



FACTORS ASSOCIATED WITH CUSTOMER SATISFACTION TOWARDS CUSTOMER LOYALTY AMONG STAR GRADE HOTELS



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ABSTRACT

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The research is to find the relationships between variables namely service quality, price, customer satisfaction, customer loyalty, and the moderating impact of gender in star grade hotels in Sri Lanka. The convenience sample technique is adopted with sample size of 303. The main data collection point is Bandaranayake international airport Colombo. The online link of the questionnaire is shared with departing passengers who stayed at star grade hotels during their visit in Sri Lanka. The study findings show that a positive linear relationships between service quality and customer satisfaction, between price and customer satisfaction, and customer satisfaction and customer loyalty. Customer satisfaction is found as a mediator while gender is found as a moderator. Hoteliers should adjust their strategies so as to satisfy the customers while taking into account research findings. The future study can be conducted having an extra questionnaire for the employees of star grade hotels in order to get their perception in relation to research area.

Contribution/ Originality: This study contributes in the existing literature by finding linear relationships, a mediating relationship and moderating relationships of vital service marketing concepts in relation to star grade hotel in Sri Lanka.

1. INTRODUCTION

All service associations attempt and give the most ideal and astounding services to their customers yet at the same time they all the time miss the mark concerning the customers' desires since the customers have turned out to be progressively mindful of their necessities and request higher measures of services. In the exceedingly focused hotel industry, service ends up a standout among the most critical components for picking a sustainable competitive advantage (Debasish & Dey, 2015; Mensah, 2009). Sri Lankan hotel industry seems to struggling with poor service quality and excessive cost (Wettasingha, 2016).

It has been observed that researches related hotel industry with the combination of service quality, price, customer satisfaction and customer loyalty are limited. It is very limited when it comes to hotel industry in Sri Lanka. This study is also planning to determine the moderating

effect of gender on the important relationships. With the fact that hotel industry is one of main sectors of Sri Lankan economy as well as the gap in the knowledge observed in the literature review, the findings of this study will be very useful for academia, hoteliers and policy makers to direct Sri Lanka hotel industry to very top level in the world.

2. LITERATURE REVIEW

The hotel sector is considered as one of main drivers of service prominent Sri Lankan economy. However it has been highlighted that Sri Lankan hotel industry is struggling to achieve the expected outcome due to poor service quality and price wars. Thus a research requires to be performed to ascertain real issues, and to find the sustainable solution for them. The literature review is the base to construct conceptual frame of a research. Then, the literature review of this study will review service quality, price, customer satisfaction, and customer loyalty.

2.1. Service Quality

Service quality can be defined as a general evaluation of whole service received same as the attitude directed to the service and normally recognized it as an attribute of all parts of customer satisfaction (Zeithaml & Bitner, 1996). Service quality that is considered as a significant driver to differentiate performance of organizations (Parasuraman, Berry, & Zeithaml, 1991; Parasuraman, Zeithaml, & Berry, 1996). The organizations must provide good service quality for their products and service to attract and retain customers (Kim-Soon, 2012). Comparing the demand of customers, service quality has been identified as a very serious aspect of accomplishment (Grönroos, 1990; Parasuraman, Zeithaml, & Berry, 1988). Customer satisfaction is influenced by good service quality and customers also share their experience with others (Bahari, 2014). According to Razak, Idris, Yusof, Jaapar, and Ali (2013) service quality is the most effective and dominant cause as it is vital to customers for recommendation. It has been recognized through several researches service quality leads to customer satisfaction thereby customer loyalty (Kuo, Chang, Cheng, & Lai, 2011). Service quality is a vital aspect of customer satisfaction (Abu-El Samen, Akroush, & Abu-Lail, 2013; Dahiyat, Akroush, & Abu-Lail, 2011). Some travel industry researchers have prescribed that the service quality role is essential when exploring the issue of vacationer disappointment and when attempting to draw in new visitors or secure revisits aims. Because of the noteworthiness of value, every substance must distinguish the quality dimension of its services and items from their clients' point of view. It should likewise recognize its customer satisfaction and loyalty levels. It should likewise recognize the sort of its clients. That will empower the element to accomplish competitive advantage, build up its business and extend. In any case, estimating such dimensions isn't something simple to do (Zhao & Di Benedetto, 2013).

