



## Impact of Customer Satisfaction on Customer Loyalty in Chain Hotels in Pune City

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### ABSTRACT

**Purpose** – This paper has been designed to find the effect of customer satisfaction on customer loyalty. The research studies in detail the case of the customers of hotel chains. The case study underlines the fact the customers become extremely satisfied when the hotel understands all their difficulties and implements their suggestions and makes changes that matter. The study shows that retention can only be possible when the customers are committed to improve their experience.

**Significance**- Hotel managers of today have one common perception that satisfied guests become repeat customers. This is the major subject of this research. The Indian hospitality industry has shown phenomenal growth over a past few decades. Even after showing growth, hotels struggle to maintain customer loyalty due to various reasons. Hotel chains are centrally managed. The paper discusses the relationship between customer satisfaction and customer loyalty. This study significantly points out the nexus between the two important variables- both of which are necessary for the profitability and brand value of the hotel.

**Findings** –it was found that is a positive correlation between customer satisfaction and hotel chains. Thus, in order to make sure that the customer revisits, it is not only one or two aspects of service quality, but overall customer satisfaction about the quality, location and other aspects of the hotel that create and maintain loyal customers.

**Originality/value** – It is very well known to us that there is a very less amount of literature available on the said theme. The case study collects important primary data and makes useful contribution by providing original findings of the study that explain the positive relationship of customer satisfaction and customer loyalty.

**Keywords**-- Customer satisfaction, customer loyalty, Chain Hotels

### I. INTRODUCTION

Hotel chain is an enterprise that administrates, through a unique management, a number of hotels located in diverse areas. They can be total or partial owners of the hotel and they manage their administration, marketing and promotion. The global hotel industry is dominated by hotel chains. For example, Ginger Hotels is a leading brand name in India. The chain provides a reasonable choice for all types of travelers. The hotels under the chain boast a balance of coziness and efficiency that it offers to the customers. The chain now has more than 38 hotels across 30 destinations in India.

Customer satisfaction is important for all the hotels in the world. Yet, in the case of chain hotels, it becomes even more important. If a chain has a presence in more than 30 locations, all throughout the country, there are chances that a satisfied customer would chose the same brand again and would not experiment. During the past few years, customer satisfaction and service quality have been the centers of attraction. The better the service quality the higher is the satisfaction. When a customer gets satisfied, he is bound to tell others about this and would stay with a brand. For the purpose of this study we can define this situation as positive word of mouth. This would lead to more profits for the hotel (Gundersen et al., 1996).

A number of studies have shown that there exists a positive relationship between customer satisfaction and customer loyalty (Kandampully and Suhartanto, 2000; Dimitriades, 2006; Chi and Qu, 2008; Faullant et al., 2008). This shows how important it is to measure customer satisfaction from time to time. The study deals with the behavioral aspect of Indian tourists.

It is important to understand that people travel for leisure and for business. This study has gathered

data only from leisure travelers. Leisure travelers seek pleasant experiences. As a matter of fact, that is the whole idea behind travelling. It should be well understood that leisure travelers expect luxury and an enjoyable experience. Hotel services are unique and exclusive. They are intangible in nature. They are not like a 'tooth paste'- something which people are 'used to' on a daily basis. They may choose to visit a hotel and be satisfied with the service, but may not re-visit the same hotel. This may happen because they might want to try a different experience. When they crave for a different location for leisure travel, they might choose the same hotel chain, as their earlier experience was good with that chain of hotels.

This paper examines as to what extent and how the customers need to be satisfied in order to be loyal to a specific brand. There may be several reasons as to why a customer may be not satisfied with the hotel. Nurminen (2007) discovered that cost is not the main reason that causes dissatisfaction of customers. According to his study, customer dissatisfaction is mostly caused due to poor service of the hotel. The current study fills an important gap. The same would be understood after refereeing to the literature review in the next part of the paper.

### **1.1 Literature Review**

Measurement of Customer satisfaction has always been a tricky and debatable subject. It is extremely difficult to marginalize the aspect satisfaction. Most literature suggests that Likert scales have been used in feedback forms in order to measure customer satisfaction. Customer satisfaction is typically defined as a post consumption evaluative judgment concerning a specific product or service (Gundersen, Heide and Olsson, 1996). It is the outcome of an evaluative procedure that contrasts pre-purchase expectations with perceptions of performance during and after the consumption experience (Oliver, 1980).

Oliver (1980) proposed that satisfaction level is a result of the difference between perceived and expected performance. When expected performance is more than that what has been received or derived, the customers become dissatisfied. If the actual performance is more than the expected performance, the customers become satisfied. Luo and Homburg (2007) concluded that customer satisfaction positively affects the ability of the business to generate profits.

According to the findings of the studies conducted by a number of scholars (Söderlund, 1998; Kandampully and Suhartanto, 2000; Dimitriades, 2006; Olorunniwo et al., 2006; Chi and Qu, 2008; Faullant et al., 2008) customer loyalty grows due to customer satisfaction. It also influences repurchase intentions and leads to positive publicity through word-of-mouth.

Atkinson (1988) found out that cleanliness, security, value for money and courtesy of staff

determine customer satisfaction. Knutson (1988) revealed that room cleanliness and comfort, convenience of location, prompt service, safety and security, and friendliness of employees are important. Barsky and Labagh (1992) stated that employee attitude, location and rooms are likely to influence traveler's satisfaction. A study conducted by Akan (1995) showed that the main determinants of hotel guest satisfaction are the behavior of employees, cleanliness and timeliness. Choi and Chu (2001) concluded that staff quality, room qualities and value are the top three hotel factors that determine traveler's satisfaction. Though several studies are with regards to hotels in general, very less research has actually happened from the point of view of the customers of hotel chains.

