

Effect of Customer Loyalty on Organizational Performance of Lodges Within Lewa Wildlife Conservancy

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How to cite this article: Halake, F., Rintari, N., & Moguche, A. (2023). Effect of Customer Loyalty on Organizational Performance of Lodges Within Lewa Wildlife Conservancy. *Innovative Journal of Social Sciences*, 3(1), 20-28.

Abstract

The purpose of the study was to evaluate the effect of customer loyalty on organizational performance of lodges within Lewa Wildlife Conservancy. A descriptive survey design was employed to depict the true representation of customers' satisfaction levels and their effect on the organizational performance of lodges within the wildlife conservancy. The target population for this study comprised all the staff at the lodges (Lewa Wilderness, Lewa House, and Elewana Lewa Safari Camp) in the Conservancy. Since the size of the population (121) was small, the study conducted a census. Data analysis involved descriptive and inferential statistics. Most of the respondents agreed that the profitability and sales turnover of the lodges had gradually increased as illustrated by the average scores of 4.60 and 4.57 respectively. Additionally, as shown by mean scores of 4.48 and 4.31 respectively, most of the respondents agreed that the lodges had not experienced employee turnover for a long time and that the lodges had seen an increase in market share. The lodges also had increased cost savings as a result of customer retention as evidenced by an average score of 4.26. The results indicate that an overwhelming majority of the respondents were in strong acceptance that the lodges' customers kept coming back for more services which boosted their performance and that the length of stay in the lodges was an indicator of customer loyalty and satisfaction as shown by average scores of 4.76 and 4.52 respectively. Further, there was a strong positive correlation between organizational performance and customer loyalty, as evidenced by a correlation coefficient of 0.712. Notably, the regression coefficient results revealed that for every unit increase in customer loyalty, there is a corresponding increase of 0.745 in organizational performance. The study concluded that loyal customers made repeated purchases, leading to a steady revenue stream for the organizations. The study recommends that the lodges should emphasize the delivery of high-quality services throughout the customer journey, from reservation to check-out. They should also train and empower staff members to provide exceptional customer service, ensuring that guests' needs and preferences are met promptly and efficiently.

Keywords: *Customer Loyalty, Organizational Performance, Lodges, Lewa Wildlife Conservancy*

1.0 Introduction

Globally, the success of lodges is largely dependent on their ability to provide high-quality customer service, which results in customer retention, repeat sales, and effective word-of-mouth marketing. This success is evidenced by lodges in Europe which have been successful in large part due to their focus on customer satisfaction hence their loyalty. These lodges are typically located in scenic and remote locations such as the Alps, the Scottish Highlands, and the forests of Scandinavia (Bandara & Dahanayake, 2020). They offer tourists a unique and luxurious experience that is often focused on outdoor activities such as hiking, skiing, and wildlife watching. Many lodges in Europe offer personalized service and tailor their offerings to meet the individual needs and preferences of their guests. In addition to providing excellent service, lodges in Europe often prioritize sustainability and environmental conservation (Bedelian, 2019). Many lodges are built using sustainable materials and practices, and they may support local conservation efforts or promote sustainable tourism practices.

In African countries such as South Africa, lodges in popular wildlife destinations such as the Kruger National Park have generally been successful due to their location and high-quality service (Nyasulu, 2020). Many lodges in this area offer luxury accommodations, guided safaris, and other activities that appeal to tourists seeking a high-end experience. In Zambia, the success of lodges has been more mixed, and this is partly due to customer satisfaction issues (Nyasulu, 2020). Poor infrastructure, limited marketing, and low tourist numbers have led to some lodges struggling to attract and retain customers. Additionally, some lodges in Zambia have faced customer satisfaction issues due to the quality of service provided, such as issues with cleanliness, food quality, and staff attitudes. These factors can lead to negative customer reviews and ultimately, poor performance of lodges.

In Kenya, in areas such as the Maasai Mara, lodges that offer high-end luxury accommodations and personalized experiences have generally been successful due to high levels of customer satisfaction (Bedelian, 2019). These lodges often offer game drives, guided walks, and other activities that appeal to tourists seeking a high-end experience. The high-quality service and experiences provided by these lodges often result in positive customer reviews and word-of-mouth recommendations, which further contribute to their success. However, some lodges in Kenya have struggled with poor performance. A significant issue for lodges within Kenya is competition (Bedelian, 2019). There are many lodges in popular areas such as the Maasai Mara, and tourists have a diverse array of options available. As a result, lodges that are unable to differentiate themselves or provide high-quality service may struggle to attract customers and remain profitable.

