

ARE YOUR SATISFIED CUSTOMERS LOYAL ?

Viulet Nicoleta – Cristina

*Universitatea Petrol-Gaze din Ploiesti, Facultatea Stiinte Economice - E.C.T.S,
cristianaviulet@yahoo.com, tel.univ. 0244-573171, mob.pers.0728808509*

Brief: Customer satisfaction is an important measurement that has to be taken on a regularly basis in every tourism facility in the country. All the tourism businesses rely on their customers and the measurement of their degree of satisfaction is of a major importance to the location. Even small locations should conduct at least once a year surveys in order to find out where they are, how do they work and what should be done in the near future in order to improve. Permanent improvement is a key-word for the today tourism business, as the today customers seem to be more and more informed, more and more conscious of their rights to receive a certain level of service quality and more and more aware of their importance in the tourism business's economy.

Human resources will play an outmost important role in the development or the failure of the tourism business of the near future in Romania. In order to maintain loyalty toward a location or another, the management and the owners will have to develop loyalty maintaining programmes that will permanently monitor the guests and their needs, striving to permanently improve in order to be successful.

The above study presents theoretical and practical approaches regarding the customers loyalty towards a brand or another, theories about satisfaction of the guests and ways to find out if this exists or not, and a practical survey conducted in the country.

Key words : customer satisfaction, customer loyalty ,satisfaction, scale, satisfaction measurement, human resources, hotel amenities.

The firmly held doctrine that guest satisfaction means repeat business is called into question by the results of this study of 364 guests of two similar big-city hotels. Analysis showed only a weak connection between satisfaction and loyalty (which is a precursor to repeat purchases). Examining such factors as purpose of travel and demographics, the study revealed another finding that may give hoteliers pause—especially considering the industry's huge expenditures on frequent-guest programs. Business travelers were among the least loyal of the guests responding to this survey. The chief factors that engaged guests' loyalty were hotel design and amenities. Moreover, the factor that caused guests to be most involved in the purchase decision (and therefore more interested in the hotel) was its employees. The implication is that hoteliers might consider redirecting some of their frequent-guest expenditures toward strengthening human resources and toward improving the guests' experience through design and amenities.

Customer-defection rates are high for businesses today. U.S. corporations routinely lose half their customers over a span of five years resulting in 25 to 50 percent reduction in corporate performance. At the same time, researchers have noted the importance of customer retention, citing evidence to indicate that over time, a returning customer becomes decreasingly costly to serve because of learning effects and reduced service costs, while that customer simultaneously purchases more, pays higher prices, and willingly offers word-of-mouth recommendations to others. To capture the benefits of having loyal customers, many companies—particularly hospitality firms—have invested millions of dollars in customer retention programs. For instance, Marriott spent \$54 million in 1996 on its Honored Guest Program, while Hyatt invested \$25 million in its loyalty program, that same year. Nevertheless, customer-loyalty programs are now being heavily scrutinized to determine whether they are doing what they were intended to do: namely, increase customer loyalty and build profits.

Research on customer loyalty has primarily focused on customer satisfaction and involvement. However, findings on the linkage between repeat-purchase behavior and satisfaction have been equivocal. A number of studies have reported significant links, while others have noted that satisfaction explains little in regards to repeat purchases. Furthermore, the antecedent effects of involvement on loyalty have received relatively limited attention. Studies that have examined the involvement-loyalty relationship have offered the following sometimes conflicting findings:

- involvement has an indirect effect on loyalty as mediated by the investment of time and investment in the relationship;
- the relationship between satisfaction and loyalty is moderated by high involvement levels;
- involvement is a determinant of loyalty;

and

- the involvement–loyalty linkage is not that strong and depends solely on the level of involvement.

Consequently, our knowledge of customer loyalty and its determinants is replete with ambiguities. In view of that situation, the main objectives of this study are threefold :

(1) to examine the degree to which satisfaction influences loyalty, (2) to investigate how satisfaction may influence involvement, and (3) to understand how involvement may directly affect loyalty.

In this article, we first provide a brief review of our constructs of interest. Next, the research methodology used for this study is presented, followed by a discussion of our findings. Finally, the article concludes with managerial implications.

