

The effect of service quality on the domestic tourist loyalty in the hotel industry (case study Shiraz hotels)

Yousef Keshavarz*

Islamic Azad University, Neyriz Branch, Neyriz, Iran

Abbas Najafi

Tose'e Ta'avon Bank

Abstract

The purpose of this study was to examine domestic tourists' satisfaction with hotel services provided by hotels in Shiraz. From the literature, it was found that providing service quality, positively influence customer satisfaction, and build loyalty intentions among customers. Survey was used to find the level of domestic tourists' loyalty with the hotel services. A stratified random sample of 390 domestic tourists' responded to the survey.

The results indicated that domestic tourists' were satisfied with the service quality at the hotel and loyal to the hotel. The results of the study create an awareness of domestic tourists' needs and offer useful feedback to hotel administrators and planners in their efforts to improve service quality in the hotel industry.

Keyword: service quality, domestic tourism, Satisfaction, Loyalty

*Corresponding author: yousef.k73@gmail.com

Received Date: 25 August 2014

Accepted Date: 2 November 2014

Date of Print: Winter 2015

Introduction

The service is considered to be primarily experimental as it is intangible, hence, difficult to measure. Rizal (2008) found the main differences between the product and service are the production and contact with the customers. Customers are looking for previous external and internal causes of services to decide on the future purchase. Domestic tourist' perceptions of the quality of their service experiences should be assessed. Each time a guest experiences some occurrence of hotel service, that service is judged based on his/her expectations (Parasuraman et al. 1988).

The important factor which affects improving the customer satisfaction is service quality by which the customers stay with the company longer and continue their relationship (Rajinikanth et al., 2011). Unhappy customers are responsible for losing the market share while a happy customer give rise to greater profits (Amin et al., 2013).

Moreover, loyal customers purchase more and assist the firm by repurchasing and providing positive recommendation (Skogland & Siguaw, 2004). There are several studies supporting the idea that satisfaction leads to loyalty (Heitmann et al., 2007; Zeithaml et al., 1996), however, in some studies there is the slight relationship between satisfaction and loyalty (Oliver, 1999; Olsen, 2007). Reichheld and Sasser (1990) argued that an increase of 2% of repeated purchase customers could assist an organization to diminish its expenses by 10% because 60% of new customers are attracted by word-of-mouth.

In order to successfully achieve the quality of services, hotel managers must first determine a comprehensive understanding of domestic tourist' needs and expectations. Then they must formulate a distinctive service proposition, a proposal regarding how they will choose to serve guests, and finally implement it through a strategy of "customer-friendly" policies, practices, and procedures (Kotler & Fox, 1999).

Although there have been numerous studies and continuous efforts on the part of many institutions to improve the quality of their services, much of this improvement using tangible quality measures. As a result, much of the focus on service quality measurement has been on

technical quality inputs and occasionally on domestic tourists' outputs, rather than on their satisfaction. Therefore this survey endeavors to cover this gap in the literature by introducing how the service quality affects the domestic tourists' loyalty in the hotel, a topic that has not been investigated well.

Review the literature

Service quality is divided into two dimensions; hard-ware which contains the product and service quality and human-ware which covers the customer's interactive components in service (Gronholdt et al., 2000). Gronroos (1984) classified service quality into two categories, namely the technical and functional quality. While the former emphasizes what the customer usually receives from the service, the latter deals with the service delivery production. Parasuraman et al., (1985) found that the service has three important aspects, namely intangibility, heterogeneity, and inseparability. Consequently, evaluating the service is more difficult than evaluating the product. Therefore, the consumer's expectation is an important factor which affects evaluating the service.

Parasuraman et al. (1988) simplified the multiple item scales to five dimensions, including the tangibles, reliability, responsiveness, assurance, and empathy. Dimensions of the SERVQUAL include:

- _ Tangibles: the equipment, physical facilities, and appearance of personnel are defined as tangible dimensions
- _ Reliability: the ability to perform an expected service, which is promised dependably and accurately
- _ Responsiveness: this dimension is defined as the "willingness to help the customers and provide a prompt service."
- _ Assurance: Employees with courtesy and knowledge who are able to inspire the confidence and trust (process)
- _ Empathy: the individualized attention and caring provided by a company to its customers.