1.1 Problem Statement

The sector of hotels and lodges, especially lodges within wildlife conservancies, plays a critical role in Kenya's tourism sector. The Kenya National Bureau of Statistics [KNBS] (2021) claims that the accommodation and food services sector, which includes the hospitality industry, contributes about 3.5% to the Kenyan Gross Domestic Product (GDP).

However, this has not been fully achieved due to increased biased competition in the industry. This has resulted in focusing on customer loyalty as a way of recruiting new clients while retaining current clients to remain competitive. Customer contentment is an indicator of how effectively a company meets or surpasses the expectations of its customers, and it is known to have a significant impact on organizational performance.

Additionally, despite the importance of customer loyalty in the hospitality industry, there was limited research on its effects on organizational performance, specifically within lodges in

wildlife conservancies in Kenya. Available studies included Achieng (2021) who did a study on hotel guest retention strategies and hotel performance in classified hotels in Mombasa County. Further, Ondicho (2018) also conducted research that examined the role of customer contentment as a mediator between the image of the brand dimensions and loyalty of guests in five-star hotels located in the capital city of Nairobi. While these studies had been done in the hotel industry, to the extent that the researcher is aware, there was a paucity of research specifically focusing on customer loyalty and the performance of lodges within wildlife conservancies in Kenya.

1.2 Purpose of the Study

To evaluate the effect of customer loyalty on organizational performance of lodges within Lewa Wildlife Conservancy.

1.3 Hypothesis of the Study

H₀₁: Customer loyalty has no significant effect on organizational performance of lodges within Lewa Wildlife Conservancy

2.0 Literature Review

2.1 Theoretical Review

The study will utilize the Resource Based View [RBV] theory proposed by Barney (1991). It highlights the significance of a company's assets in determining its competitive edge and long-term success (Barney, 1991). According to RBV, a company's assets can be either tangible or intangible, and they are the key determinants of its ability to create value and sustain its competitive advantage. In the context of customer loyalty and organizational performance, RBV offers several insights.

RBV suggests that customer loyalty is an important intangible resource that can provide a firm with a sustained competitive advantage. Customer loyalty can enhance a firm's reputation, increase its market share, and generate long-term revenue streams (Choi et al., 2019). These benefits can contribute to the capacity of the company to generate value and maintain its competitive advantage in the long run. Customer loyalty can enable a firm to develop other valuable resources such as customer knowledge, customer service capabilities, and brand equity (Othman et al., 2019).

Customer loyalty can also contribute to a firm's performance by reducing costs and increasing revenue. For example, a firm that has a loyal customer base may be able to reduce marketing and advertising costs because it does not need to spend as much to attract new customers (Sharma & Srivasta, 2018). In addition, a company that has established a loyal customer base may have the potential to impose elevated prices for its products or services since its customers are willing to pay more for superior quality and dependability. These factors can contribute to the firm's ability to generate profits and improve its financial performance.

2.2 Empirical Review

Mushavhanamadi and Hlengani (2021) identify three main categories of customer loyalty determinants: those related to customers, relationships, and companies. Customer-related determinants rely on the personal attributes of individual consumers, while relationship-related determinants involve the association among sellers and buyers, including past experiences, quality, trust, normative feelings, and emotional attachment. Company-related determinants encompass the reputation of the company, the balance between price and quality, and the efficacy of customer loyalty initiatives. Notably, Lee and Duffy (2019) divide customer loyalty

determinants into two categories: both internal and external. The internal factors are concerned with the perception of loyalty among consumers towards certain product brands and services, whereas the external factors about the suppliers of products and services and their capacity to foster and sustain customer loyalty.

Singh et al. (2019) note that internal factors encompass the psychographic and demographic characteristics of individual consumers, and various age groups, social classes, genders, and educational backgrounds may manifest different types of customer loyalty. This aligns with Lee and Duffy (2019) classification of internal factors. In contrast, external factors involve the protective marketing strategies of rivals and the actions of supply chain stakeholders, which can also impact the structural connection between service quality, relationship quality, and customer loyalty (Singh et al., 2019).

