

How Does Service Quality Lead to Loyalty in the Hotel Industry in Iran

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Abstract: This is a fact that loyal customers not only use the services of the hotel frequently but also suggest the services to other potential clients. It is obvious that loyal customers can guarantee the life of the business in the hotel industry. The theoretical background of the loyalty in the hotel industry indicates that loyalty is a consequence of hotel service quality. The main purpose of this study is to investigate how the service quality ends in loyalty in hotel industry in Iran. Review on the literature revealed that there are some factors between service quality and loyalty. In other words, high service quality can enhance the perceived value and customer satisfaction. Furthermore, this is the satisfaction that increases the loyalty of the clients. This study considers five dimensions of SERVQUAL instrument as factors of service quality in hotel industry which have been applied in similar research successfully. The hypotheses are tested with a convenience data collection approach using data from clients of four Iranian hotels. Findings indicated that some service quality dimensions significantly affect the perceived value. Furthermore, dimensions of service quality and also the perceived value directly influence satisfaction. Finally, satisfaction significantly enhances the loyalty.

Keywords: Hotel industry, loyalty, perceived value, satisfaction, service quality, SERVQUAL

INTRODUCTION

The theory and application of service quality has received a wide attention from researchers in the recent years (Hu *et al.*, 2009). In particular, several studies attempted to investigate the loyalty as a consequence of the service quality in different sectors. The topic is not limited to traditional business environment, but it has been widely considered in the modern business sector, such as an attempt which was conducted by Sadeh *et al.* (2011) to study the consequence of service quality on customer loyalty in e-retailing companies. Service quality in hotel industry, as one of the most important parts of the service sector, is a critical issue. This fact indicates that the appropriate perception of quality service is necessary for hotel industry. Supportively, Vijayadura (2008) stated that it is necessary for managers of the hotels to understand what clients need and how they evaluate the quality of the given services to yield a successful management.

From the existing literature it can be easily recognized that the most important aspect of service quality is its direct effect on the customer satisfaction as well as its indirect effect on customer loyalty (Al Khattab, 2011). In other words, the main objective of service quality improvement in hotel industry is increasing the level of customer satisfaction. Besides, obviously satisfaction has historically been identified as

the major driver for customer loyalty (Jin, 2005). Particularly, several authors such as Akbar *et al.* (2010) believe perceived value of the customers and their satisfaction mediated the linkage between the offering services and loyalty of the clients. Perceived value presents the customers' overall assessment of the service utility based on perception of what is received and what is given (Zeithaml, 1998). In fact, the perceived value is indicated thorough comparison of the benefit which the customer received and the money which is paid. The relationships between service quality and customer satisfaction in hotel industry has been accentuated by several studies. Also, it has been frequently shown that if a customer is satisfied from the services, it can be considered as a loyal client for the organization. Similarly, Dominici and Guzzo (2010) stated that as an acceptable management approach in hotel industry customer satisfaction can improve customer loyalty. They indicated this is critical because if the customers are given a high quality service, they will be satisfied from it and they will return to the hotel again or will advise it to others. Briefly, the key to customers' retention is customer satisfaction and loyalty which is largely dependent upon the service quality offered by the hotels (Vijayadura, 2008).

Despite the importance of the service quality in the hotel industry, a critical problem for hotels to survive

their business is how attract and retain clients (Shi and Su, 2007). Also, according to Yang *et al.* (2009), hotels usually face some problems concerning variation of services and lack of defined standards for services.

This study aims to investigate relationships among service quality, perceived value, customer satisfaction and customer loyalty in hotel industry in Iran. Results of such a study contribute to managers of Iranian hotels to drive satisfaction of customers through an effective management of their services which lead to incensement of the loyalty.

LITERATURE REVIEW

Service quality: Al Khattab (2011) stated that in the recent competitive environment, managers of the hotels should improve their services compared with their competitors. He believes this will not be achieved unless they fully understand their customer's needs and try to meet these needs. According to Jin (2005) and Tafreshi Motlagh (2010) service quality is the understanding of how clients perceive the offering services. According to Sohail *et al.* (2007) service quality is not a one-dimensional concept, but it includes a set of factors that evaluate customers' perception about the delivered services. Several studies measured the service quality either by the original five dimensions and measurements of SERVQUAL instrument or by an adapted version (Yilmaz, 2010).

