

Impact on Service Quality Attributes on Customer Loyalty: Study on Star Grade Hotels in Sri Lanka

W.B.J.A.J. Fernando¹, Mohd Shukri Ab Yajid², Ali Khatib³ and S. M. Ferdous Azam⁴

¹*Graduate School of Management, Faculty of Business Management and Professional Studies, Management and Science University (MSU)*

²*Graduate School of Management, Faculty of Business Management and Professional Studies, Management and Science University (MSU)*

³*Graduate School of Management, Faculty of Business Management and Professional Studies, Management and Science University (MSU)*

⁴*Graduate School of Management, Faculty of Business Management and Professional Studies, Management and Science University (MSU)*

¹*jaustudy@yahoo.com*, ²*shukri@msu.edu.my*, ³*alikh@msu.edu.my*,
⁴*drferdous@msu.edu.my*

Abstract

This study focuses on finding relationships between service quality antecedents and customer loyalty in star grade hotels in Sri Lanka. The target population is international customers who have chosen star grade hotels to stay during their visit in Sri Lanka in a calendar year 2018. The sample size is 400 with convenience sampling technique. The research findings shows that tangibility and complain handling have positive relationships with customer loyalty while reliability, responsiveness, assurance, and empathy do not have impact on customer loyalty. Another study can be accomplished for non-star hotels and makes a comparison.

Keywords: service quality, customer loyalty, hotel industry

1. Introduction

Customers dependably look at the service they figure they should get and the services which have been given to them and in the event that they get what they expected, at that point they like the hotel and fulfilled yet on the off chance that they not got services as indicated by their desire, at that point they feel disappointment (Gupta, 2017). The real problem is that poor service standards are slaughtering the industry and high price wars are having impact on occupancy rate (Sundaytimes, 2013). The main purpose of this paper is to find the relationships between service quality attributes and customer loyalty.

The most of the service marketing studies have been accomplished with respect to service quality, customer satisfaction, and customer loyalty. A very few studies have been conducted to find the direct relationships between service quality attributes and customer loyalty. This has been very limited when it comes to hotel industry. Hence, it can be observed clear gap in the knowledge in literature perspective. Thus, study needs to be done to find the root causes for the issues and solutions.

2. Literature Review

It is very vital to find out the relationship between service quality and customer loyalty in prominent hotel sector in Sri Lanka because service has become a must for the service sector. The literature review can be considered as the basement to construct conceptual framework to determine this relationship. Thus, the literature review of this study will review service quality attributes and customer loyalty.

2.1 Service Quality Attributes

Services are not normally having tangible features as a result of this customers are in a difficulty to evaluate the quality of service preceding to buying and consumption. This makes the customers reliant on different indications of value, similar to verbal exchange or the goodwill of the organization, which builds the weight on service provider to convey what was guaranteed (Haywood & Farmer, 1988). Service quality, as a yield of the service experiencing process, is defined as the "level of service offered to meet customer expectations "(Duffy et al., 1997). Parasuraman et al. (1985) initially recognized 97 service quality elements having direct influence on service quality. These attributes has gradually been condensed to five items due to an overlap in the criteria of the measurements. These five attributes are tangibility, reliability, responsiveness, assurance, and empathy. Tangibility incorporates the presence of physical offices, noticeable equipment, staff and printed materials. Reliability concerns the employees' capacity to precisely and expertly play out the service. Responsiveness is about the worker's eagerness to play out the provoke service and help the customer. Assurance is the measurement that underlines on the know-how and information of the staff and their capacity to give the customer with a sentiment of trust and trust in the service provider. The final dimension empathy is the providing tailor made service to the customer (Ramanathan et al., 2018). Service quality can be considered as very important factor of customer satisfaction and it is also having impact on customer loyalty as well (Cronin & Taylor, 1992; Oliver, 1999). Service quality dimensions namely tangibility, reliability, responsiveness, assurance, and empathy are having direct impact on customer loyalty (Agyei & Kilika, 2013). Problem handling one of the service quality attributes is having impact on customer loyalty (Dharmaratne, 2014).