2.2. Price

The customer satisfaction is dependent upon the benefits received to the customer comparing the price is paid to purchase product or service. In case of feeling the customer greater benefits than price, customer will get satisfied. Price will become a crucial variable as it is a determinant of customer satisfaction (Ferreira, Jalali, Meidutė-Kavaliauskienė, & Viana, 2013). Perceived price can be portrayed as clients' emotional decisions of the sensibility of a cost for an item or service in correlation with contenders' reference costs (Han & Hyun, 2015; Lin, 2013). According to Soleh, Harini, and Djamaludin (2018); Susilo, Haryono, and Mukeri (2018) there is a positive relationship between price and customer satisfaction. Customer satisfaction is the dimension of customer feeling in the wake of looking at what he gets and his desires. In the event that a purchaser believe that the service's cost is moderate, the service's cost fit with the desire; it might expand the customer satisfaction (Hartatie & Haksama, 2018). If customer perceive the fairness of price of service provider customer will step by step grow optimistic emotion towards service provider. These sentiments will result into social. It is additionally discovered that price significantly affects customer satisfaction and loyalty (Yieh, Chiao, & Chiu, 2007).

2.3. Customer Satisfaction

Customer satisfaction is defined as the worldwide assessment of relationship satisfaction by any firm (Dwyer & Oh, 1987). Customer satisfaction for the most part relies upon two factors that is sensible quality food, general necessities and friendliness of the hotel (Das, Chawla, & Ray, 2017). Customer satisfaction is also dependent upon service quality (Bolton & Drew, 1994). According to Cronin and Taylor (1994) customer satisfaction is usually recognized as the result of service quality. It can further be explained as the positive relationship between customer satisfaction and quality of products or services provided to customers. It is also established that there is a positive relationship between service quality and customer satisfaction. Customer satisfaction is the key factor to determine hotel performance. Customer satisfaction has an impact on customer loyalty. Customer satisfaction positively influences to profitability of hotels. Customer loyalty also rises the income of the hotels (Anderson, Fornell, & Lehmann, 1994; Luo & Homburg, 2007; Yeung, Ging, & Ennew, 2002). If hotels want to retain in the business and earn profit they will have no choice other than satisfying their customers. Customers feel fulfilled when they have positive sentiments towards the concerned service or item. Such positive emotions are gotten from meeting or surpassing their needs, requests and desires. As it were, such positive emotions depend on the gap between their desires with their recognitions in the wake of accepting the service or utilizing the item. This gap will influence one's buying choice (Tareq & Nafez, 2019).

2.4. Customer Loyalty

Customer loyalty is the profoundly held clients' customer's warmth and relationship with the product or organization. Notwithstanding the profoundly held affiliation the customer is likewise expected to depict these five sorts of practices; (1) appreciate the service provider to other (2) endorse the service provider to other people, (3) Encourage companions and relatives to disparage the specialist organization, (4) giving priority to products of service provider over the other products, and (5) do rehash buys (Chi-Chen, Chang, & Chuang, 2016; Parasuraman, Zeithamal, & Berry, 1994). Customer participation in turning into an individual from occasion in a hotel is definitely not a certification of rehashed buys or for this situation the utilization of a similar settlement each holiday which is a pointer of customer loyalty. In ongoing business settings, loyalty has been utilized to portray the likeness of customer to keep on buying in to a long term organization, by purchasing and rehashing goods and services and enterprises over and over and better in a selective way, and willfully re-prescribing the organization's items to partners and companions. Customer loyalty and loyalty are not framed in a brief timeframe, but rather through the stages and learning procedure and experience of steady service buys constantly. The stages and procedures being referred to are corporate activities or give what is relied upon by customers to be as per purchaser discernments with the goal that fulfillment emerges (Lovelock & Wright, 2007). All antecedents of service quality have a positive influence on customer satisfaction and customer satisfaction directly leads to customer loyalty (Siddiqi, 2011). Service quality has a positive and noteworthy impact on loyalty through customer satisfaction (Suanjaya, Giantari, Yasa, & Sukaatmadja, 2018).

