one another, it would be stated that they are "auto correlated" or that they are "serially correlated". A test of this assumption is therefore required.