2.2 Customer Loyalty

Loyalty is an antiquated word that has generally been utilized to portray loyalty and excited dedication to a nation, a reason, or a person. All the more as of late, it has been utilized in a business setting to portray a client's readiness to keep belittling a firm over the long haul, ideally on an elite premise or prescribing the association's items to companions and partners. Customer loyalty expands past conduct and incorporates inclination enjoying and future aims (Loverlock & Wirtz, 2007). There are quite number of empirical researches and literature shown that it is more gainful to retain existing customers than to acquire new customers (Hogan et al., 2003; Lee et al., 2003). It has been forecasted that 25% to 85% profit margin is possible to get increased with 5% retention of existing customers (Heskett, 2012). The loyal customers is normally reluctant to change the service provider merely because of price on the other hand they tend to recommend the products and services to others (Al-Maamari & Abdulrab, 2017). For the most part, customer loyalty is a conduct whereas customer satisfaction is an attitude. Thus, various factors can be effective for two different concepts. The factors such as price, quality, reliability, empathy, responsiveness are normally considered as the factors which has influence on customer satisfaction and customer loyalty (Gajjar, 2013). Service quality investigation has an effect on the improvement of the customer loyalty concept. Service quality can be viewed as a standout among the most regularly broke down customer loyalty

determinants. Substantial and immaterial constituents of service quality were essential in assessing either customer perspective of an association or customer trust in an association (Garbarino & Johnson, 1999). Further, it has been revealed that service quality has a direct and positive impact on customer loyalty (McKecnie et al., 2011).

2.3 Conceptual Framework and Hypothesis

The literature review of the previous section is the foundation to articulate the conceptual framework in figure 1.