Perceived value: Perceived value and customer satisfaction are two important dimensions in hotel industry that mediate the linkage between service quality and customer loyalty (Akbar *et al.* 2010). Perceived value is a trade between the money which is paid by the customers and the service which is offered by the hotel. This can be evaluated by the justification and perception of the customers based on their experiences and expectations.

Customer satisfaction: According to Hu (2009), customer satisfaction can be defined as a cognitive or affective reaction to reply the delivered services. This can be specified in hotel industry as the reaction of customers in response to services which are given by the hotel.

Loyalty: According to Chand (2010), satisfied customers potentially are loyal customers and this has two separate benefits for the company. Firstly, loyal customers will again consume the services and also suggest them to other clients.

Relationships among service quality, customer satisfaction, perceived value and customer loyalty in hotel industry: Al Khattab (2011) conducted a study to understand whether the SERVPERF instrument is a

valid and reliable tool to evaluate service quality in hotel industry or not. He stated that service quality has five variables including "tangibles", "responsiveness", "empathy", "assurance" and "reliability". He distributed the questionnaire among customers of the hotels located in Aqaba and Petra, Jordan. Results demonstrated both reliability and validity of the instrument in hotel industry.

Dominici and Guzzo (2010) performed a research including some structured and unstructured interviews to evaluate satisfaction of the customers stayed at sporting club hotel in Cefalu. They suggested that adopting a structured customer relationship management can improve the level of satisfaction in the hotel.

Chand (2010) studied relationships among human resource management, service quality, customer satisfaction and performance in the hotel industry. He considered five dimensions including tangibles, reliability, responsiveness, assurance and empathy as constructs of the service quality for hotels. The study postulated four hypotheses including the direct effect of human resource practices on service quality and customer satisfaction, the direct effect of service quality on customer satisfaction and the direct effect of customer satisfaction on performance. He measured the service quality by a modified instrument based on SERVQUAL questionnaire and conducted a survey to collect data from Indian hotels. Results approved the direct influence of service quality on customer satisfaction in hotel industry.

Akbar *et al.* (2010) performed a research to study the relationships among recovery service quality, service quality, customers' perceived value, customer satisfaction and loyalty in hotels located in Penang, Malaysia. They assumed seven causal hypotheses among the variables. Results accentuated the influence of service quality on perceived value, the direct impact of perceived value on customer satisfaction and the direct effect of customer satisfaction on loyalty.

Hu *et al.* (2009) performed a study to investigate the linkages among service quality, satisfaction, perceived value and image in the hotel industry in Mauritius. Results indicated that the service quality directly affects perceived value as well as clients' satisfaction. Besides, it was obtained that perceived value significantly affects customer satisfaction.

Vijayadura (2008) carried out an investigation to study the effect of service quality offered by hotels on customer satisfaction and their behavioral intention. The author conducted a survey by a convenience data collection approach to collect data from guests of 30 hotels in Madurai city of India. The researcher considered Service delivery Tangibles, Reliability,

Assurance, Responsiveness, Empathy, Service product and Social responsibility as service quality dimensions. Results evidenced service quality significantly drives customer satisfaction and their intention.

Jones *et al.* (2007) tried to study the consequences of the service quality in the hotel industry. Particularly, researchers investigated the relationships among service quality, customer satisfaction and customer loyalty. They collected data from customers of hotels located in San Francisco. Results of SEM showed service quality significantly affect customer satisfaction as well as loyalty, but the influence of satisfaction on loyalty was found to be insignificant.

Jin (2005) in a research attempted to investigate the relationships among the service quality dimensions, customer satisfaction and reuse intention (loyalty), using data from clients of five hotels in South Korea. Five dimensions including reliability, assurance, tangibles, empathy and responsiveness were considered as dimensions of the service quality. Results indicated that assurance, empathy and responsiveness have effects on service quality while service quality significantly influences customer satisfaction. Furthermore, it was shown that customer satisfaction drives clients to use the services again.