The concept of satisfaction is a feeling of a person with reference to the product or the service after he or she buys or uses it (Vesel & Zabkar, 2009). In other words, satisfaction is the change in the attitude, which is affected by the consumption experience (Wu & Liang, 2009). Brunner-Sperdin et al. (2012) specified that the emotional experience during the service consumption is an important

factor affecting the customer satisfaction in the hotels. Consistent with Oliver (1980) customer satisfaction is the consequence of the customer's expectation and the customer's perception of the service quality.

The definition of service quality in the tertiary education sector is no less elusive than that in the business world. Service quality lies in the eyes of the beholder. In other words, it is person-dependent and has different meanings for different people (Kelso, 2008).

One of the most familiar indices of customer satisfaction is the American customer satisfaction index (ACSI) which is inspired by the Swedish index. Several sets of casual relationships are involved in the ACSI from the antecedents such as the customer's expectation and the perceived service value to the consequence such as loyalty and complaints. Therefore, the ACSI measures the relationship between these variables in different industries (Deng et al., 2013). Some scholars consider service quality to be a state of outcome of the service encounter and customer satisfaction to be a response to service quality. These researchers typically measure service quality using customer evaluations of tangibles, reliability, empathy, assurance, and responsiveness (Zeithaml, et. al., 1996).

The Confirmation (Expectancy)-disconfirmation theory defines the satisfaction as a "post-purchase evaluative judgment concerning a specific buying decision." Based on this theory, the customers evaluate their satisfaction levels by comparing their expectations about the service or product with the actual experience. Therefore, three kinds of satisfactions may occur:

- 1- Natural feeling: when the actual performance matches the standards.
- 2- Satisfaction (confirmation): if the actual performance is better than the standards.
- 3- Dissatisfaction (disconfirmation): when the actual performance is worse than the standards (Skogland & Siguaw, 2004).

The importance of measuring domestic tourists' satisfaction with hotel services has evolved beyond theoretical discussion (Cooil et al., 2007). Domestic tourists encounter the hotel in a variety of ways, each time forming impressions about the service encountered. These encounters are what should be measured to gauge domestic tourists'

perceptions. Since the delivery of an accommodation service occurs through many different service providers over many years, there are a number of decision points in which the tourist has the opportunity to remain with the current hotel or defect to another (Kelso, 2008).

According to the literature, this study aims to investigate the relationship between service quality and domestic tourists' loyalty by the mediating role of satisfaction. Therefore, the following hypotheses were provided to test this linkage in the hotels in Shiraz.

H1: service quality has significant effect on domestic tourists' satisfaction.

H2: service quality has significant effect on domestic tourists' loyalty.

H3: domestic tourists' satisfaction has significant effect on domestic tourists' loyalty.

H4: domestic tourists' satisfaction plays the mediation role in the relationship between service quality and domestic tourists' loyalty.

Methodology

The survey method used in this study to examine the link between service quality and domestic tourists' satisfaction and loyalty in hotels in Shiraz. The population of this study is the domestic tourists' who stay at least one night in the hotels in Shiraz. The sample includes 390 domestic tourists, which was selected based on Cochran (1934) formula. The questionnaire is designed in this study to collect the data from the domestic tourists in hotels in Shiraz. The questionnaire was divided in three parts. In the first part, questions related to service quality. The dimensions of service quality was measured based on Parasuraman et al. (1988) include tangible (8 items), reliability (4 items), assurance (4 items), responsiveness (4 items), and empathy (4 items). In the second part of the questionnaire the domestic tourists' satisfaction (4 items) and loyalty (8 items) was evaluated by 12 questions. In the last part demographic questions were provided to check the domestic tourists' characteristics and demographic. Based on the literature and methodology the conceptual model was provided in figure 1.

To test the model and the hypotheses, the structural equation modeling (SEM) technique was used via analysis of moment structures (AMOS) software. Before the analysis of the model, we ran

CFA to examine whether these variables were highly correlated and whether the model fit for collected data or not.



Figure 1: Conceptual model of the reseach

Results

To analyses the data, AMOS 21.0 was performed to test the model and the relationship between the variables. The result of the analysis was provided below.

As it is provided in Table 1, of the 390 respondents who provided gender information, 201 (51.5%) were male, whereas 189 (48.5%) were female. The largest age group of the respondents was 25 to 45 years (45.8%), followed by 18 to 24 years (37.2%), and the last group in age of 45 years and more (17%). The most respondents are married (79%), study at the bachelor level and less (72.8%), did not have any previous experience with the hotel which stay now (73.6%), and their cost paid by themselves (67.2%).