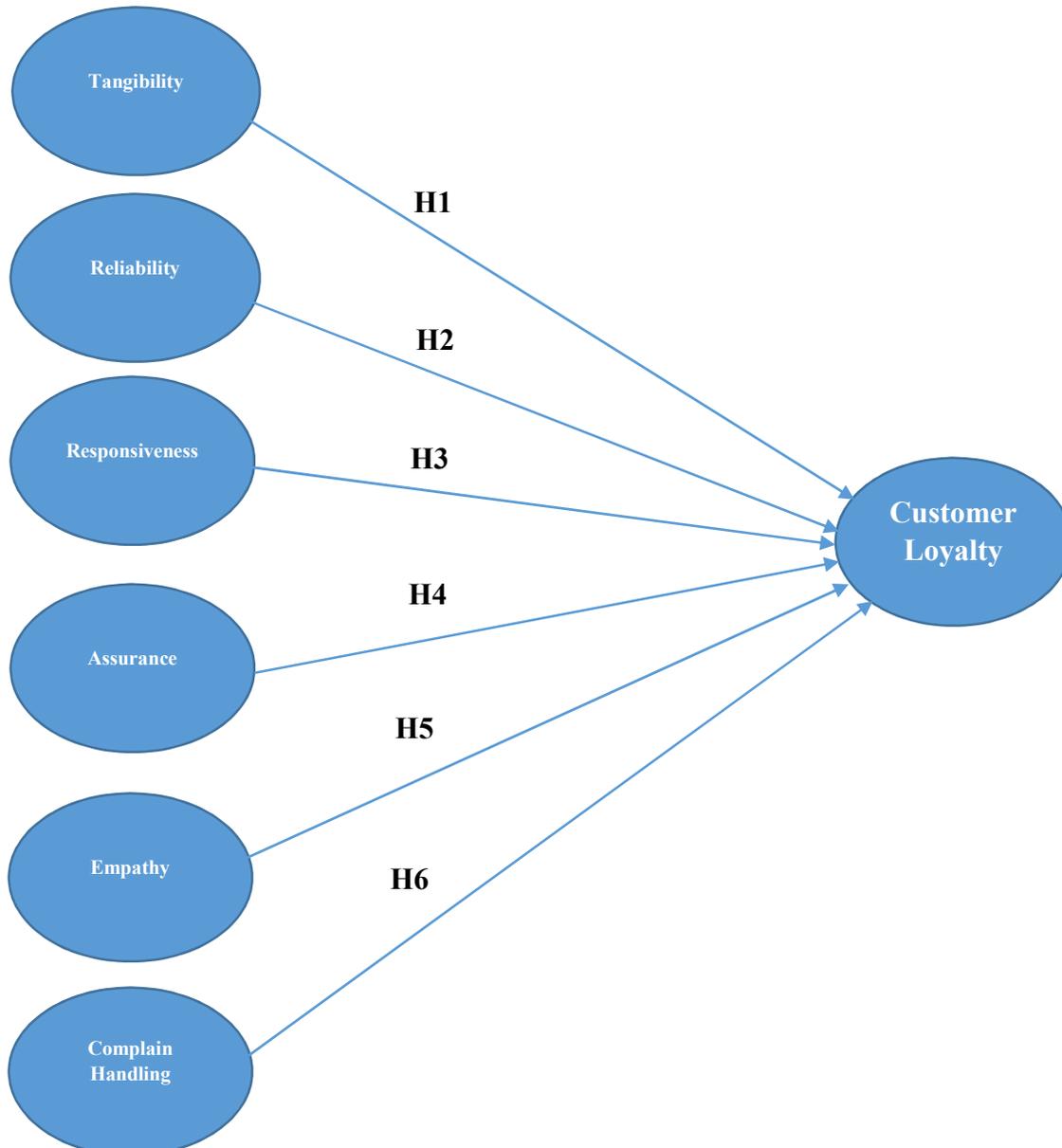


Figure 1. Conceptual Framework

The following hypotheses are generated based on conceptual framework in figure 1.

H1: There is a relationship between tangibility and customer loyalty in star grade hotels in Sri Lanka.

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

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

H4: There is a relationship between assurance and customer loyalty in star grade hotels in Sri Lanka.

H5: There is a relationship between empathy and customer loyalty in star grade hotels in Sri Lanka.

H6: There is a relationship between complain handling and customer loyalty in star grade hotels in Sri Lanka.

3. Methodology

The study is designed to conduct in a natural setting with minimum researcher's interface. The field study is applied for the data collection. The structural questionnaire with five point Likert's scale questions is used to gather the data. The target population is international tourists who have chosen to stay star grade hotel in their visit to Sri Lanka in the calendar year of 2018. The data collection had taken place in the final quarter of 2018. The convenience sampling technique is used with unit of analysis as an individual. The sample is 400. The main data collecting point is Colombo international airport. The respondents are the departing passengers who have stayed star grade hotels in Sri Lanka.

4. Results

The sample of 400 is taken for the final analysis after the data screening process. The sample size of non-probability sampling can be determined through Hair et al., 2010. In accordance with Hair et al, 2010, sample size is calculated by multiplying number of observed variables by five. The actual sample is 400 comparing to calculated sample size, 140.

The table 1 shows the results of reliability test carried out via SPSS 21.

Table 1. The result of Reliability Test

Construct Name	No of Initial items	No of final items	Cronbach's α
Tangibility	04	04	0.769
Reliability	04	04	0.834
Responsiveness	04	04	0.902
Assurance	04	04	0.868
Empathy	04	04	0.863
Complain Handling	04	04	0.891
Customer Loyalty	04	04	0.833

The outcome of Table 1 reveals that Cronbach's α value for all latent variables are more than 0.7. The results evidently exceed the threshold value of Cronbach's α that is 0.7 (Cronbach, 1951; Nunnally, 1978). Hence, reliability test was passed for the all constructs. It is also required to evaluate sample adequacy through KMO value. It was done via Exploratory Factor Analysis (EFA). The table 02 shows the results of EFA.

