

# Epitopes of guest loyalty: A hypothetical deductive approach

SC RUKMINI

ASSOCIATE PROFESSOR

DEPARTMENT OF COMMERCE AND MANAGEMNET  
VIDYAVARDHAKA FIRST GRADE COLLEGE-MYSURU

## Abstract

*The main purpose of this study is to examine the relationship between customer satisfaction and customer loyalty in the hotel industry in Croatia. The main objectives are to develop and implement a method for hotels to identify the customer loyalty. In order to increase the number of customers and to retain the guest's in the hotel the study is very important. The primary goal of the present study was to provide a framework for other hotels to use in replicating this research process for their own marketing research. The short-range consequences of this study were to better understand current service quality guest satisfaction, and loyalty of the hospitality industry with participant observation from visitors of a subject hotel. As a result of this study, long-range consequences were that hotels should use survey-based feedback on a continuing basis. This result helps managers make effective operational decisions. In addition, it aids managers in adjusting service system design elements and amenities so as to meet or even exceed guest demands.*

**Keywords:** Hotel; customer loyalty; e-commerce; loyalty:

## INDUSTRY PROFILE

A hotel is an establishment that provides paid lodging on a short-term basis, which included supplying both food and lodging to the public. According to Wikipedia, the word hotel is derived from the French hotel, which referred to a French version of a townhouse or any other building seeing frequent visitors, rather than a place offering accommodation. Some hotels have gained their renown through tradition, by hosting significant events or persons.

Early evidence of hotels and the hospitality industry have been recorded as far back as biblical times when Mary and Joseph arrived in Bethlehem during the census. People have traveled for commerce, religion, family, health, immigration, education and recreation, since

the beginning of time. As a result of the influence of the Roman Empire, inns and hotels began catering to the pleasure traveler in an effort to encourage visitors.

It was recorded that the first inn located in America was in the year 1607 and lead the way with many other firsts in the hospitality industry (The History of Hotel). The first publicly held hotel (the City Hotel) advertised in New York in 1792. The first modern hotel (the Tremont) was next opened in Boston in 1809 and the first business hotel (the Buffalo Statler) opened in 1908. It was then followed by a surge of hotels flooded America and the rest of the world with prominent names such as Radisson, Marriot and Hilton.

There are three types of hotels which included budget hotels, business hotels and luxurious hotels. The budget hotel is targeted on providing hotel with basic necessities for travelers who seek to minimize the expenses. The business hotel provides more necessities such as internet connection, coffee machines, hairdryers and daily delivery of newspaper. It needs more expenses compare to budget hotel. The other type of hotel is the luxury hotel. It is targeted on providing the most comfortable service with the most expensive expenses. The hotels' room would be full of comforts, beautiful rooms with comfortable beds and bigger bathrooms. Hence, it has the higher star rating compare to budget hotel and business hotel.

### **TYPE OF HOTEL INDUSTRY:**

There are two ways to categorize hotels: by functions or by star ratings. By functions, hotel has been classified into several types as follows:

1. Commercial Hotel 2.Airport Hotel 3.Conference Center 4.Economy Hotel 5.Suite or All-Suite Hotel 6.Residential Hotel or Apartment Hotel 7.Casino Hotel 8.Resort Hotel

#### ➤ **Commercial Hotel:**

A chain of hotels which have standardized service and amenity structures - - Economy Hotel: A hotel offering few amenities (J.K. Krishan, "Dictionary of Tourism", Gyan Books, 2005) - Suite or All-Suite Hotel: A hotel in which every rooms has an attached living room and/or kitchen - Residential Hotel or Apartment Hotel: \ serviced apartment complex uses a hotel-style booking system. It is similar to renting an apartment, but By Star Ratings, hotel has been classified into several types as follows:

- Five Star Hotel • Four Star Hotel • Three Star Hotel • Two Star Hotel • One Star Hotel • No Category Hotels

### ➤ **Five Star Hotel:**

Luxury hotels; most expensive hotels/resorts in the world; numerous extras to enhance the quality of the client's stay, for example, some have private golf courses and even a small private airport. ("Hotel Glossary of Terms", Marsh) - Four Star Hotel: First class hotels; expensive (by middle-class standards); has all of the previously mentioned services; has many "luxury" services, for example, massages or a health spa. ("Hotel Glossary of Terms", Marsh)