Table 1: Demographic information of respondents

Respondents	Frequency	Percent (%)
Sex		
Male	201	51.5
Female	189	48.5
Age		
18-24	145	37.2
25-45	179	45.8
45 and more	66	17
Education level		
Technician and less	106	27.2
Bachelor and more	284	72.8
Marital status		
Married	308	79
Single	82	21
Past experience		
No	287	73.6
Yes	103	26.4
Cost pay		
Other (company)	128	32.8
Myself	262	67.2

The result of correlation is provided in Table 2. All the construct have correlation coefficients from 0.327 to 0.619, with significant at $p <$

0.001 which is less than 0.85 suggested by Kline's (2005). Therefore, discriminant validity is achieved. Moreover, according to Keshavarz (2015) in SEM, convergent validity is achieved when all items in a measurement model are statistically significant in which the value of AVE should be greater or equal to 0.5. As it is shown in table 2 the AVE value of all variables are more than 0.5 therefore the convergent validity is achieved.

Table 2: The correlation matrix of the research variables (N= 390)

	Tang	Relibl	Resp	Assu	Empa	Satis	loyal
Tang	.570						
Rel	.469	.693					
Resp	.462	.680	.660				
Assu	.438	.647	.619	.707			
Emp	.327	.453	.412	.458	.757		
Satis	.355	.458	.558	.658	.334	.677	
loyal	.424	.563	.560	.622	.499	.544	.650

Furthermore, to achieve construct validity, most fitness indexes must be met as follows:

Root Mean Square Error of Approximation (RMSEA): The RMSEA is currently the most popular scale of model fit in all papers that use SEM (Keshavarz, 2015). MacCallum et al. (1996) have used 0.01, 0.05, and 0.08 to indicate excellent, good, and mediocre fit, respectively.

Goodness of Fit Index (GFI): GFI is an alternative to the Chi-Square test and calculates the proportion of variance that is accounted by the estimated population covariance. Traditionally an omnibus cut-off point of 0.90 has been recommended for the GFI (Hooper et al., 2008).

Comparative Fit Index (CFI): Today this index is included in all SEM programs and is one of the most popularly reported fit indices (Hooper et al., 2008). According to Hooper et al. (2008) a value of $CFI \geq 0.90$ is presently recognized as indicative of good fit.

Chi-Square/df (degree of freedom): Due to the restrictiveness of the Model Chi-Square, researchers have sought alternative indices to assess model fit. One example of a statistic that minimizes the impact of sample size on the Model Chi-Square is Keshavarz (2015) relative/normed chi-square (χ^2/df). Although there is no consensus regarding an acceptable ratio for this statistic, recommendations range less than five (Hooper et al., 2008).

As it is provided in table 3 all model fit indexes achieve the recommended level. Therefore, the data is fit for the model provided in this study and the model is provided in the figure 2.

Table 3: Model fitness indexes

Name of category	Name of index	Index value	Comment
Absolute fit	RMSEA	.071	Achieve
	GFI	.945	Achieve
Incremental fit	CFI	.913	Achieve
parsimonious fit	Chisq/df	2.984	Achieve

Moreover, the reliability among items within each construct was more than 0.7 (from 0.798 to 0.929) suggested by Hair et al. (2007).

Based on the model and the data provided in table 4 the hypotheses were analyzed. As it is provided in table 4 the service quality affects domestic tourist' satisfaction ($\beta = .753$) at the P level of 0.001. In addition, service quality affects domestic tourist' loyalty ($\beta = .511$) at the P level of 0.001 Therefore hypotheses 1 and 2 were supported. The influence of domestic tourist' satisfaction on domestic tourist' loyalty was supported ($\beta = .294$) at the level of 0.001 which support the hypothesis 3. Moreover, since the relationship between service quality and domestic tourist' satisfaction and domestic tourist' satisfaction with domestic tourist' loyalty was supported, the mediating role of domestic tourist' satisfaction in the relationship between service quality and domestic tourist' loyalty (hypothesis 4) was supported.