Theoretical Foundations and Research Focus

For decades, academics and professionals have preached that loyalty is a key to a successful business. Loyal customers have been found to purchase more and facilitate additional business from new customers by generating positive word of mouth. Indeed, Ganesh, Arnold, and Reynolds state, “Loyal customers are logically at the heart of a company’s most valuable customer group.”

Satisfaction with a product or service offered has been identified as a key determinant for loyalty and, perhaps more important, a firm’s profitability. Prior research has shown that satisfied customers exhibit reduced price sensitivity and increase the customer base through positive

word of mouth. Also, research intuitively indicates that customer satisfaction increases the likelihood of repeat business. The degree to which the customer is involved in the purchase decision should

also have a strong effect on the propensity to switch service providers. Two types of involvement—purchase involvement and ego involvement—have been found to play an antecedent role in switching behavior.

Theoretical Foundations for Customer Satisfaction

For the purposes of this study, *satisfaction* is defined as “an overall evaluation of performance based on all prior experiences with a firm.” The following two well-known theoretical bases serve as the underpinnings for examining customer satisfaction in this article: the confirmation/disconfirmation paradigm and comparison level theory.

Confirmation-disconfirmation theory.

Customer satisfaction is defined as a postpurchase evaluative judgment concerning a specific buying decision. According to the confirmation-disconfirmation paradigm, customers assess their levels of satisfaction by comparing their actual experiences with their previous experiences, expectations, and perceptions of the product’s performance. The theory postulates that three outcomes of this evaluation are possible: (1) confirmation occurs when the actual performance matches the standard, leading to a neutral feeling; (2) positive disconfirmation occurs when the performance is better than the standard, which then leads to satisfaction; and (3) negative disconfirmation occurs when the performance is worse than the standard, which then leads to dissatisfaction.

Comparison-level theory

This theory proposes that consumers use comparison levels for the relationship under consideration and also use comparison levels for alternative relationships to determine satisfaction with and propensity to remain in a relationship. The comparison level is “the standard against which a member evaluates the ‘attractiveness’ of the relationship.”

These consumer standards reflect what the brand should achieve not just what it will achieve. Previous research has found a positive relationship between prior experiences and current levels of expectations.

Dimensions of customer satisfaction.

Although an investigation of overall satisfaction with services provides relevant insight regarding loyalty, even greater knowledge can be obtained by distilling satisfaction into its various dimensions, especially in an industry where switching behavior and customer loyalty are paramount.

Indeed, some dimensions of satisfaction may be more important antecedents of repeat-purchase behavior and loyalty, than others are.

Common dimensions of satisfaction with a service include service quality, product quality, price, and location. Theory suggests that the “people factor” (i.e., service quality), in terms of tangibility, reliability, responsiveness, assurance, and empathy, may be the most salient in determining overall satisfaction and repeated purchasing in service industries.

The argument for the importance of the people factor is further supported by the services-marketing literature, which, noting the intangibility of services, advances service encounters as predominantly interpersonal interactions. Consequently, as with other social relationships, the bond between the hotel representative and the guest will be more heavily weighed if the guest makes a satisfaction judgment than if the guest makes no such judgment. Thus, in this study, we examine not only the effects of overall satisfaction but also the effects on involvement and loyalty of both satisfaction with the people factor and satisfaction with hotel ambience.

Theoretical Foundations for Involvement

Involvement, as related to this research, comprises both purchase and ego involvement.

Purchase involvement is defined as “the level of concern for or interest in the purchase process that is triggered by the need to consider a particular purchase.”

Thus, purchase involvement consists of the time, effort, and costs invested in making a purchase, including any internal and external research that may precede the transaction. Specifically, in this study, we look at purchase involvement as it relates to price comparison and risk reduction.

Service failures are exceedingly memorable and readily recalled because they are “highly salient . . . distinctive, atypical, and emotionally charged.” As a result, these negative experiences modify future expectations and both broaden and deepen the criteria used in the search for better alternatives as a mechanism for reducing the risk of making a poor purchase decision in the future. In turn, these additional cognitions heighten the level of purchase involvement. Consequently, low levels of satisfaction may result in high levels of purchase involvement (so that one may ensure that a purchasing error does not re-occur), and high levels of purchase involvement may result in low levels of loyalty, as the consumer focuses on better alternatives. This conjecture is consistent with prior studies, which noted that high involvement resulted in brand commitment when the consumer was satisfied with product performance.