### ➤ **Three Star Hotel:**

Middle class hotels; moderately priced; has daily maid service, room service, and may have dry-cleaning, internet access and a swimming pool. ("Hotel Glossary of Terms", Marsh) - Two Star Hotel: Budget hotels; slightly more expensive; usually has maid service daily. ("Hotel Glossary of Terms", Marsh) - One Star Hotel: Low budget hotels; inexpensive; may not have maid service or room service. ("Hotel Glossary of Terms", Marsh) - No Category Hotels: These hotels include motels, cottages, bungalows and others with limited services. However, these hotels represent 41% of the total hotel market share. ("Hotel Glossary of Terms", Marsh)

## **PROBLEM STATEMENT**

Customer satisfaction is the main problem that is found in the hotel industry. Improving customer satisfaction is a critical component of the hospitality industry's value proposition to the guests. Consequently, the hospitality industry spends millions of dollars per year to better assess guest satisfaction and understand the element of loyalty. With an understanding of what causes guests to stay and return, hoteliers can act to increase loyalty.

The preferences of the guests differ from every individual thus its difficult for the hoteliers to retain the customers .satisfaction depends on the each and every services provided in the hotel. Thus satisfying the guests is the toughest job.

## **PURPOSE OF THE STUDY**

The main purpose of this study is to examine the relationship between customer satisfaction and customer loyalty in the hotel industry in Croatia. The main objectives are to develop and implement a method for hotels to identify the customer loyalty. In order to increase the number of customers and to retain the guest's in the hotel the study is very important.

**Research questions:**

- i. How does pricing strategy relate to customer loyalty?
- ii. What is the perception of hotel industry player's on service quality strategy effect on customer loyalty?
- iii. How does hotel image relate to customer loyalty?
- iv. To what extent does technology utilization affect customer loyalty? And tributes in increasing customer loyalty.

**OBJECTIVES OF THE STUDY**

1. To evaluates the impact of service quality on guests' loyalty towards Star Hotel Industry.
2. To examine the role of e-Commerce on guests' loyalty towards Star Hotel Industry.
3. To measure the mediating effects of positive word-of-mouth on service quality towards guest's loyalty.
4. To ascertain the impact of demographic factors towards service quality and guests' loyalty.

**SCOPE OF THE STUDY**

To identify attributes increasing customer loyalty, hotel companies need to consider what happens before, during, and after the guest interacts with the property. In that light, it is important to look closely at what is measured and the way it is measured. Customer satisfaction is a crucial part of loyalty, but customer loyalty cannot be achieved by satisfaction alone. An enterprise can offer satisfaction without loyalty, but not loyalty without satisfaction (Kirkby et al., 2003). Thus, this study provides insights into customer loyalty by examining customer satisfaction and service quality.

The primary goal of the present study was to provide a framework for other hotels to use in replicating this research process for their own marketing research. The short-range consequences of this study were to better understand current service quality guest satisfaction, and loyalty of the hospitality industry with participant observation from visitors of a subject hotel. As a result of this study, long-range consequences were that hotels should use survey-based feedback on a continuing basis. This result helps managers make effective

operational decisions. In addition, it aids managers in adjusting service system design elements and amenities so as to meet or even exceed guest demands.

## VARIABLES OF THE STUDY

1. SERVICE QUALITY
2. E-COMMERCE
3. POSITIVE WORD OF MOUTH
4. GUEST'S LOYALTY

### **SERVICE QUALITY:**

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either. Research has shown that high service quality contribute significantly to profitability.

Service quality is about ensuring customers, both internal and external, get what they want. Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. Satisfaction and service quality are often treated together as functions of customer's perceptions and expectations.

Since SERVQUAL model is founded a comprehensive method, we are going to adopt and deploy it to encompass various aspects of service quality in relation to the hotel. Besides, a questionnaire has been designed based on literature in order to examine all service quality dimensions in SERVQUAL model.

### **E-COMMERCE:**

Management of e-Commerce and Online Channels is one of the main tools for promoting and improving sales in the current hotel businesses. It consists basically of a privileged sales channel, available in many hotels. Nevertheless there are others, who do not give due importance to this channel.

Over the last decade the population of Internet users has increased rapidly. The tourism and hospitality industry has always been among the first businesses, to capitalize on new technologies. Customers are constantly seeking new sources of information, to help them make decisions before purchasing services.

This requires organizations involved to operate through the use of computers and E-commerce systems. Although the relationship between E-commerce usage and industries capabilities has seen an impact but the extent of these effects cannot be identified and the dimensions of the E-commerce usage need to be identified which will give greater impact in improving organizational capabilities. This research examines the E-commerce usage in hotel industries capabilities focusing on the hotel which apply E-commerce system.