Table 2. The result of KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.960
Bartlett's Test of Sphericity	Approx. Chi-Square	7848.63
	df	378
	Sig.	0.000

KMO lies between 1 and 0 and anything above 0.9 is outstanding but value beyond 0.5 is satisfactory (Field, 2009). The cut off figure of Bartlett's test of sphericity is less than 0.5 (George & Mallery, 2014). Hence, the sample advocacy is accomplished with the above results. Eventually, Structural Equation Modeling (SEM) was completed to test the theories planned through conceptual framework and to find out the connections between factors. SEM primarily worries around a few wellness files that show how demonstrate fits to the informational collection. Despite the fact that there is no assent among analysts about the sort of model fit files there are three classes of model fit files in particular absolute fit, incremental fit, and parsimonious fit (Zainudeen, 2012). It is prescribed to take least one model fit record from every classification (Hair et al., 1995; Hair et al., 2010; Holmes-Smith, 2006). The accompanying chart demonstrates the structural model

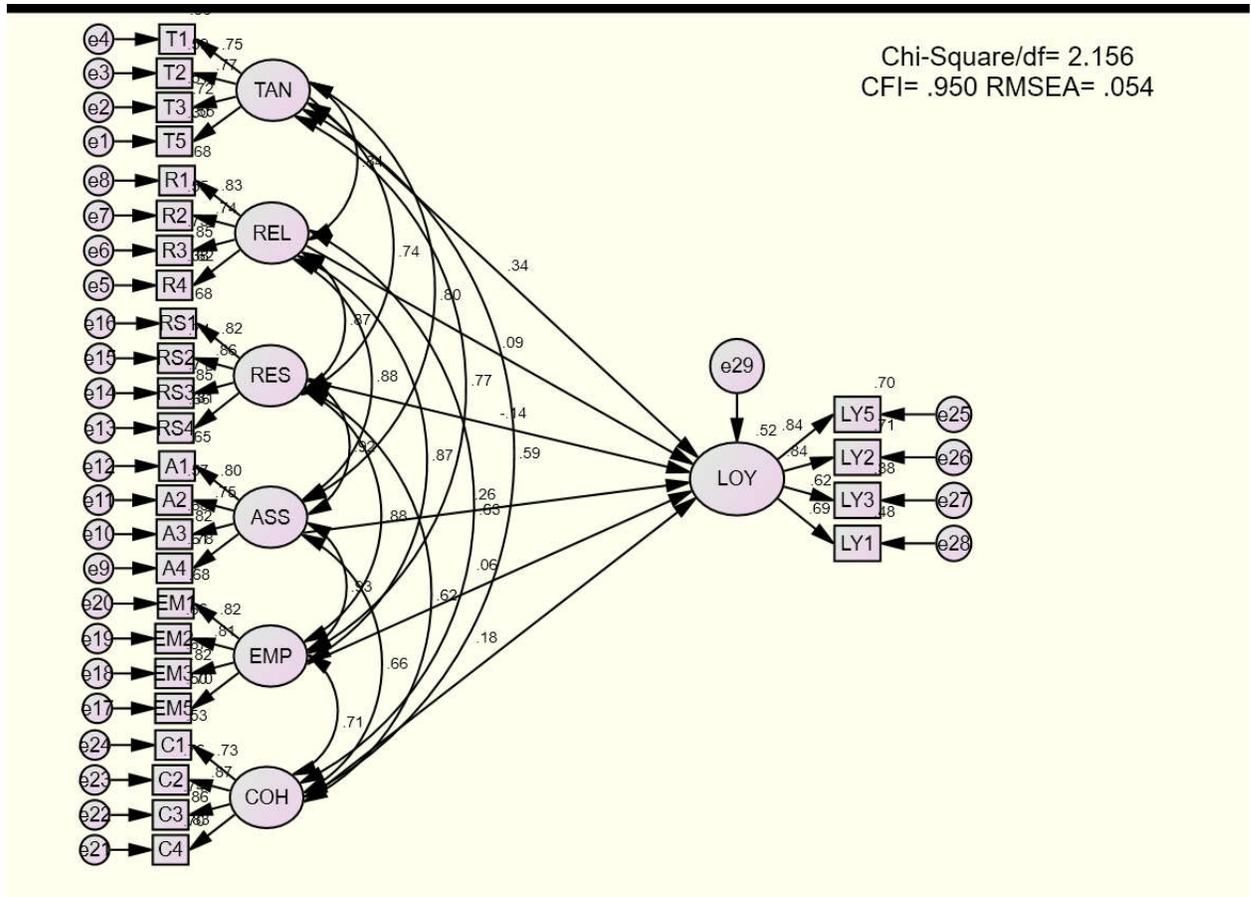


Figure 2. Structural Model

Figure 2 demonstrates goodness of fit indexes in the structural model. Adhering to the result of structural model of SEM, incremental fit is accomplished through Comparative Fit Index (CFI) esteem which is 0.950, over the limit esteem 0.9. Parsimonious fit is accomplished by means of normed chi-square esteem which is 2.156, not as much as edge esteem 5. Absolute fit is accomplished by means of RMSEA which is 0.054, not as much as limit esteem 0.08.

The table 3, which can be used to evaluate the formulated hypotheses depicts the outcome of linear hypothesis testing.

Table 3. Hypothesis Testing

	Estimate	S.E.	C.R	p-value
Loyalty ← Tangibility	0.498	0.176	2.838	0.005
Loyalty ← Reliability	0.153	0.277	0.553	0.580
Loyalty ← Responsiveness	-0.177	0.227	-0.779	0.436
Loyalty ← Assurance	0.335	0.355	0.945	0.345