Research hypotheses: To explain the relationships among four undertaken variables, four main hypotheses are postulated by this research as follow:

- H1:** Perceived value is directly affected by service quality dimensions in Iranian hotel industry
- H1-1:** Tangibles directly impact perceived value in Iranian hotel industry
- H1-2:** Responsiveness directly impacts perceived value in Iranian hotel industry
- H1-3:** Empathy directly impacts perceived value in Iranian hotel industry
- H1-4:** Assurance directly impacts perceived value in Iranian hotel industry
- H1-5:** Reliability directly impacts perceived value in Iranian hotel industry
- H2:** Customer satisfaction is directly affected by service quality dimensions and perceived value in Iranian hotel industry

- H2-1:** Tangibles directly impact customer satisfaction in Iranian hotel industry
- H2-2:** Responsiveness directly impacts customer satisfaction in Iranian hotel industry
- H2-3:** Empathy directly impacts customer satisfaction in Iranian hotel industry
- H2-4:** Assurance directly impacts customer satisfaction in Iranian hotel industry
- H2-5:** Reliability directly impacts customer satisfaction in Iranian hotel industry
- H2-6:** Perceived value directly impacts customer satisfaction in Iranian hotel industry
- H3:** Loyalty is directly affected by customer satisfaction in Iranian hotel industry

ANALYSIS

Sampling and data collection: This study was carried out using data from the real customers of four Iranian hotels. In order to collect data, a convenience data collection approach was applied. For this purpose, this study distributed around 300 questionnaires among the customers. The questionnaire includes 33 measurements which evaluate the eight research variables. Like other research in this area, five dimensions of service quality were measured using 22 original items of SERVQUAL instrument. Also, 11 items of perceived value, satisfaction and loyalty were identified through the review on the previous studies.

Clients of the four Iranian hotels were asked to respond the questionnaires using a five point Likert scale. Finally, 122 completed and usable questionnaires were received from the respondent.

Data analysis: This study applied the Regression technique to test the hypotheses. The technique was carried out using SPSS software.

Table 1: Model summary of H1

Model	R	R ²	Adjusted R ²	S.E.E.
1	0.881	0.776	0.767	0.524

Table 2: ANOVA test of H1

Model		S.S.	d.f	M.S.	F	Sig.
1	Regression	108.581	5	21.716	79.129	0.000
	Residual	31.286	114	0.274		
	Total	139.867	119			

Table 3: Coefficients of H1

Model		Unstandardized coefficients		Standardized coefficients		
		B	S.E.	Beta	t	Sig.
1	(Constant)	0.244	0.179		1.365	0.175
	Tangible	0.208	0.062	0.209	3.361	0.001
	Reliability	0.114	0.067	0.122	1.715	0.089
	Responsiveness	0.232	0.057	0.259	4.044	0.000
	Assurance	0.307	0.058	0.319	5.288	0.000
	Empathy	0.163	0.071	0.173	2.309	0.023

Dependent variable: Perceived value

Table 4: Model summary of H2

Model	R	R ²	Adjusted R ²	S.E.E.
1	0.858	0.736	0.722	0.575

Table 5: ANOVA test of H2

Model	S.S.	d.f	M.S.	F	Sig.
1 Regression	104.073	6	17.346	52.417	0.000
Residual	37.393	113	0.331		
Total	141.467	119			

Results of analysing H1: In order to test the five sub-hypotheses included in the first hypothesis, a regression model was considered. In the regression model, the perceived value was considered as the dependent variable while the five dimensions of service quality were independent variables. The assumptions of the first hypothesis illustrate the direct effects of service quality dimensions on clients' perception about the value. After the analysis, it was obtained that R square of this regression model was 0.767 which indicates 76.7% of the perceived value can be illustrated by the five dimensions of the service quality in the Iranian hotel industry (Table 1).

Results of ANOVA test showed that the related p value is zero which means the five dimensions of the service quality are jointly significant to explain/predict the perceived value (Table 2).

Findings of the t test showed that Tangibles (p = 0.001), Responsiveness (p = 0), Assurance (p = 0) and Empathy (p = 0.023) are individually significant to affect the perceived value. The effect of Reliability was found to be insignificant, but it was positive (Table 3).