2.5. Conceptual Framework and Hypothesis

The conceptual framework in Figure 1 is based on literature review of the previous section.

The below hypotheses are formulated based on conceptual framework of Figure 1.

H1: There is a relationship between service quality and customer satisfaction in star grade hotels in Sri Lanka.

H2: There is a relationship between price and customer satisfaction in star grade hotels in Sri Lanka.

H3: There is a relationship between customer satisfaction and customer loyalty in star grade hotels in Sri Lanka.

H4: Customer satisfaction mediates the relationship between service quality and customer loyalty in star grade hotels in Sri Lanka.

H5: Customer satisfaction mediates the relationship between price and customer loyalty in star grade hotels in Sri Lanka.

H6: Gender moderates the relationship between service quality and customer satisfaction in star grade hotels in Sri Lanka.

H7: Gender moderates the relationship between price and customer satisfaction in star grade hotels in Sri Lanka.

H8: Gender moderates the relationship between customer satisfaction and customer loyalty in star grade hotels in Sri Lanka.

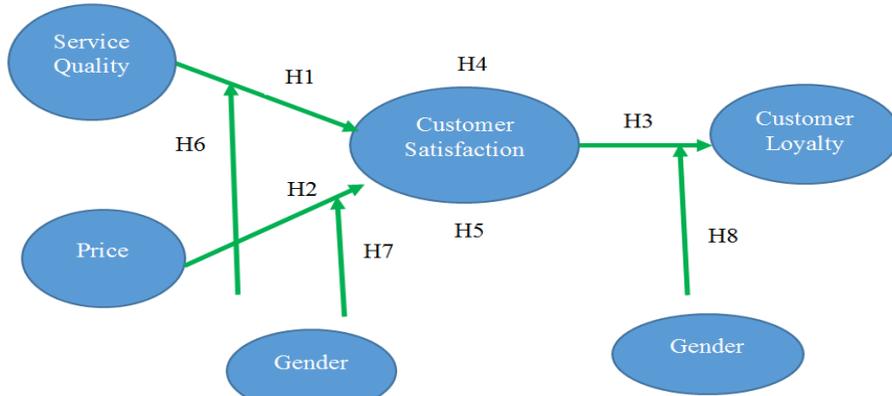


Figure-1. Conceptual framework.

3. METHODOLOGY

The research is designed so as the interference of the researcher to be minimal. The deductive approach is applicable as the theory is to be tested based on conceptual framework formulated via literature review. Non probability sampling technique, convenience sampling, is applied due to unavailability of sample frame. The structural questionnaire with five point Likert’s scale is designed to collect the data. The target population is international guest who stayed in star grade hotels in Sri Lanka in a calendar year 2019. The sample size is 303 that is more than maximum sample size 120 considering number of questions in the questionnaire. The online link of the questionnaire is shared to departure passengers who stayed in star grade in Sri Lanka. The main data collection place is Bandaranake International Airport in Colombo, Sri Lanka. The data is only taken one time with unit of analysis as individual.

4. RESULTS

The 478 passenger who have arrived from August 2019 to November 2019 to Sri Lanka due to different purposes were taken as respondents of this research. Those passengers who stayed at star grade hotels in Sri Lanka during their visits were shared online link of the structural questionnaire while they were waiting for departure. 303 responses were taken to main analysis after dropping missing values and extreme cases. According to Hair et al., 2010, sample size can be determined by multiplying number of items by five. Thus, the required sample size is 120 which is far below the actual sample size 303.