Loyalty ← Empathy	0.090	0.314	0.287	0.774
Loyalty ← Complain handling	0.210	0.081	2.597	0.009

5. Discussion and Conclusion

The result of the investigation appeared in the past area can be utilized to talk about the speculations shaped in the conceptual framework.

H1: There is a relationship between tangibility and customer loyalty in star grade hotels in Sri Lanka.

The outcome of table 3 can be interpreted with respect to relationship between tangibility and customer loyalty, the actual regression coefficient (beta value) is 0.498. This indicates that when tangibility rises by 01 unit, customer loyalty rises by 0.498 unit. The regression weight estimates has a standard error (SE) of 0.176. Critical Ratio (CR) value which is evaluated by dividing beta (0.498) by SE (0.176) is 2.238. This suggests that the regression weights estimates is getting 2.238 beyond zero. The p-value (0.005) displays level of significance for regression weights at 95% confidence level. It is the probability of achieving CR 2.238 in absolute value is less than 0.05. Hence, the linear relationship between reliability and customer loyalty is established via two tailed test.

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

The outcome of table 3 can be interpreted with respect to relationship between reliability and customer loyalty, the actual regression coefficient (beta value) is 0.153. This indicates that when reliability rises by 01 unit, customer loyalty rises by 0.153 unit. The regression weight estimates has a standard error (SE) of 0.277. Critical Ratio (CR) value which is evaluated by dividing beta (0.153) by SE (0.277) is 0.553. This suggests that the regression weights estimates is getting 0.553 beyond zero. The p-value (0.580) displays level of significance for regression weights at 95% confidence level. It is the probability of achieving CR 0.553 in absolute value is not less than 0.05. Hence, the linear relationship between reliability and customer loyalty is **not** established via two tailed test.