Ndubisi and Natarajan (2018) posited that marketing activities such as advertising, promotions, lead generation, and sales efforts are quite expensive, especially when targeting a large audience. They argued that loyal customers act as brand advocates and can actively promote the company to their friends, family, and colleagues, thereby attracting new customers organically. This word-of-mouth advertising is highly effective and doesn't require significant marketing expenditures. Duffy (2019) averred that loyal customers have already established a positive relationship with the company. Their experiences and satisfaction with the brand build trust and credibility, which influence others' perceptions and decision-making. When potential customers hear positive recommendations from trusted sources, they are more likely to engage with the company, making the conversion process.

3.0 Methodology

A descriptive survey design was employed to depict the true representation of customers' satisfaction levels and their effect on the organizational performance of lodges within the wildlife conservancy. The target population for this study comprised all the staff at the lodges (Lewa Wilderness, Lewa House, and Elewana Lewa Safari Camp) in the Conservancy. Since the size of the population (121) was small, the study conducted a census. The study also targeted the customers visiting the three lodges in the Conservancy. A method of selecting a sample that was representative of customers, known as simple random sampling, was utilized to select 186 participants. Structured questionnaires were the primary tool for collecting primary data in this research and were personally delivered to the respondents. The quantitative data collected underwent processing and inputting into Statistical Packages for Social Scientists (SPSS) software, which was then analyzed using various descriptive statistical methods. The analysis of the data involved utilizing various methods such as calculating absolute and relative percentages, frequencies, and measures of central tendency and dispersion, such as mean and Standard Deviation.

4.0 Results

4.1 Response Rate

The study sampled 121 staff members and 186 customers to participate in the study. From the 121 staff members sampled 110 staff members filled and returned the questionnaires representing a response rate of 91% which is excellent according to Mugenda and Mugenda (2003). Additionally, 150 of the 186 customers sampled were able to participate in the study representing a response rate of 80%. The response rate was presented in Table 1.

Table 1: Response Rate

Category	Staff		Customers	
	Frequency	Percent	Frequency	Percent
Filled questionnaires	110	91	150	80
Unfilled questionnaires	11	9	36	20
Total	121	100	186	100

4.2 Descriptive Statistics of Performance of the Lodges

The study also sought the respondents to show their degree of concurrence with the statements that related to performance of the lodges as shown in Table 2.

Table 2: Descriptive Statistics of Performance of the Lodges

Statements	Mean	Standard Dev
N= 260		
Sales turnover has gradually increased in our lodge	4.57	0.343
Our lodge has seen an increase in market share	4.31	0.619
The profitability of the lodge has gradually increased	4.60	0.388
We have not experienced employee turnover for a long time	2.48	0.522
We have had increased cost savings as a result of customer retention	4.26	0.727

Most of the respondents agreed that the profitability and sales turnover of the lodges had gradually increased as illustrated by the average scores of 4.60 and 4.57 respectively. Additionally, as shown by a mean score of 4.31 most respondents agreed that lodges had seen an increase in market share. The lodges also had increased cost savings as a result of customer retention as evidenced by an average score of 4.26. However, the results disagreed on a mean of 2.48 that the lodges had not experienced employee turnover for a long time. This means that due to irregular peak and low peak seasons, employee turnover remained inconsistent to a point that it destabilized the operations of the Lodges to some extent. When there were always new employees, it took time and became costly to always train which had a negative impact in ensuring customer loyalty. Similar findings were established by Setiawan et al. (2020) who indicated that when there was inconsistency of stay among the employed staff resulted in a bad reputation hence affecting loyalty from customers.

4.3 Descriptive Statistics of Customer Loyalty

The respondents were also requested to illustrate their agreement level with the statements that relate to customer loyalty in the lodge. Table 3 illustrates the results.

Table 3: Descriptive Statistics of Customer Loyalty

Statements	Mean	Standard Dev
N=260		
Length of stay in the lodge is an indicator of customer loyalty and satisfaction	4.52	0.421
Customers who are loyal to this lodge are more likely to recommend it to others	4.38	0.628
Our lodge has retained a majority of our customers signifying satisfaction	4.41	0.523

Our customers keep coming back for more services which boost our performance	4.76	0.088
Customer loyalty has become a crucial strategic concern for this lodge	4.30	0.632
Our loyal customers forgive the organization for some mistakes	2.93	0.954