The following table depicts the result of reliability test performed via SPSS 21.

Table-1. The results of reliability test.

Construct name	No of Initial items	No of final items	Cronbach’s α
Service quality	06	06	0.856
Price	06	06	0.887
Customer satisfaction	06	06	0.925
Customer loyalty	06	06	0.910

Source: SPSS output of data.

Table 1 shows that Cronbach's α value for all continuous variables are more than 0.7. The outcome clearly surpass the cut off value of Cronbach's α that is 0.7 (Cronbach, 1951; Nunnally, 1978). Thus, reliability of all the continuous variables were achieved. Then, it is required to access KMO value by means Exploratory Factor Analysis (EFA). The Table 2 depicts the outcome.

Table-2. The outcome of KMO and Bartlett's test.

Kaiser-meyer-olkin measure of sampling adequacy		0.961
Bartlett's test of sphericity	Approx. Chi-square	5708.155
	df	276
	Sig	0.000

Source: SPSS output of data.

As shown in Table 2, KMO value is 0.961 while the value of Bartlett's test of sphericity is 5708.155. KMO value take the range between 1 and 0 and anything above 0.9 is excellent but value above 0.5 is acceptable (Field, 2009). The threshold value of Bartlett's test of sphericity is less than 0.5 (George & Mallery, 2014). The sample advocacy is achieved via the above outcome.

Ultimately, Structural Equation Modeling (SEM) was carried out to test the hypotheses formulated through conceptual framework and to ascertain the relationships between variables. SEM principally concerns about several fitness indexes that show how model fits to the data set. Although there is no consent among researchers about the type of model fit indices there are three categories of model fit indexes namely absolute fit, incremental fit, and parsimonious fit (Zainudeen, 2012). It is recommended to take minimum one model fit index from each category (Hair, Anderson, Tatham, & Black, 1995; Hair, Anderson, Tatham, & Black, 2010; Holmes-Smith, Coote, & Cunningham, 2006). The following graph shows the structural model.

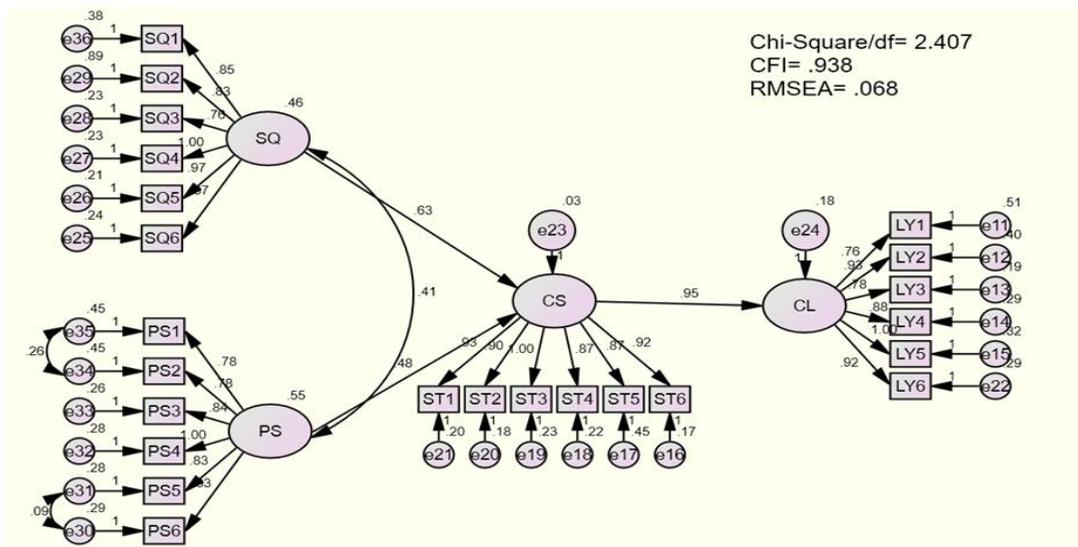


Figure-2. Structural model.