Customer satisfaction—usually considered the brass ring of hospitality management—does not guarantee that customers will return.

Ego involvement occurs when relatively enduring importance is placed on a product or product class as it relates to the consumer’s self-image, values, and status. In this study, ego involvement is examined in terms of self-image and the need for recognition. Satisfactory experiences may heighten the customer’s ego involvement, but on the other hand, levels of ego involvement for the product or product class should decline when the customer experiences an unsatisfactory service relationship. That is, the customer will mentally reduce the degree to which the unsatisfactory service influences his or her self-image, values, or status. Following this line of thought, satisfaction should increase ego involvement. Furthermore, since ego involvement incorporates the need for recognition, when ego involvement is high, loyalty should also be high because repeat visits would typically have to occur for the guest to be recognized and treated in a special fashion.

Theoretical Foundations for Customer Loyalty

Loyalty has been defined as “a deeply held commitment to re-buy or repatronize a preferred product or service consistently in the future, thereby causing repetitive same-brand-set purchasing, despite situational influences’ and marketing efforts’ having the potential to cause switching behaviour.” Customer loyalty consists of both an attitudinal commitment to the relationship, such as price insensitivity, and other, more-overt loyalty behavior, such as positive word of mouth and repeat patronage. Comparison-level theory and the patronage literature provide the theoretical underpinnings for the loyalty construct. As discussed previously, the standard by which someone determines his or her satisfaction with a service and, hence, whether that person should switch or remain in that relationship is founded on comparison-level theory. The manner in which a service experience is assessed is based largely on the next-best alternative relationship. As soon as the current level of outcomes drops below the perceived comparison level for alternatives, the customer is motivated to leave the relationship.

Thus, guests who are satisfied with a service when compared with available alternatives should report greater loyalty to that service than dissatisfied guests. The reverse is also true when guests are dissatisfied.

Research Method

For this examination of satisfaction, involvement, and loyalty, we contacted two hotels located in a major city in Romania. Both hotels are three-star properties located in the city’s core business district and are similar in terms of their target markets and business mix. Both hotels are affiliated with major but different hotel chains. However, one hotel is not openly flagged with the chain name and is likely perceived by the average consumer as being an independent hotel. Both properties are housed in relatively old buildings that have been converted into hotels, and one of the hotels is listed as a historic hotel. The historic hotel (hotel A) is positioned as a boutique hotel, while the other hotel (hotel B) is a standard, franchised property. The historic hotel has a restaurant and bar within the hotel; the other property does not have its own restaurant but is adjoined by a national coffeehouse and a well-known, full-service restaurant. Room rates range from €110 to € 185 for the historic hotel and € 109 to € 177 for the other property. The two hotels are also managed by the same company, making them relatively comparable in terms of management. Our data also indicated that guests perceived the two hotels to be competitive, and one is the likely target for the other in terms of switching hotels.

A two-page survey was designed to collect information concerning (1) the use of the hotel (e.g., frequency of stays, length of relationship, factors considered in making a reservation, type of traveler, and competitors used and why), (2) overall satisfaction with the hotel, (3) satisfaction with the individual service and tangible characteristics of the hotel, (4) purchase and ego involvement associated with the decision to stay at the hotel, (5) level of loyalty toward the hotel, and (6) demographic factors. Copies of the questionnaire were mailed to 1,000 former guests of hotel A and 700 former guests of hotel B. Participants in the study were guests who had stayed at one of the properties some time during the previous twelve months; these guests’ names were randomly selected from the hotels’ databases by the hotels’ managers. The self-administered surveys were accompanied by cover letters on university letterhead explaining the study, disclosing liability, and offering an incentive to encourage response. The incentive consisted of a prize offered by each hotel with the winners to be determined by a drawing.

Usable responses were received from 364 guests. Fourteen other surveys were returned incomplete, and 134 questionnaires were returned to the authors because of unknown addresses or names, resulting in an effective response rate of 24.1 percent. To assess nonresponse bias, an analysis of early and late responses was undertaken. This analysis revealed no significant difference between early and late respondents on any of the constructs of interest in this study.