### **POSITIVE WORD OF MOUTH:**

Word-of-mouth (WOM) has been a unique marketing tool for the hospitality industry since the emergence of the marketing concept. Moreover, the subjectivity of the expressed opinions or judgments does not really influence the creditability of such experience due to the objectivity of product information available in hand. In fact, consumers are likely to provide factual information while using persuasive language. This applies to both negative and positive word-of-mouth (Hennig-Thurau, Gwinner, Walsh and Gremler, 2004). In addition, Goyette et al. (2010) explored the distinctive nature of word-of-mouth due to the wide variety of channels available for providing such recommendations and communications. These channels are either personal or impersonal. The personal channels may include face to face, phone, e-mail, mailing list, or any other means of communication, in addition to friends, family, and acquaintances. Other impersonal channels comprise columns, articles, commentary by journalists, consumers, and experts, other than, newspapers, magazines and specialized publications.

### **GUEST'S LOYALTY:**

Customers display varying degrees of loyalty, commitment, or allegiance in various aspects of their daily interactions. Loyalty also occurs in consumption situations, and has received much attention in the marketing literature (Kandampully et al., 2000). Generally, the term, customer loyalty, has been described as occurring when customers:

Repeatedly purchase a good service over time, and The attitudinal measurements of loyalty use attitudinal data to reflect the emotional and psychological attachment inherent in loyalty. The attitudinal measurements are concerned with the sense of loyalty, Engagement, and allegiance. There are instances when a customer holds a favourable attitude towards a hotel, but he/she does not stay at the hotel (Toh et al., 1993). Attitudinal dimensions refer to a customer's intention to repurchase and recommend, which are good indicators of a loyal customer (Getty and Thompson, 1994). A guest could hold a hotel in high regard, recommend the hotel to others, but feel the hotel was too expensive for him/her to use on regular basis.

## LITERATURE REVIEW

This chapter reviews the literature on loyalty and customer satisfaction. Although the major focus is on customer satisfaction in service organizations, this chapter begins with a brief review of the importance of customer loyalty in the hotel industry. This is followed by a review of loyalty literature, which results in the construction of a definition of service loyalty for use in this study. Next, factors thought to influence the development of loyalty are discussed. In particular, emphasis is on customer satisfaction as the most important determinant for loyalty. Afterwards, the photo-elicitation approach is explained as a method for collecting guest feedback. This chapter concludes with a discussion of how services differ from each other and how customer satisfaction may differ across services.

**The Importance of Customer Loyalty in the Hotel Industry:** The hotel industry today has been recognized as a global industry, with producers and consumers spread around the world (Kandampully et al., 2010). The use of hotel facilities such as: guestroom, restaurant, bar, spa or wellness services, is no longer considered a luxury. For many people, these services have become an integral component of their lifestyle. Moreover, in the last two decades, demand for supply of hospitality services beyond that of traditional services intended for travellers have escalated the growth of the hospitality industry globally, leading to intense competition in the marketplace (Kandampully et al., 2010).

According to Kandampully and Suhartanto (2010), one of the greatest challenges facing hotel organizations today is the ever-growing volume and pace of competition. Competition has major implications for the customer.

Due to the importance of customer loyalty, companies are trying to enhance their customers' loyalty through retention programs and relationship marketing strategies. Customer loyalty is important because loyal customers bring many benefits to a firm.

Customer satisfaction is considered to be one of the most important outcomes of all marketing activities in a market-oriented firm. The obvious need for satisfying the firm's customer is to expand the business, to gain a higher market share, and to acquire repeat and referral business - all of which lead to improved profitability.

## **HYPOTHESES**

For the purpose of this study, a loyal guest is defined as a customer who holds favourable attitudes towards the company; commits to the repurchase of the product or service; and recommends the product or service to others.

This research addresses a number of questions, which examine the relationship between guest satisfaction and guest loyalty in the hotel context. Accordingly, we can offer the following hypotheses:

H1: Hotel service system design elements are positively related to guest loyalty.

H2: Guest satisfaction with reception, guestroom, food and beverage, ambience, and price is positively related to guest loyalty.

H3: Satisfied guests exhibit higher levels of purchase involvement than dissatisfied guests.

H4: Satisfied guests provide stronger positive word-of-mouth advertising than dissatisfied guests.