Table 4: Results of Hypothesis Testing

Relationship		Estimate	S.E.	C. R.	Label	Support
Satisfaction	← Service quality	.753	.180	7.774***	H1	Yes
Loyalty	← Service quality	.511	.159	5.487***	H2	Yes
Loyalty	← Satisfaction	.294	.068	3.993***	H3	Yes

***=P<001

Conclusion

This study of domestic tourist' perceptions of service quality, satisfaction, and loyalty in hotel in Shiraz yielded support for the model tested, and expanded on previous service quality research in business and hotel industry. All hypotheses were supported which is based on previous literature.

When domestic tourists are dissatisfied with an hotel's services, they are more likely to defect to competitive hotels (Plank & Chiagouris, 1997). Some academicians have suggested that hotels efforts to

measure service quality and domestic tourist' satisfaction have fallen short (Lewis & Smith, 1989).

In an increasingly competitive tourism arena, research indicates that service quality is an important determinant of domestic tourist' satisfaction and loyalty (Kelso, 2008). Hotels should be held accountable for effectively meeting or exceeding domestic tourist' expectations of the quality of services it provides.

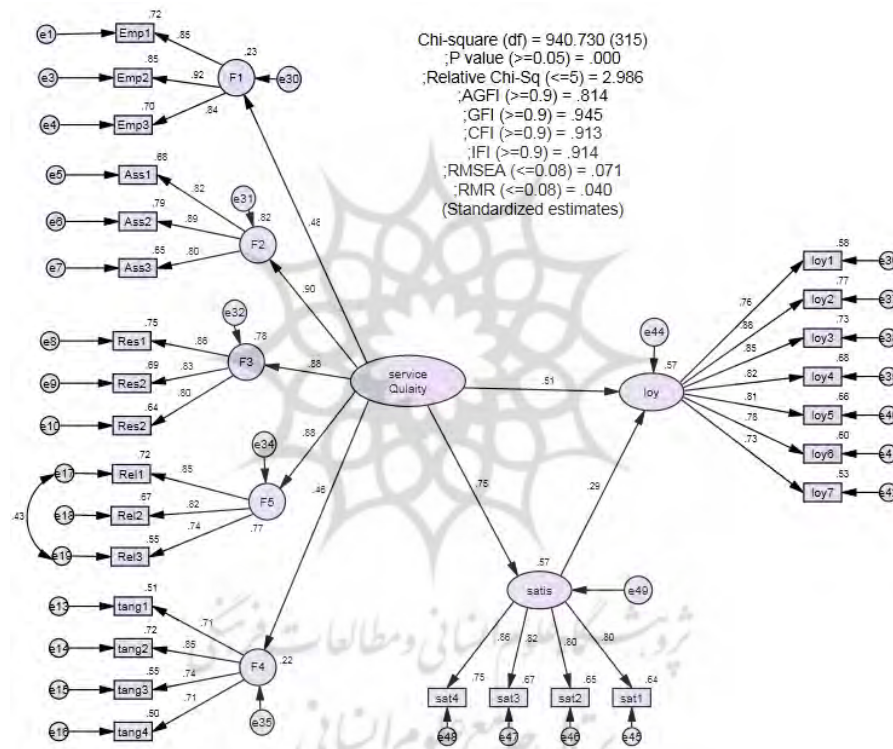


Figure 2: Model of the study

Reference

Amin, Muslim, Yahya, Zatilaziya, Ismayatim, Wan Faizatul Aniza, Nasharuddin, Siti Zaroha, & Kassim, Emilia. (2013). Service Quality Dimension and Customer Satisfaction: An Empirical Study in the Malaysian Hotel Industry. *Services Marketing Quarterly*, 34(2), 115-125.