Measures of Constructs

Thirteen items were used to measure respondents’ satisfaction with the various aspects of the services and facilities of the hotel at which they stayed. The items used in this scale sought a global measure of satisfaction by asking the respondents to rate the following question: “Overall, how satisfied are you with the hotel?” Responses were based on a 5-point Likert-type scale ranging from *very dissatisfied* to *very satisfied*. To measure involvement, we added questions on ambience, convenience, and timeliness. The

involvement items were intended to capture the effort, self-image, desire for familiarity, and perceived risk dimensions noted in the literature.

To capture the multidimensionality of brand loyalty, the questionnaire contained multiple items, including price insensitivity (attitudinal loyalty), repeat-patronage intentions, and the propensity to spread positive word of mouth. Adapting these items to the lodging business, we used seven related items to understand the customer-loyalty construct; these items had been previously compiled by Ganesh, Arnold, and Reynolds. Both the involvement and the loyalty items were assessed on a 5-point Likert-type scale, ranging from *strongly disagree* to *strongly agree*. In addition, one item, asking whether participants routinely stay at the same hotel, was included as a measure of actual repeat-purchase behavior.

Scale Items

Overall Satisfaction

X1. Overall, how satisfied are you with the hotel?

Satisfaction

This section pertains to how satisfied/dissatisfied you are with the various aspects of the hotel.

X2. The friendliness of the hotel employees

X3. How well the staff/managers know me

X4. How well the hotel listens to my needs

X5. The convenience and service of the reservation system

X6. The timeliness of the hotel staff in dealing with me as a guest in busy times

X7. The room rate

X8. The price of other services (e.g., room service, dry cleaning)

X9. The location of the hotel to other businesses or attractions

X10. How easily accessible the hotel is from airports and major highways

X11. The ambience in the hotel (interior design/decor)

X12. The amenities offered in the guest room

X13. The amenities offered in other parts of the hotel

X14. The quality of service offered by the hotel

Repeat Purchase

X15. When staying in [name of city], do you routinely stay at the [name of hotel]?

Loyalty

Please indicate how strongly you agree or disagree with each of the statements presented below.

X16. I consider myself to be a loyal guest of the hotel

X17. If the hotel were to raise the price of my stay, I would still continue to be a guest of the hotel.

X18. If a competing hotel were to offer a better rate or discount on their services I would switch.

X19. In the near future, I intend to use this hotel more often.

X20. As long as I travel to this area, I do not foresee myself switching to a different hotel.

X21. I would highly recommend the hotel to my friends and family.

X22. I am likely to make negative comments about the hotel to my friends and family.

Involvement

Please indicate how strongly you agree or disagree with each of the statements presented below.

X23. The relationship that I share with the [hotel name] is something that is very important to me.

- X24. The relationship that I share with the [hotel name] is something that deserves my maximum effort to maintain.
- X25. I am very cautious in trying new/different products.
- X26. I would rather stick with a brand that I know than try something that I am not very sure of.
- X27. I enjoy taking chances in buying unfamiliar brands just to get some variety in my purchases.
- X28. I constantly compare the prices and rates offered by various hotels in the area.
- X29. The brand image of the hotel played a major role in my decision to become a guest at the hotel.
- X30. I called various other hotels in the area before I decided to stay at this hotel.
- X31. I compared the prices and rates of several hotels in this area before I selected this hotel.
- X32. The frequent-guest program influences my choice in hotels.
- X33. Choosing a hotel is an important decision for me.
- X34. All hotels are alike in the type and quality of services they offer.
- X35. The hotel I stay at says a lot about who I am.
- X36. It is important for me to choose a hotel that “feels” right.
- X37. After deciding on the [hotel name], I have compared this hotel with other hotels in the area.
- X38. After deciding on the [hotel name], I have weighed the pros and cons of my choice.
- X39. A bad choice in selecting a hotel could bring you grief.

Data Analysis

An analysis of the data revealed that the majority of respondents were male (58.2 percent), married (66.9 percent), and well educated (52.8 percent had completed an undergraduate degree). Business travelers constituted 34.1 percent of the respondents, leisure travelers totaled 46 percent, and travelers identifying the purpose of their trips as both business and leisure made up 19.9 percent. For the most part, the respondents had high incomes, with 57.9 percent reporting earnings in excess of € 30,000 per year. The ages of study participants ranged from twenty-one to eighty-six, with 25.5 percent indicating they were fifty-five or older. Occupations were diverse, with the most populated job titles consisting of executive (14.3 percent) and marketing (11.4 percent).