**SAMPLING DESIGN:** The sampling techniques, which are used in the collection of the data that is non-probability sampling techniques. Non-probability sampling was applied because the customer was not common we select the every customer which comes in this hotel. Convenience sampling techniques has been used under this study. The sampling is done based on the customers that visit the hotel regularly, since the hotel le ruche the prince consists of 72 rooms and the customers are usually completely filled and that will be easy to collect the primary data and it has decided that the sample size is 100 respondents so that the result which we obtain will be accurate.

**Sampling unit:** The sampling unit were the guests visiting the hotel le ruche the prince  
**Sample population:** The sample population is infinite since the customers who visit the hotel are unlimited.

**Sample size:** The total questionnaires distributed were 120, and the filled in questionnaires were 90.

**Response rate:** The response rate is  $(90/120*100)$  75%



**DATA INTERPRETATION AND ANALYSIS**

Table 1: Table showing relationship between dependent and independent variables

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	6.887	4	1.722	7.383	.000
	Residual	22.153	95	.233		
	Total	29.040	99			
a. Dependent Variable: Guests' Loyalty						
b. Predictors: (Constant), Empathy, Responsiveness, Tangibility, Reliability						

Source: primary data

**Interpretation:** Here the significant p-value  $= .00 < .05$ , hence we Reject null hypothesis and conclude that there is some linear relationship between our independent variables. Thus model is good fit.

Table 2: Table showing relationship between various dependent and independent variables of the study

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.282	.518		4.405	.000
	Tangibility	-.146	.082	<b>-.168</b>	-1.785	.078
	Reliability	.516	.107	<b>.459</b>	4.831	.000
	Responsiveness	.002	.089	<b>.002</b>	.022	.982
	Empathy	.045	.037	<b>.115</b>	1.219	.226
a. Dependent Variable: Guests' Loyalty						

Source: primary data

**Interpretation:** we observe that p-value for beta coefficient of Reliability is  $.000 < 0.05$ , which implies that only reliability is significant at 5% significant level. Thus we reject the null hypothesis in this case. In other words guest's loyalty of customer is positively related to reliability where as remaining other variables are insignificant.

Table 3: Table showing correlation between the variables

Correlations			
FACTORS		E-Commerce	Guests' Loyalty
E-Commerce	Pearson Correlation	1	.398**
	Sig. (2-tailed)		.000
	N	100	100
Guests' Loyalty	Pearson Correlation	.398**	1
	Sig. (2-tailed)	.000	
	N	100	100
**. Correlation is significant at the 0.01 level (2-tailed).			

**Interpretation:** Since the correlation value is equal to 0.398, from the above table it is clear that there is a low degree of positive correlation between E-Commerce and Guest's loyalty.

Table 4: Table showing factors effective positive word of mouth in the respondents

ANOVA					
Positive Word-of-Mouth					
FACTORS	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.851	7	.836	5.351	.000
Within Groups	14.371	92	.156		
Total	20.222	99			

**Interpretation:** F-value is 5.351 and corresponding P-value is 0.000 is lesser than .05 .Thus we conclude that there is significant difference in the three aspects measured in positive word of mouth at 5% l.o.s. Thus the conclusion is that there is significant in the means of at least one pair of groups.

Table 5: Table showing factors effective positive word of mouth in the respondents

ANOVA					
Positive Word-of-Mouth					
FACTORS	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.851	7	.836	5.351	.000
Within Groups	14.371	92	.156		
Total	20.222	99			

**Interpretation:** F-value is 5.351 and corresponding P-value is 0.000 is lesser than .05 .Thus we conclude that there is significant difference in the three aspects measured in positive word

of mouth at 5% l.o.s. Thus the conclusion is that there is significant in the means of at least one pair of groups.

Table 6: Table showing association between the demographics of the customers and guest's loyalty

Chi-Square Tests			
FACTORS	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	135.879 <sup>a</sup>	21	.000
Likelihood Ratio	57.192	21	.000
Linear-by-Linear Association	1.552	1	.213
N of Valid Cases	100		

a. 26 cells (81.2%) have expected count less than 5. The minimum expected count is .04.

Difference

**Interpretation:** Pearson Chi-square test value is 135.879 and p value (Asymp sig) 0.000 since  $0.00 < 0.05$ , we conclude that "there is a strong association between the demographics of the customers and guest's loyalty.

