Hotel Service Quality and Brand Loyalty

Prof. Dr. Muhammad Ehsan Malik
Dean, Faculty of Economics and Management Sciences/Director, Institute of Business Administration (IBA)/Director General, Gujranwala Campus, University of the Punjab, Lahore (Pakistan)

Basharat Naeem
Lecturer at IBA, University of the Punjab, Lahore (Pakistan) & Ph.D. (Business Management) Scholar at COMSATS Institute of Information Technology (CIIT), Pakistan

Abdul Mohsin Nasir
Student of MBA (Honors) at IBA, University of the Punjab, Lahore (Pakistan)

Abstract

In general, perceived service quality seems to be positively related to customers' likelihood of remaining a loyal customer and their attitudes toward the service provider (Anton, Camarero, & Carrero, 2007; Bell, Auh & Smalley, 2005; Aydin & Ozer, 2005). Suhartanto (2011) reported that there are numerous studies, mostly conducted in developed countries, which examined service quality as the determinant of customers' brand loyalty in the hotel industry. This prompted the researchers to investigate empirically how and to what degree customers' perceptions on service quality dimensions impact their hotel brand loyalty in developing country (Pakistan). Multiple regression analysis, on survey responses of the customers of 8 different four and five star hotels, reflected that customers' perceptions on tangibles, empathy and reliability contributed to fostering their loyalty with hotel brands. Implications for practitioners and future researchers were discussed, too.
Keywords: Perceived Service Quality, Brand Loyalty, Hotel Industry, Pakistan

Introduction

Berry (2000) claimed that *branding* is regarded as the cornerstone in 21st century while taking service marketing domain in to consideration. Today's researchers declared the brand as the most influential character in services because of its innate distinctiveness like perishability, inseparability, tangibility and heterogeneity (Kapferer, 2004). The emergence of brand equity raised its importance in researchers and brand manager equally (Keller, 2003) but it also had significant differences in the defining and measuring brand equity (Bailey and Ball, 2006; Keller and Lehmann, 2006).

The hotel industry, in particular, and all businesses whose service depend on building long term relationship need to concentrate on maintaining customer's loyalty. To achieve a sustainable competitive advantage in the marketplace, one has to value the importance of building, using and maintaining brands. For this reason, academics and practitioners have studied the concept and measurement of brand equity for more than a decade (Kim, Kim & An, 2003). Prasad and Dev (2000) are of the opinion that branding is an effective method for hotels and hotel chains to identify and distinguish themselves from competitors in the mind of the customer. The hotel industry isn't a new vertical for Pakistan by any measure. The 2008 World Economic forum's Travel and Tourism Competitiveness Report (TTCR) ranked Pakistan 103 out of 124 countries to visit; which predicted a gloomy picture for hotels as well; which mainly depends on tourism in Pakistan.

Bailey and Ball (2006) defined hotel based brand equity as "the value that consumers and hotel property owners associate with a hotel brand and the impacts of these associations on their behavior". Prasad and Dev (2000) and later on, Forgacs (2003) found that extensive strategies have been applied for the development and prolific growth of new branded hotels over the last five years, worldwide. This overabundance of hotel brands has given rise to severe confusion among customers according to the arguments of Gibson (2003), Olsen *et al.* (1998) and Kim *et al.* (2008). Now it clearly demanded efforts to enhance and enrich the specific knowledge related to hotel brand management, so that improved and better decision making related to marketing activities could be recognized and practiced to stand high in the crowd.

As suggested Al-Rousan, Ramzi & Mohamed (2010), the relationship at the level of dimensions has remained virtually unexplored. To add to the limited literature on hotel service industry, the present study intended to contribute to the literature of hotel brand equity, specifically, and service brand equity, generally. It also promises significant 'go ahead' for researchers to explore the effect of perceived service quality on brand loyalty. And due to the lack of empirical research in this particular domain (Cobb-Walgren et al., 1995; Prasad and Dev, 2000; Kim and Kim, 2005; Kayaman & Arasli, 2007), this study gains more importance. Besides, findings of the research would result in deeper and better understandings of the concept of hotels' service quality and its subsequent effects on brand loyalty in theory especially in Pakistan.

Literature Review

Service quality was defined by Zeithaml (1988) as "the judgment of customers about the overall superiority of a product or service." Gronroos (1988) posited that perceived quality is considered good when the experienced quality of customers meets the expected quality from the brand. The literature considers perceived service quality as a "core/primary" aspect across customer-based brand equity landmark frameworks (Farquhar, 1989; Keller, 1993; Aaker, 1996; Dyson et al., 1996). It provides customers with a reason to purchase and enhances customer value by equipping the brand with differentiation and prominent positioning among competitor's brands.