Source: AMOS output of data.

Figure 2 shows the goodness of fit indexes in the structural model. Sticking to the outcome of structural model of SEM, incremental fit is achieved through Comparative Fit Index (CFI) value which is 0.938, above the threshold value 0.9. Parsimonious fit is achieved via normed chi-square value which is 2.407, less than threshold value 5. The absolute fit is achieved via RMSEA which is 0.068, less than threshold value 0.08.

The following table shows the linear relationships of hypotheses formulated via conceptual framework based on literature review.

Table-3. Linear hypothesis testing.

Linear relationships	Estimate	S.E.	C.R	p-value
Satisfaction ← Service quality	0.631	0.071	8.825	***
Satisfaction ← Price	0.485	0.064	7.550	***
Loyalty ← Satisfaction	0.954	.062	15.374	***

Source: AMOS output of data.

The outcome of Table 3 can be utilized to test the linear hypotheses in the study. According to the outcome, regression estimate for all the relationship are more than 0.2. If the regression weight of a linear relationship is greater than 0.2 then the relationship is significant (Ramayah, 2012). P-value is less than 0.05 and CR>1.96. Thus, all the linear relationships are significant.

Table 4 and Table 5 are instrumental to determine the mediating effect of customer satisfaction.

Table-4. The result of bootstrapping re-sample of the first mediating effect.

Boundary	Lower bound 95%			Upper bound 95%		
	Service quality	Customer satisfaction	Customer loyalty	Service quality	Customer satisfaction	Customer loyalty
Customer satisfaction	0.000	0.000	0.000	0.000	0.000	0.000
Customer loyalty	0.445	0.000	0.000	0.797	0.000	0.000

Source: AMOS output of data.

Table 4 shows the outcome of mediating relationship of customer satisfaction on the relationship between service quality and customer loyalty. The outcome shows that lower and upper range does not contain zero hence, mediation relationship is effective.

Table-5. The result of bootstrapping re-sample of the second mediating effect.

Boundary	Lower bound 95%			Upper bound 95%		
	Price satisfaction	Customer satisfaction	Customer loyalty	Price	Customer satisfaction	Customer loyalty
Customer satisfaction	0.000	0.000	0.000	0.000	0.000	0.000
Customer loyalty	0.315	0.000	0.000	0.603	0.000	0.000

Source: AMOS output of data.

Table 5 shows the outcome of mediating relationship of customer satisfaction on the relationship between price and customer loyalty. The outcome shows that lower and upper range does not contain zero hence, mediation relationship is effective.

Table-6. Chi-square difference on the path of service quality and customer satisfaction.

Path name	Chi-Square
Male constrained	471.959
Male unconstrained	468.061
Chi-square difference	3.898
Female constrained	461.181
Female unconstrained	441.187
Chi-square difference	19.994

Source: AMOS output of data.

Table 6 shows that chi-square difference between constrained and unconstrained model for both male and female group is more than 3.84. Thus, the moderating effect occurs on that relationship (Awang, 2012).

Table-7. Chi-square difference on the path of price and customer satisfaction.

Path name	Chi-square
Male constrained	482.124
Male unconstrained	468.061
Chi-square difference	14.063
Female constrained	463.074
Female unconstrained	441.187
Chi-square difference	21.887

Source: AMOS output of data.

Table 7 shows that chi-square difference between constrained and unconstrained model for both male and female group is more than 3.84. Thus, the moderating effect occurs on that relationship (Awang, 2012).

Table-8. Chi-square difference on the path of customer satisfaction and customer loyalty.

Path name	Chi-square
Male constrained	471.481
Male unconstrained	468.061
Chi-square difference	3.420
Female constrained	443.273
Female unconstrained	441.187
Chi-square difference	2.086

Source: AMOS output of data.