A regression using contrast effects tested the relationships between satisfaction, involvement, and loyalty. Given prior research that demographic factors, such as education and age, influence customer loyalty and satisfaction, we included five demographic variables—namely, gender, age, education, purpose of travel (business or leisure), and income—as co-variables in the regression analysis.

The Contrary Customer

In examining our results, it is well to remember that hotel companies are investing millions of dollars each year on their loyalty programs—despite questions about the effectiveness of these costly programs.

These programs have been designed with the goal of fulfilling guests’ needs and desires on the premise that customer satisfaction will ensure guest loyalty. Thus, in this study, satisfied guests were posited to be loyal to the hotel because the guests’ comparison levels should have been positively disposed toward the hotel. Surprisingly, however, neither overall satisfaction nor satisfaction with the people factor was a determinant of repeat-purchase behavior, attitudinal loyalty, or word-of-mouth loyalty. As a simple means of illustration, Exhibit 1 provides a cross-tabulation presenting the relationship between overall satisfaction and repeat-purchase behavior. As shown, fewer than half of even the most satisfied guests routinely chose to stay again at the hotel they had just patronized. Thus, although marketers have long advanced the presence of guest satisfaction as instrumental in ensuring repeat business, guest satisfaction does not appear to have the substantive and sweeping effect on guest loyalty that has previously been assumed. Nor did this study support the people factor (i.e., service quality), in terms of tangibility, reliability, responsiveness, assurance, and empathy, as being the most salient in determining repeat purchases. Several theories may explain the weak linkage between overall satisfaction and loyalty, as well as among satisfaction, the people factor, and loyalty. First, switching costs, such as time, money, and effort, play a role in customer loyalty.

Higher perceived switching costs have been found to result in greater customer loyalty and repeat-purchase intentions. However, hotel guests incur few switching costs.

Exhibit 1

Relationship between Overall Satisfaction and Repeat-purchase Behavior

Routestay			
Overall	No	Yes	Total
Very dissatisfied	3	2	5
Dissatisfied	12	1	13
Neutral	16	5	21
Satisfied	128	78	206
Very satisfied	65	52	117
Total	224	138	362

That is, lodging customers do not generally encounter procedural, financial, or relational switching costs that serve as incentives to remain loyal to a particular hotel. Second, several studies have indicated that even when enhanced levels of customer satisfaction exist, some consumers may still have a strong predisposition to switch service suppliers or brands. In this study, for example, 38 percent of respondents who reported high levels of satisfaction noted that they routinely switched to competing properties. Third, the literature indicates that customers who switch because of extrinsic motivators (e.g., coupons or discounts) are more likely to demonstrate lower levels of loyalty and repeat-purchase intentions than customers who are intrinsically motivated (e.g., dissatisfied, wanting to try a new brand). Satisfaction with hotel ambience did positively affect word-of-mouth loyalty. This finding supports a prior study that underscored the importance of hotel design and amenities as drivers of guest satisfaction.

Managerial Implications

The chief implication of this study is that hoteliers should not assume that satisfying their guests will ensure repeat purchases. Instead, this study shows that the connection between satisfaction and loyalty is tenuous, at best. Therefore, we suggest a reconsideration of loyalty programs. If a large core of guests is routinely going to switch to competitive properties, regardless of the best efforts put forth by the hotel, might not the funds that are being expended on loyalty programs for this group be better applied in other ways?

For example, hotel design and amenities have been shown to be primary drivers of loyalty. Hoteliers might better serve their own financial interests by diverting many of the millions currently spent on loyalty programs to developing more innovative and comfortable hotel rooms and public spaces that in turn, will create more memorable guest experiences.

Human resources focus. Lodging managers should continue to focus on their employees. Well-trained staff members who exude the appropriate attitude toward service are invaluable in keeping guests involved in the purchase decision so that they are actively pursuing information that will showcase the hotel’s benefits over those of alternative properties. Viewed sequentially, members of the hotel staff heighten guest involvement, which then produces greater attitudinal loyalty, including less price sensitivity and an intention to be loyal.

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