In customer based brand equity (CBBE) model, perceived quality is considered as the primary facet (Dyson et al., 1996). Many researchers conceptualized various dimension of perceived service quality like, landmark study of Knutson et al. (1990), Oberoi and Hales (1990) work in UK based hotel settings, Getty and Thompson (1994) study on Spanish hotel industry, SERVPERF model developed by Cronin and Taylor (1992), Ekinci (1998) work in hotel industry of Turkey, Wilkins et al. (2007) work on hotel service industry, "HOLSERV" scale of Mei et al. (1999) in the hotel industry of Australia, studies ranging from supermarkets to travel agencies and from information services to hotel industries (Bigne´ et al., 2003; Akbaba, 2006; Landrum et al., 2007; Roses et al., 2009), five service quality dimensions in the hospitality industry by Saleh and Ryan (1991), six dimensions developed by Khan (2003) in ecotourism industry, "lodging quality index" by Getty and Getty (2003) in USA hospitality market, nine dimensional scale by Juwaheer (2004) developed in the Mauritian hotel industry and then a five-dimensional scale by Albacete-Saes et al. (2007) in rural accommodation industry. The most famous model of service quality was proposed by Parasuraman et al. (1985, 1988). It had five dimensions and can be explained as:

1st – **Reliability**: *"the degree to which a promised service is performed dependably and accurately"*.

2nd – **Responsiveness**: *"the degree to which service providers are willing to help customers and provide prompt service"*.

3rd – **Assurance**: *"the extent to which service providers are knowledgeable, courteous, and able to inspire trust and confidence"*.

4th – **Empathy**: *"the degree to which the customers are offered caring and individualized attention"*.

5th – **Tangibles**: *"the degree to which physical facilities, equipment, and appearance of personnel are adequate"*.

The perception of customers about quality was predicted to be linked with their loyalty with brand because favorable perception about the brand quality leads to more and more brand loyal customers. That's why Bolton and Drew (1991) suggested "service quality has significant effects on customer loyalty". In general, perceived service quality seems to be positively related to customers' likelihood of remaining a loyal customer and their attitudes toward the service provider i.e. brand loyalty (Anton, Camarero, & Carrero, 2007; Bell, Auh & Smalley, 2005; Aydin & Ozer, 2005). Among others, Jones et al. (2002) found a significant relationship between perceived quality and customer loyalty. To report the direct relation between perceived service quality and brand loyalty, existence of a significant and positive relationship between the perceptions of customers related to service quality and their intentions to buy and, subsequently, willingness to recommend the company (positive word of mouth) is very much evident in various studies (Parasuraman et al., 1988; 1991).

Conflicting findings regarding the relationships between service quality and brand loyalty are also found in empirical studies in the hotel context. Kandampully and Hu (2007) and Kim et al. (2008) did not find a significant relationship between service quality and brand loyalty. Lai et al. (2009) found indirect relationships between service quality and brand loyalty through perceived value. Kayaman and Arasli (2007) reported that only tangible and responsiveness dimension has significant effect on brand loyalty. Others report indirect relationship between service quality and brand loyalty through perceived value and customer satisfaction (Chitty et al., 2007). Suhartanto (2011) reported that there are a number of studies examining service quality as the determinant of brand loyalty in the hotel industry, mostly conducted in developed countries. Some of these studies are bivariate studies in that they examine brand loyalty with service quality (Alexandris et al., 2002; Juwaheer, 2004). Cretu and Brodie (2007), Michell et al., (2001) and Jones et al., (2002) also found significant and positive association among perceived service quality with brand loyalty. So,

Study Hypothesis: *Hotel customers' perceptions regarding SERVQUAL dimensions (assurance, tangibles, reliability, responsiveness and empathy) will have differential positive impact on their brand loyalty*

Research Methods

Data was collected from multiple cities of Pakistan who used services of eight renowned four and five stars hotel operating in Pakistan. Survey questionnaires were personally administered during May to September, 2010. After multiple follow-ups, 190 questionnaires were successfully retrieved. The SERVQUAL items in the questionnaire were adapted from the pioneering study conducted by Parasuraman et al's (1988) having five dimensions namely, tangibles, reliability, responsiveness, assurance and empathy. Kim and Kim (2005) scales were used for measuring brand loyalty (6-items). The 5-point Likert scale was used to measure five dimensions of service quality and customer loyalty where "1 = strongly disagree" and "5 = strongly agree". Stepwise regression analysis was employed to test the research hypothesis.

Results and Discussion

The demographic statistics of four and five star hotel customers indicated that 149 (78%) male customers participated in this study besides 41 (22%) females. Sixty four percent respondents earned Master degrees whereas only 36% were undergraduates. Thirty percent were employed by private organizations, 15 percent were businessmen and only 6 percent were from government sectors.

The descriptive statistics such as mean, standard deviation and inter correlations of all study variables are presented in table 1.