Table 6 shows that chi-square difference between constrained and unconstrained model for both male and female group is not more than 3.84. Thus, the moderating effect does not occur on that relationship (Awang, 2012). As mentioned above, Table 6, Table 7 and Table 8 show the chi-square difference calculation to ascertain the moderating effect of gender, categorical variable, based on the conceptual framework in Figure 1.

5. DISCUSSION AND CONCLUSION

The outcome of the analysis shown in the previous section can be used to discuss the hypotheses formed in the conceptual framework.

H1: There is a relationship between service quality and customer satisfaction in star grade hotels in Sri Lanka.

According to the result shown in the Table 3, the actual regression coefficient (beta value) is 0.631. This shows that when service quality increases by 01 unit, customer satisfaction increases by 0.631 unit. The regression weight estimates has a standard error (SE) of 0.071. Critical Ratio (CR) value which is calculated by dividing beta (0.631) by SE (0.071) is 8.825. This implies that the regression weights estimates is taking 8.825 above zero. The p-value (0.000) shows level of significance for regression weights at 95% confidence level. It is the probability of accomplishing CR 8.825 in absolute value is less than 0.05. It is possible to determine that the relationship between service quality and customer satisfaction is significant as regression weights for service quality in the prediction of customer satisfaction is significantly different from zero at the 0.05 level via two tailed test. The following researches findings also matches with the findings of the study. There is a relationship between service quality and customer satisfaction in the star grade hotels in Sri Lanka (Fernando, Yajid, Khatibi, & Azam, 2018). Service quality has a positive impact on customer satisfaction in Indian hotels (Gupta, 2017).

H2: There is a relationship between price and customer satisfaction in star grade hotels in Sri Lanka.

According to the result shown in the Table 3, the actual regression coefficient (beta value) is 0.485. This shows that when price increases by 01 unit, customer satisfaction increases by 0.485 unit. The regression weight estimates has a standard error (SE) of 0.064. Critical Ratio (CR) value which is calculated by dividing beta (0.485) by SE (0.064) is 7.550. This infers that the regression weights estimates is taking 7.550 above zero. The p-value (0.000) shows level of significance for regression weights at 95% confidence level. It is the probability of accomplishing CR 7.550 in absolute value is less than 0.05. It is possible to determine that the relationship between price and

customer satisfaction is significant as regression weights for price in the prediction of customer satisfaction is significantly different from zero at the 0.05 level via two tailed test. The following researches findings also matches with the findings of the study. Price fairness has impact on customer satisfaction (Fernando et al., 2018). There is a positive relationship between price and customer satisfaction (Soleh et al., 2018; Susilo et al., 2018).

H3: There is a relationship between customer satisfaction and customer loyalty in star grade hotels in Sri Lanka.

According to the result shown in the Table 3, the actual regression coefficient (beta value) is 0.954. This shows that when customer satisfaction increases by 01 unit, customer loyalty increases by 0.954 unit. The regression weight estimates has a standard error (SE) of 0.062. Critical Ratio (CR) value which is calculated by dividing beta (0.954) by SE (0.062) is 15.374. This implies that the regression weights estimates is taking 15.374 above zero. The p-value (0.000) shows level of significance for regression weights at 95% confidence level. It is the probability of accomplishing CR 15.374 in absolute value is less than 0.05. It is possible to determine that the relationship between customer satisfaction and customer loyalty is significant as regression weights for customer satisfaction in the prediction of customer loyalty is significantly different from zero at the 0.05 level via two tailed test. The following researches findings also matches with the findings of the study. Customer satisfaction leads to customer loyalty and retention in Indian hotels (Gupta, 2017). Customer satisfaction has a positive impact on customer loyalty in hotel and tourism industry (Nobar & Rostamzadeh, 2018).

H4: Customer satisfaction mediates the relationship between service quality and customer loyalty in star grade hotels in Sri Lanka.