- Brunner-Sperdin, Alexandra, Peters, Mike, & Strobl, Andreas. (2012). It is all about the emotional state: Managing tourists' experiences. *International Journal of Hospitality Management*, 31(1), 23-30.
- Cooil, B., Keiningham, T. L., Aksoy, L., & Hsu, M. (2007). A Longitudinal Analysis of Customer Satisfaction and Share of Wallet: Investigating the Moderating Effect of Customer Characteristics. *Journal of Marketing*, 71(S 67), 83.
- Deng, WJ, Yeh, ML, & Sung, ML. (2013). A customer satisfaction index model for international tourist hotels: Integrating consumption emotions into the American Customer Satisfaction Index. *International Journal of Hospitality Management*, 35, 133-140.
- Cochran, W. G. (1934). "The distribution of quadratic forms in a normal system, with applications to the analysis of covariance". *Mathematical Proceedings of the Cambridge Philosophical Society*, 30 (2): 178–191
- Gronholdt, Lars, Martensen, Anne, & Kristensen, Kai. (2000). The relationship between customer satisfaction and loyalty: cross-industry differences. *Total Quality Management*, 11(4-6), 509-514.
- Grönroos, Christian. (1984). A service quality model and its marketing implications. *European Journal of marketing*, 18(4), 36-44.
- Hair, Joseph F., Money, Arthur H., Samouel, Phillip, & Page, Mike. (2007). *Research methods for business*. USA: John Wiley & Sons.
- Heitmann, Mark, Lehmann, Donald R, & Herrmann, Andreas. (2007). Choice goal attainment and decision and consumption satisfaction. *Journal of Marketing Research*, 44(2), 234-250.
- Hooper, Daire, Coughlan, Joseph, & Mullen, Michael R. (2008). Structural equation modelling: Guidelines for determining model fit. *Electronic Journal of Business Research Methods*, 6(1), 53-59.
- Kelso, Richard Scott (2008). *Measuring Undergraduate Student Perceptions of Service Quality in Higher Education*, unpublished thesis, University of South Florida
- Keshavarz, Yousef (2015). *Structural Equation Modeling and using AMOS*. Tehran, Mehraban Nashr.
- Kotler, Philip, Bowen, John T, & Makens, James C. (1999). *Marketing for Hospitality and Tourism*, US, Pearson Hall.
- Lewis, B. R., & Smith, A. M. (1989). *Customer Care in the Service Sector: The Customer's Perspective*. FSRC, Manchester School of Management.
- MacCallum, Robert C, Browne, Michael W, & Sugawara, Hazuki M. (1996). Power analysis and determination of sample size for covariance structure modeling. *Psychological methods*, 1(2), 130-149.

- Parasuraman, A., Zeithaml, Valarie A., & Berry, Leonard L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing* 49(4), 41-50.
- Parasuraman, A., Zeithaml, Valarie A., & Berry, Leonard L. (1988). SERVQUAL- A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality. *Journal of Retailing*, 64(1), 12-40.
- Plank, R., & Chiagouris, L. (1997). Perceptions of quality of higher education: An exploratory study of high school guidance counsellors. *Journal of Marketing for Higher Education*, 8(1), 55-67.
- Oliver, Richard L. (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of marketing research*, 17(4), 460-469.
- Oliver, R. (1999). Whence consumer loyalty. *Journal of Marketing*, 63(4), 33-44.
- Olsen, Svein Ottar. (2007). Repurchase loyalty: the role of involvement and satisfaction. *Psychology & Marketing*, 24(4), 315-341.
- Rajinikanth, R, Rajakumar, Samudhra C., & Ramesh Kumar, C. (2011). Effect of length of stay on guest satisfaction- an empirical study of Indian hotel industry. *Paper presented at the 2nd International conference on business and economic research Annamalai University India.*
- Reichheld, Frederick F, & Sasser, W Earl. (1990). Zero defections: quality comes to services. *Harvard business review*, 68(5), 105-111.
- Rizal, Mohd Rizal (2008). Service delivery system practices in Malaysian hotel operations: An exploratory study. *Malaysian Management Journal*, 12(1&2), 103-115.
- Skogland, I., & Siguaw, J.A. (2004). Are your satisfied customers loyal? *Cornell Hotel and Restaurant Administration Quarterly*, 45(3), 221-234.
- Vesel, Patrick, & Zabkar, Vesna. (2009). Managing customer loyalty through the mediating role of satisfaction in the DIY retail loyalty program. *Journal of Retailing and consumer Services*, 16(5), 396-406.
- Wu, Cedric Hsi-Jui, & Liang, Rong-Da. (2009). Effect of experiential value on customer satisfaction with service encounters in luxury-hotel restaurants. *International Journal of Hospitality Management*, 28(4), 586-593.
- Zeithaml, Valarie A, Berry, Leonard L, & Parasuraman, Ananthanarayanan. (1996). The behavioral consequences of service quality. *Journal of Marketing*, 60(2), 31-46.
- Zemsky, R., Wegner, G. R., & Massy, W. F. (2005). *Remaking the American University: Market-smart and Mission-centered*: Rutgers University Press.