Table 1: Descriptive Statistics								
	Mean	Std. Deviation	X1	X2	X3	X4	X5	X6
X1	3.90	0.37	1.00					
X2	4.03	0.44	0.51*	1.00				
X3	3.83	0.48	0.52*	0.38*	1.00			
X4	3.91	0.52	0.48*	0.34*	0.60*	1.00		
X5	3.97	0.48	0.39*	0.45*	0.51*	0.46*	1.00	
X6	3.82	0.55	0.52*	0.43*	0.60*	0.64*	0.54*	1.00

*X1 = Brand Loyalty, X2 = Tangibles, X3 = Reliability, X4 = Responsiveness, X5 = Assurance, X6 = Empathy, *Significant at 0.001 level*

Table # 2 displays the results of stepwise regression analysis in which customers' perceptions on dimensions of service quality such as tangibles, empathy, reliability, assurance and responsiveness were regressed on brand loyalty. The results indicated that overall about 40% variance (adjusted R^2=0.40) was explained by the perceptions regarding SERVQUAL dimensions like "reliability", "tangibles" and "empathy". Brand reliability perceptions alone explained 27% variability (R^2 change=.27) whereas tangibles and empathy perceptions accounted for only 11% (R^2 change=.11) and about 3% (R^2 change=.03) variance in brand loyalty respectively. However customers' perceptions on "responsiveness" and "empathy" did not influence their loyalty with hotel brand.

Table 2: Model Summary (Dependent Variable: Brand Loyalty)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R^2 Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
					Change Statistics					
1	.52[a]	.27	.27	0.32	0.27	62.32	1	165	.000	
2	.62[b]	.39	.38	0.29	0.11	29.51	1	164	.000	
3	.64[c]	.42	.40	0.29	0.03	08.46	1	163	.004	2.10

a. Predictors: (Constant), Reliability, b. Predictors: (Constant), Reliability, Tangibles, c. Predictors: (Constant), Reliability, Tangibles, Empathy

ANOVA results (Table 3) are indicative of predictive strength (F $_{3,163}$ = 38.578, p < .001) of the empirical model suggesting its appropriateness for explaining variance in brand loyalty.

Table 3: ANOVA (Dependent Variable: Brand Loyalty)

Model		Sum of Squares	df	Mean Square	F	Sig.
3	Regression	9.410	3	3.137	38.578	.000
	Residual	13.254	163	.081		
	Total	22.664	166			

a. Predictors: (Constant), Reliability, b. Predictors: (Constant), Reliability, Tangibles, c. Predictors: (Constant), Reliability, Tangibles, Empathy

Beta coefficients (table # 4) reflect how and to what extent customers' perceptions on perceived service quality dimensions had an impact on their brand loyalty. As shown, favorable perceptions regarding hotel tangibles (beta = .31, t = 4.53, p < 0.001) posted higher positive impact on brand loyalty than did reliability (beta=.27, t=3.62, p < 0.001) and empathy (beta=.23, t=2.91, p< 0.01). However, responsiveness and assurance did not play any role in making customers' loyal to their hotels. So, research hypothesis was partially supported by empirical evidence. The study observations are consistent with what was revealed in Al-Rousan et al. (2010) study that tangibles, reliability and empathy positively contributed to brand loyalty whereas assurance didn't play any role in building making customers loyal to their hotels.

Table 4: Coefficients (Dependent Variable: Brand Loyalty)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
	(Constant)	1.46	0.23		6.38	.000					
	Reliability	0.21	0.06	0.27	3.62	.000	0.52	0.27	0.22	0.63	1.60
	Tangibles	0.25	0.06	0.31	4.53	.000	0.51	0.33	0.27	0.79	1.26
	Empathy	0.16	0.05	0.23	2.91	.004	0.52	0.22	0.17	0.59	1.68

Conclusion and Recommendations

The main aim of this research was to determine differential impact of customers' perceptions regarding SERVQUAL dimensions on their hotel brand loyalty. Based on study findings, it can be concluded that customers' perceptions regarding hotel brand quality dimensions such as "tangibles", "reliability" and "empathy" contributed to build their brand loyalty. Interestingly, favorable perceptions on hotel tangibles predicted relatively stronger brand loyalty than did reliability and empathy perceptions.

Today, competition is a primary challenge in the hospitality industry and the solution lies not only in increasing market share, and then preserving it accordingly, but also keeping them

intact with the brand. As discussed earlier, in highly competitive war-field, a brand loyal customer profile is critical for a hotel brand. Our study recommends a stronger role of service quality and one of the strategies to create such a loyal customer profile is to develop a unique ambiance, an exclusive tangibilized atmosphere and a service delivery ensuring empathy and reliability. The staff's politeness, responsiveness, timely service and empathy plays a strong positive role in instigating a sense of belongingness in the customers; which means a strong brand loyalty because employee's behavior and attitude shape customers' overall perceptions about the brand.

This study also has several limitations. Firstly, this study targeted only four/five-star hotels. So the results cannot be generalized on the entire hotel industry. Secondly, conducting this research by using probability sampling method will compensate the limitation of non-probability sampling method used in this study. In spite of a lot of literature on brand equity, it has been difficult to offer a full description of the nature of the hotel brand equity construct. To the best knowledge of the researchers, this research examined the impact of only two dimensions of brand equity for hotels. Still, there may be some other dimensions that have not been identified in the conceptual framework of this study. There is a dire need to extend this study to the categories in chain restaurant, cafe and motel settings.

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