### **1.2 Statement of the problem**

New customers are difficult to acquire. Studies have shown that the cost of acquiring a new customer is much more than the cost of maintaining a loyal customer. Customers can be made loyal by offering them schemes, bonus points, travel miles and a variety of other platter of benefits. Hotels struggle to understand what exactly matters when a customer makes a decision of coming back. Is it the cost? Incentives? Schemes or attractive discounts? This paper makes a systematic enquiry and provides an answer with regards to the satisfaction of the customers with respect to the services that are provided by the hotel.

### **1.3 Objectives of the study**

1. To understand what most satisfies the customers of hotel chains.
2. To understand the concept of customer loyalty towards hotel chains.
3. To know what makes customers chose hotel chains over other hotels.
4. To study the relationship between customer loyalty and customer satisfaction.

### **1.4 Hypothesis**

H1: There is a positive correlation between customer satisfaction and hotel chains.

## **II. RESEARCH METHODOLOGY**

- i. The sampling method was a combination of selective sampling and random sampling. The sampling was selective as only loyal customers who chose to stay in chain hotels were considered. The element of randomness existed to a particular extent in the terms of the selection not being gender specific or income group specific.
- ii. For the purpose of the study, any customer who had stayed in the same budget chain hotel for more than one time in the past four years has been defined to be a loyal customer. Data collection happened through a span of 4 months with the help of questionnaires. The

questionnaires were sent using email where face to face meetings were not possible.

iii. 5-star chain hotels have not been considered for the purpose of study. Thus, the present study concentrates on the customers of budget chain hotels. According to multiple websites that list hotels in India, several budget hotel chains have a presence in the country.

iv. The population of leisure travelers in Pune who chose to stay in hotel chains is unknown and thus it has been assumed that the size of the population is huge (more than 100000). The confidence interval was set at 10. The confidence level was taken as 95%.

v. The calculated sample size was 96. In this study, the sample size has been taken as 100. 63 respondents were male and others were female. The responses were collected based on face to face structured interviews which spanned to 20 questions regarding customer satisfaction and customer loyalty in chain hotels.

### III. SIGNIFICANT FINDINGS

1. There were 21 respondents who belonged to the income group of above 6 lac rupees per annum. 58 respondents had their incomes between 3-6 lacs and 21 had incomes below 3 lac rupees. This shows that budget hotels chains are more popular amongst people who are in the income group of 3-6 lac rupees. Only 21% of the respondents belonged to the income group of under 3 lac rupees.

2. 74% respondents strongly agreed that the services that are provided in the budget chain hotels are standardized services.

3. 58% of the respondents strongly agreed that the breakfast provided in such hotels is up to the mark in terms of taste and variety.

4. 69% of the customers strongly agreed that they were satisfied with the friendly and courteous behavior of the hotel staff.

5. 22% of the respondents were extremely satisfied about the loyalty awards that they were offered by hotel chains. 25% were not satisfied about the loyalty programs, where as 13% were extremely dissatisfied about such programs.

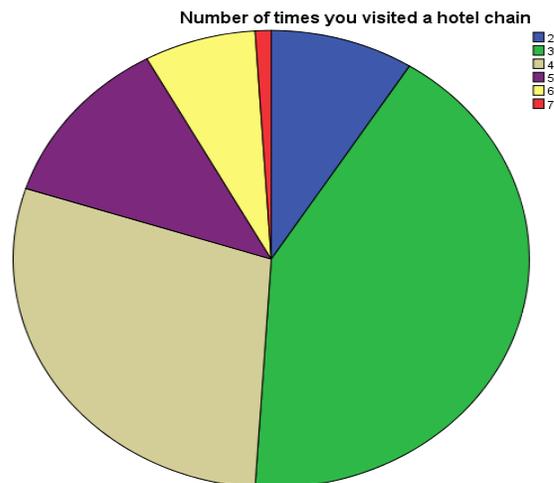
6. 38% of the customers were extremely satisfied of the Wi-fi service quality in rooms and lobbies.

7. 49% were satisfied about the in-room entertainment options and 38% expressed satisfaction about the air-conditioning in the rooms.

8. 87% of the customers expressed being satisfied about the size of the rooms. 63% were satisfied with the room service promptness.

9. 78% of the customers felt that the location of these hotels was very convenient and 69% strongly agreed that they felt reasonably safe in budget chain hotels. 84% were satisfied about the parking facility.

10. In the sample taken, it was observed that 12% of the customers visited the same hotel chain for 5 times in the past 4 years. 71% of the loyal customers visited the same hotel chain for 3 to 4 times in the past 4 years.



### IV. TESTING OF HYPOTHESIS

There were several parameters that were asked in the questionnaire on a 5 point Likert scale to get a general opinion of the customers. This was one of the

variables that would be correlated with the number of times the person has visited the same hotel chain in the past 4 years. These two variables were considered for calculating the Pearson's correlation coefficient.

	Number of times you visited a hotel chain	Overall service quality satisfaction average
Number of times you visited a hotel chain	Pearson Correlation Sig. (2-tailed) N	1 .673** 100
Overall service quality satisfaction average.	Pearson Correlation Sig. (2-tailed) N	.673** 1 100

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The above results clearly indicate that there is a positive correlation (0.673) with overall customer satisfaction and the number of times the person has visited the hotel. This indicates that the customers who are more satisfied are more loyal and visit the hotels again and again.

## V. CONCLUSION

There is a positive correlation between customer satisfaction and hotel chains. Thus, in order to make sure that the customer revisits, it is not only one or two aspects of service quality, but overall customer satisfaction about the quality, location and other aspects of the hotel that create and maintain loyal customers.

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