The results in Table 3 indicate that an overwhelming majority of the respondents were in strong acceptance that the lodges' customers kept coming back for more services which boosted their performance and that the length of stay in the lodges was an indicator of customer loyalty and satisfaction as shown by average scores of 4.76 and 4.52 respectively. This was in line with Zakari (2021) who averred that loyalty leads to a pattern of consistent, repetitive purchasing of the same brand or set of brands. The respondents also agreed that the lodges had retained a majority of their customers signifying satisfaction and that customers who were loyal to the lodges were more likely to recommend them to others as illustrated by average scores of 4.41 and 4.38 respectively. Moreover, as shown by average scores of 4.38 and 2.93 respectively, the respondents agreed that customer loyalty had become a crucial strategic concern for the lodges and also disagreed that loyal customers would forgive the organizations for some mistakes. Different customers had their tastes and preferences for several services. It was up to the Lodges to always ensure they provide the uttermost satisfaction to these needs. However, when mistakes were repeated especially due to untrained employees, loyalty was lost in most cases. Achieng (2021) argued that any customer service-related mistakes were mainly complimented using free service in a particular area as a type of retention strategy in Mombasa Hotels

4.4 Coefficient of Correlation

The study tested the hypothesis using Pearson Correlation coefficient as described in Table 4.

Table 4: Coefficient of Correlation

		Customer loyalty	Organizational performance
Customer loyalty	Pearson Correlation	1	.712**
	Sig. (2-tailed)		.000
	N	260	260
Organizational performance	Pearson Correlation	.712**	1
	Sig. (2-tailed)	.000	
	N	260	260

The analysis presented in Table 4 indicated, there was a strong positive correlation between organizational performance and customer loyalty, as evidenced by a correlation coefficient of 0.712. Consequently, the research hypothesis H₀₁, which states that customer loyalty has no significant effect on organizational performance of lodges within Lewa Wildlife Conservancy, was rejected. Therefore, these results indicate that lodges had retained a majority of their customers signifying satisfaction and that customers who were loyal to the lodges were more likely to recommend them to others. Moreover, Nyasulu (2020) agreed that customer loyalty had become a crucial strategic concern for the lodges toward improving performance.

4.5 Regression Coefficients

The study's regression model was $Y = C + \beta_1 X_1$ where: Y was organization performance; β_i was coefficients to be estimated; C was Constant; X_1 was customer loyalty. The study analyzed the regression coefficient to test the model as described in Table 5.

Table 5: Regression Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.316	1.334		1.619	0.349
Customer loyalty	0.745	0.310	0.172	2.098	.0223

According to Table 5, $Y = 1.316C + 0.745X_1$ which revealed that for every unit increase in customer loyalty, there was a corresponding increase of 0.745 on organizational performance. Therefore, the lodges gained a positive influence on the customers' loyalty as the majority would continue staying at the lodges and would recommend the lodges to their friends and families. Further to this the study established that the lodges valued their customers' loyalty such that the effectiveness of the lodges' organizational structure was found to be significantly impacted by customer loyalty. In addition, as per Othman, et al.(2019) findings, the lodges' customers kept coming back for more services which boosted their performance and the length of stay in the lodges was an indicator of customer loyalty and satisfaction.

5.0 Summary

Most of the respondents agreed that the profitability and sales turnover of the lodges had gradually increased as illustrated by the average scores of 4.60 and 4.57 respectively. Additionally, as shown by mean scores of 4.48 and 4.31 respectively, most of the respondents agreed that the lodges had not experienced employee turnover for a long time and that the lodges had seen an increase in market share. The lodges also had increased cost savings as a result of customer retention as evidenced by an average score of 4.26.

The results indicate that an overwhelming majority of the respondents were in strong acceptance that the lodges' customers kept coming back for more services which boosted their performance and that the length of stay in the lodges was an indicator of customer loyalty and satisfaction as shown by average scores of 4.76 and 4.52 respectively. Further, there was a strong positive correlation between organizational performance and customer loyalty, as evidenced by a correlation coefficient of 0.712. Notably, the regression coefficient results revealed that for every unit increase in customer loyalty, there is a corresponding increase of 0.745 in organizational performance.

6.0 Conclusion

The study concluded that loyal customers made repeated purchases, leading to a steady revenue stream for the organizations. Their continued support and repeat business contributed to overall sales growth and financial stability. Customers who are loyal to the business were more inclined to tell their friends, relatives, and acquaintances about it. Their positive word-of-mouth would act as free promotion, attracting new customers and expanding the organization's customer base.

7.0 Recommendations

The study recommends that the lodges should emphasize the delivery of high-quality services throughout the customer journey, from reservation to check-out. They should also train and empower staff members to provide exceptional customer service, ensuring that guests' needs and preferences are met promptly and efficiently.

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