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

The outcome of table 3 can be interpreted with respect to relationship between responsiveness and customer loyalty, the actual regression coefficient (beta value) is - 0.177. This indicates

that when responsiveness rises by 01 unit, customer loyalty rises by - 0.177 unit. The regression weight estimates has a standard error (SE) of 0.227. Critical Ratio (CR) value which is evaluated by dividing beta (- 0.177) by SE (0.227) is -0.779. This suggests that the regression weights estimates is getting -0.779 beyond zero. The p-value (0.436) displays level of significance for regression weights at 95% confidence level. It is the probability of achieving CR -0.779 in absolute value is not less than 0.05. Hence, the linear relationship between responsiveness and customer loyalty is **not** established via two tailed test.

H4: There is a relationship between assurance and customer loyalty in star grade hotels in Sri Lanka.

The outcome of table 3 can be interpreted with respect to relationship between assurance and customer loyalty, the actual regression coefficient (beta value) is 0.335. This indicates that when responsiveness rises by 01 unit, customer loyalty rises by 0.335 unit. The regression weight estimates has a standard error (SE) of 0.355. Critical Ratio (CR) value which is evaluated by dividing beta (0.335) by SE (0.355) is 0.945. This suggests that the regression weights estimates is getting 0.945 beyond zero. The p-value (0.345) displays level of significance for regression weights at 95% confidence level. It is the probability of achieving CR 0.945 in absolute value is not less than 0.05. Hence, the linear relationship between assurance and customer loyalty is **not** established via two tailed test.

H5: There is a relationship between empathy and customer loyalty in star grade hotels in Sri Lanka.

The outcome of table 3 can be interpreted with respect to relationship between empathy and customer loyalty, the actual regression coefficient (beta value) is 0.090. This indicates that when responsiveness rises by 01 unit, customer loyalty rises by 0.090 unit. The regression weight estimates has a standard error (SE) of 0.314. Critical Ratio (CR) value which is evaluated by dividing beta (0.090) by SE (0.314) is 0.287. This suggests that the regression weights estimates is getting 0.287 beyond zero. The p-value (0.774) displays level of significance for regression weights at 95% confidence level. It is the probability of achieving CR 0.287 in absolute value is not less than 0.05. Hence, the linear relationship between empathy and customer loyalty is **not** established via two tailed test.

H6: There is a relationship between complain handling and customer loyalty in star grade hotels in Sri Lanka.

The outcome of table 3 can be interpreted with respect to relationship between complain handling and customer loyalty, the actual regression coefficient (beta value) is 0.210. This indicates that when complain handling rises by 01 unit, customer loyalty rises by 0.210 unit. The regression weight estimates has a standard error (SE) of 0.081. Critical Ratio (CR) value which is evaluated by dividing beta (0.210) by SE (0.081) is 2.597. This suggests that the regression weights estimates is getting 2.597 beyond zero. The p-value (0.009) displays level of significance for regression weights at 95% confidence level. It is the probability of achieving CR 2.597 in absolute value is less than 0.05. Hence, the linear relationship between complain handling and customer loyalty is established via two tailed test.

Only two linear relationships out of six relationships are found to be significant. This indicates that service quality antecedents namely reliability, responsiveness, assurance, and empathy do not have direct impact on customer loyalty. It implies that customer loyalty is difficult to achieve through service quality. The service quality seems to be a must requirement to be competitive in the business. It has been revealed that tangibility and complain handling have direct influence on customer loyalty in star grade hotels in Sri Lanka. It is a very vital finding for hoteliers because customer loyalty can be accomplished via improving hotel building, equipment, and tangible items. On the other hand. Hoteliers are required to formulate a good mechanism to handle customer s' complain thereby achieving customer loyalty. It is also quite important to understand that there are other factors such as customer satisfaction, location, and price satisfaction may have impact on customer loyalty. Although reliability, responsiveness,

assurance and empathy are not having influence on customer loyalty they are very useful to achieve customer satisfaction and competitive advantage. The hoteliers should make their business strategies by taking into account this study findings.

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