Results of analysing H2: Six sub-hypotheses were included in the second hypothesis. The sub-hypotheses illustrate the variables that affect satisfaction of customers in the hotel industry. The second hypothesis explains the five dimensions of the service quality and the perception of customers about the values that are able to enhance satisfaction. Consequently, six direct effects should be tested in this part. To analyze the relations, a regression model was defined. Customer satisfaction was the dependent variable while the five dimensions of the service quality as well as the perceived value were independent variables in the

Table 6: Coefficients of H2

Model		Unstandardized coefficients		Standardized coefficients		Sig.
		B	S.E.	Beta	t	
1	(Constant)	0.257	0.197		1.309	0.193
	Tangible	0.238	0.068	0.238	3.506	0.001
	Reliability	0.171	0.075	0.181	2.262	0.026
	Responsiveness	0.168	0.065	0.186	2.571	0.011
	Assurance	0.086	0.068	0.089	1.269	0.207
	Empathy	0.135	0.078	0.143	1.736	0.085
	Perceived value	0.209	0.077	0.211	2.716	0.008

Dependent variable: Satisfaction

model. Results of analysis showed the R square of this equation is 0.736 which indicate that 73.6% of satisfaction can be illustrated by the six independent variables (Table 4).

Also, findings of the ANOVA test achieved a p value equal to zero and this means the six independent variables are jointly significant to explain the satisfaction (Table 5).

Results of the t test showed that Tangibles (p = 0.001), Reliability (p = 0.026), Responsiveness (p = 0.011) and Perceived value (p = 0.008) had individual direct significant effects on the satisfaction. On the other hand, it was achieved that the effects of Assurance and Empathy were not significant (Table 6).

Results of analysing H3: The third hypothesis illustrates the direct influence of customers' satisfaction on their loyalty. A regression model was designed to explain this relation. The dependent variable was the loyalty while the independent one was the satisfaction in the equation. Findings showed that the R square was 0.771 which means 77.1% of loyalty can be explained by the customers' satisfaction in the hotel industry (Table 7).

Results of ANOVA test showed the p value was zero (Table 8).

Findings of the test showed that satisfaction (p = 0) had a direct significant effect on the loyalty of the customers in the hotel industry (Table 9).

DISCUSSION AND CONCLUSION

Our study made an attempt to answer this question that how the service quality factors enhance the loyalty

Table 7: Model summary of H3

Model	R	R ²	Adjusted R ²	S.E.E.
1	0.878	0.771	0.769	0.654

Table 8: ANOVA test of H3

Model	S.S.	d.f	M.S.	F	Sig.
1 Regression	170.267	1	170.267	397.5	0.00
Residual	50.533	118	0.428	87	0
Total	220.800	119			

Table 9: Coefficients of H3

Model		Unstandardized coefficients		Standardized coefficients		
		B	S.E.	Beta	t	Sig.
1	(Constant)	-0.313	0.205		-1.525	0.130
	Satisfaction	1.097	0.055	0.878	19.940	0.000

Dependent variable: Loyalty

of the customers in the hotel industry. After the review on the literature, several hypotheses were developed to clarify the consequence of the service quality. Then, the data was collected with a convenience approach from customers of four hotels in Iran to test the hypotheses. Findings supported majority of our hypotheses. Firstly, it was achieved that four dimensions of the service quality including Tangibles, Responsiveness, Assurance and Empathy directly enhance the level of the perceived value. However, the statistical analysis did not support significant effect of Reliability on the perceived value. Consequently, the results suggest that if a hotel improves the level of its service quality, the perceived value will be increased.

Secondly, the findings indicated that the level of satisfaction of customers in the hotel industry was significantly affected by the service quality factors, including Tangibles, Reliability, Responsiveness, as well as the perceived value. However, results did not support significant effect of Assurance and Empathy on the satisfaction. This is further indicated that the clients' satisfaction can be directly increased through factors of the service quality and also the perceived value. This confirms assumption of the traditional theory of satisfaction which accentuates enhancement of the satisfaction through increasing level of quality of services. Also, the perceived value, which is the justification of the customers based on comparison of the payment and delivered service, directly influences the satisfaction.

Thirdly, it was obtained that loyalty of the customers was significantly affected by their satisfaction. This indicated that the more satisfied customers not only will use the services again, but also will suggest the services to other potential customers.

However, it can be concluded that loyalty of the customers is a consequence of the service quality, but the perceived value and customer satisfaction place between these two concepts. In simple words, increasing the level of service quality will lead to enhancement of the perceived value and satisfaction and these finally end in loyalty.

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