The mediating effect is tested via 1000 bootstrapping resampling method. According to the outcome of Table 4, the lower and upper range the indirect effect of service quality on customer loyalty at 95% confidence level is (0.445.0.797). This range does not include zero. Thus, customer satisfaction mediates relationship between service quality and customer loyalty. The following researches findings also match with the findings of the study. Customer satisfaction has an indirect impact on the relationship between service quality and customer loyalty (Kheng, Mahamad, Ramayah, & Mosahab, 2010). Customer satisfaction has been found as a mediator on the relationship between service quality and customer loyalty (Osman & Senthosa, 2013).

H5: Customer satisfaction mediates the relationship between price Satisfaction and customer loyalty in star grade hotels in Sri Lanka.

The mediating effect is tested via 1000 bootstrapping resampling method. According to the outcome of Table 5, the lower and upper range the indirect effect of price on customer loyalty at 95% confidence level is (0.315.0.603). This range does not include zero. Thus, customer satisfaction mediates relationship between price and customer loyalty.

H6: Gender moderates the relationship between service quality and customer satisfaction in star grade hotels in Sri Lanka.

The moderating effect can be evaluated by calculating chi-square difference of constrained and unconstrained model for the particular path. If this difference is more than 3.84 for the both occasion, then moderating effect exists on that path (Awang, 2012). The outcome of Table 6 shows that it is established the required condition. Thus, gender the relationship between service quality and customer satisfaction in star grade hotels in Sri Lanka.

H7: Gender moderates the relationship between price and customer satisfaction in star grade hotels in Sri Lanka.

With the outcome of Table 7, gender also moderates the relationship between price and customer satisfaction in star grade hotels in Sri Lanka.

H8: Gender moderates the relationship between customer satisfaction and customer loyalty in star grade hotels in Sri Lanka.

With the outcome of Table 8, gender does not moderate the relationship between customer satisfaction and customer loyalty in star grade hotels in Sri Lanka. All the three linear relationships as well as two mediating relationships are established statistically. Two moderating relationships out of three moderating relationships are also found significant. The mediating relationship of customer satisfaction on relationship between service quality and customer loyalty can be considered as new finding in the context of star grade hotel in Sri Lanka. The moderating effect of

gender may also be considered as new findings as far Sri Lankan hotel industry is concerned. Very limited researches have been accomplished by taking the moderating effect of gender in the relationships of this study and mediating effect of customer satisfaction on the relationship between service quality and customer loyalty. Thus, the findings of this research will be very useful for hoteliers, policy makers and academia.

6. MANAGERIAL IMPLICATIONS

This study is also directed hoteliers and policy makers to take object based decision making as findings of this study have given a golden opportunity to reconsider policy, programmes and procedures adopted to enhance the hotel industry. It is quite vital to note the mediating role of customer satisfaction as customer satisfaction plays a significant role to achieve customer loyalty. This is an eye opener to hotel management as they have to take correct decisions to improve the service quality and to implement transparent price mechanism. The hotel management has to rethink about their price strategy when it comes to off season. The study findings further revealed that there is different thinking pattern applicable when it comes to gender. This should be taken into consideration seriously because the different approaches are required to cater male and female customers. The other finding is that whether satisfied customer are loyal or not are not dependent upon gender. Hence, the vital thing is to satisfy customers by means of various strategies. The study outcomes suggest that customer can be satisfied through providing very good quality service and reasonable, affordable, and transparent price. The service quality are dependent upon factors such as tangibility, reliability, responsiveness, assurance, empathy, complain handling method, and so forth. Therefore, the specific approach is required to enhance the service quality. The price satisfaction can also be achieved via price confidence, price fairness, price reliability, and so forth. It is essential to aware these factors when it comes to price satisfaction. It is very noteworthy to enhance the operational level employees because any strategy implemented will be carried out by them. Thus, it is quite important to conduct target oriented and competence based training programmes and awareness programmes for operational crew to make sure that they are ready to provide excellent service to the customers thereby delighting them. It is also important to aware the managerial level employees about these study findings to enhance their decision making ability. The team oriented training and awareness programmes, and correctly implemented procedures will definitely lead to good results.

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