Table 7: Table showing factors effective positive word of mouth in the respondents

Chi-Square Tests			
FACTORS	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.352 <sup>a</sup>	7	.022
Likelihood Ratio	17.343	7	.015
N of Valid Cases	100		

a. 10 cells (62.5%) have expected count less than 5. The minimum expected count is .48.

**Interpretation:** Pearson Chi-square test value is 16.352 and p value (Asymp sig) 0.022 since  $0.022 < 0.05$ , we conclude that "there is a strong association between the service quality and guest's loyalty.

Table 8: Table showing association between the E-commerce and guest's loyalty

Chi-Square Tests			
FACTORS	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	39.786 <sup>a</sup>	14	.000
Likelihood Ratio	39.135	14	.000
N of Valid Cases	100		

a. 17 cells (70.8%) have expected count less than 5. The minimum expected count is .30.

Interpretation: Pearson Chi-square test value is 39.786 and p value (Asymp sig) 0.000 since  $0.00 < 0.05$ , we conclude that “there is a strong association between the E-commerce and guest’s loyalty.

Table 9: Table showing association between the positive word of mouth and guest’s loyalty

Chi-Square Tests			
FACTORS	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.850 <sup>a</sup>	14	.063
Likelihood Ratio	29.144	14	.010
N of Valid Cases	100		
a. 18 cells (75.0%) have expected count less than 5. The minimum expected count is .12.			

Interpretation: Pearson Chi-square test value is 22.850 and p value (Asymp sig) 0.063 since  $0.06 > 0.05$ , we conclude that “there is a no strong association between the positive word of mouth and guest’s loyalty.

Table 10: Table showing association between the empathy and guest’s loyalty

Chi-Square Tests			
FACTORS	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	49.582 <sup>a</sup>	14	.000
Likelihood Ratio	54.353	14	.000
N of Valid Cases	100		
a. 17 cells (70.8%) have expected count less than 5. The minimum expected count is .42.			

**Interpretation:** Pearson Chi-square test value is 49.582 and p value (Asymp sig) 0.000 since  $0.000 < 0.05$ , we conclude that “there is a strong association between the empathy and guest’s loyalty.

Table 11: Table showing association between the assurance and guest’s loyalty

Chi-Square Tests			
FACTORS	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.089 <sup>a</sup>	21	.035
Likelihood Ratio	35.786	21	.023
Linear-by-Linear Association	.039	1	.843
N of Valid Cases	100		
a. 25 cells (78.1%) have expected count less than 5. The minimum expected count is .04.			

**Interpretation:** Pearson Chi-square test value is 34.082 and p value (Asymp sig) 0.035 since  $0.035 < 0.05$ , we conclude that “there is a strong association between the assurance and guest’s loyalty.

## FINDINGS

- Under the study of regression, it is found that the variables such as empathy, responsiveness, tangibility, reliability are significant as none of them been removed from the study.
- Under the study of correlation between dependent and independent variables it implies that 23% of total variation in guest’s loyalty is due to empathy responsiveness, tangibility, and reliability, where as remaining 76% is due to other factors.
- Under the study of ANOVA, we find that there is some linear relationship between our independent variables and this model is good fit.
- Guest’s loyalty of customer is positively related to reliability where as remaining other variables are insignificant.
- There is low degree of positive correlation between E-Commerce and guest’s loyalty.
- There is strong association between the demographics of the customers and guest’s loyalty.
- There is strong association between service quality and guest’s loyalty.
- There is strong association between the positive word of mouth and guest’s loyalty.

## Conclusion

These research summaries the main findings of this study and draw out their implications for hotel industry. It aims to enrich our understanding about attribution and measuring methods of customer satisfaction and service quality of this industry. In addition, it emphasizes the impact of gender on the satisfaction of hotels’ guests. Moreover, it provides some expectation of the disable people on the service quality of hotels. The framework of this study focuses on the customers aging from 20 to 50 years old.

Hotels are everywhere and for everyone. In our framework, besides trying to understand what are the important quality attributes of the hotel industry and the market place; the questionnaire for the research which are described in questionnaire aims at discovering what customers expect from a hotel; how they perceive the quality attributes; and how gender and culture impact the customer satisfaction and how customer will become loyalty

to the services.

Our research data proved that all five factors which are tangibility, reliability, responsiveness, confidence and communication directly influence the customer expectations and perceptions about loyal customer and service quality. Now it depends upon management of each hotel that how further they improve their factors of retention and how they make them more valuable to their customers because guests are looking for the higher quality experiences and their demands are more various and complicated.

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