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**IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION
AND CUSTOMER LOYALTY: EVIDENCE FROM HOTEL INDUSTRY**

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ABSTRACT

Satisfaction of the customer is the primary goal of any marketer as customer is considered as a king of the market. The study aims to find out the relationship between service quality, customer satisfaction and customer loyalty in case of Govt. and private hotels as service quality is a significant determinant of customer satisfaction. Regression technique, ANOVA and t-test were used to analyse the collected data. In the present study service Quality and customer Satisfaction are constant and dependent Variable is Loyalty. The study reveals the positive relationship between the service quality and loyalty.

KEYWORDS: *Customer, Loyalty, Satisfaction, Hotels and Services*

INTRODUCTION

Hospitality and tourism is interrelated. The main focus of the hospitality is to provide customer services. One of the mazor characteristics of hospitality is that it is based upon the customers. Making customer happy and delighted with the services is the main aim of the hospitality as customer is the king of the market and satisfies the customer is the primary goal of the hotels. In hotels the customers are the main point of focus. To satisfied customer is extremely important for the long term survival and take competitive advantage. Customer satisfaction is a positive, affective state resulting from the appraisal of all aspects of a party's working relationship with another (Boselie, Hesselink and Wiele 2002) as sited in Mohammad and Noorjahan (2009). Customer satisfaction is the internal feelings of every individual which may be satisfaction or dissatisfaction resulting from the assessment of services provided to an individual in context to customer's anticipation by an organization (Oliver 1980; Leisen and Vance 2001 as sited in Hamad and Naintara 2014). The customer loyalty is used to describe the behavior of repeat customers, as well as those that offer good

ratings, review, or testimonials (Kumar and Advani 2009 as cited in Kofi, Mariama and Ajara, 2013). Some studies has been conducted previously proved that service quality has direct impact on customer satisfaction while some studies that have been conducted by researchers proved that service quality is not the one and only determinant of guest satisfaction as there are some other factors also. Some studies also proved that customer satisfaction leads to customer loyalty but the level of customer satisfaction and loyalty in relation to service quality is still questionable. The main purpose of the study is to evaluate the relationship between service quality dimensions with customer satisfaction. Further, an attempt has been made in the present study to find out the level of satisfaction in Govt. Hotels and Private Hotels in relation to services provided by them.

Objectives

1. To measure and compare level of service quality provided by Govt. and private hotels.
2. To find the level of customer satisfaction and loyalty in Govt. hotels and Private Hotels in relation to service quality.

Hypothesis

H₀: There is no relationship of Service quality with customer satisfaction and loyalty in Govt. hotels.

H₀₁: There is no relationship of Service quality with customer satisfaction and loyalty in private hotels.

Research Methodology

The study was empirical in nature and field survey method was used to complete it. For the purpose of data collection, questionnaire is prepared with the help of review of literature. The customers who are using the services of the Govt. hotels and private hotels are considered as sampling unit for the study. Pearson’s Correlation method is used to find out the relation of the customer satisfaction with service quality and customer loyalty in relation with service quality. For data analysis Reliability test was applied to check the reliability of the questionnaire with the help of Cronbach Alpha. In this study, service dimensions are independent variable and customer satisfaction and customer loyalty are dependent variable.

Reliability Test

TABLE 1: RELIABILITY OF THE MEASURES

Variable Name	Cronbach’s Alpha	No. of Items
Customer Satisfaction	0.795	8
Customer Loyalty	0.747	12

The results of the reliability are clearly indicating that all the measures are having reliability higher than the book value which is 0.7 hence the questionnaire is highly reliable.

TABLE 2: CORRELATIONS BETWEEN LOYALTY WITH SERVICE QUALITY AND CUSTOMER SATISFACTION

Type of Hotel	Dimensions	Loyalty	Service Quality	Customer Satisfaction
Govt. Hotels	Loyalty	1.000	.668	.670
Private Hotels	Loyalty	1.000	.701	.669

Source: Calculation through SPSS

In the Table 2, the correlation between the service quality and loyalty is .668, correlation between the satisfaction and loyalty is .670. All values are significant (p<0.05) at 5% level of significance.

TABLE 3: MODEL SUMMARY (LOYALTY WITH SERVICE QUALITY AND CUSTOMER SATISFACTION)

Type of Hotel	Model	R	R Square	Adjusted R Square	Change Statistics					Durbin-Watson
					R Square Change	F Change	d.f1	df2	Level of Sig	
Govt. Hotel	1	.647 ^a	.456	.455	.457	154.803	1		.000	1.768
	2	.682 ^b	.528	.527	.043	15.473	1		.000	
Private Hotel	1	.790 ^a	.639	.639	.639	876.409	1		.000	2.055
	2	.789 ^b	.576	.575	.015	24.327	1		.000	

- a. Predictors: Service Quality, (Constant)
- b. Predictors: Service Quality, Customer Satisfaction, (Constant)
- c. Dependent Variable: Loyalty

It can be analyzed from the Table 3 that in case of Govt. Hotels, the Value of R is .682 it indicates that there is high degree of correlation between the independent factors (Service quality and customer satisfaction) and depend factor (customer loyalty). R² value is .528 which means 52.8% variation in customer loyalty is due to predicators' service quality dimensions and customer satisfaction. The value of Durbin-Watson statistics is 1.768. Further in case of Private hotels the value of R is .789 which indicates that there is high degree of correlation between the independent factors (service quality and customer satisfaction) and dependent factor (customer loyalty). R² value is .576 which means 57.6% variation in customer loyalty is due to predictors service quality dimensions and customer satisfaction. The value of Durbin-Watson statistics is 2.055.

TABLE 4: ANOVA^A LOYALTY WITH SERVICE QUALITY AND CUSTOMER SATISFACTION)

Type of Hotel	Model		Sum of Squares	df	Mean Square	F	Sig.
Govt. Hotel	1	Regression	34.401	1	14.401	154.803	.000 ^b
		Residual	17.054	108	.157		
		Total	51.455	109			
	2	Regression	16.572	2	12.241	89.453	.000 ^c
		Residual	15.684	107	.136		
		Total	32.256	109			
Private Hotel	1	Regression	75.461	1	75.461	765.409	.000 ^b
		Residual	38.142	488	.088		
		Total	113.603	489			
	2	Regression	77.854	2	33.877	367.132	.000 ^c
		Residual	35.748	487	.084		
		Total	113.602	489			

- a. Predictors: Service Quality, (Constant)
- b. Predictors: Service Quality, Customer Satisfaction, (Constant)
- c. Dependent Variable: Loyalty

For the Govt. Hotels, the value of F in final model is 89.453 and p value 0.000 in the ANOVA table, it indicates that model is statistically significant and model is a good fit. For the private hotels, the F value in final model is 367.132 and p value 0.000 in the ANOVA table, it indicates that model is statistically significant.

TABLE 5: COEFFICIENT (LOYALTY WITH SERVICE QUALITY AND CUSTOMER SATISFACTION)

Type of Hotel	Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
			B	Std. Error			
Govt. Hotel		(Constant)	.125	.200		.342	.542
	1	Service Quality	.819	.065	.756	11.068	.000
		(Constant)	-.308	.214		-1.299	.185
		Service Quality	.371	.131	.298	2.458	.001
		Satisfaction	.586	.149	.423	3.832	.001
Private Hotel		(Constant)	.477	.107		4.291	.000
		Service Quality	.705	.024	.799	28.320	.000
		(Constant)	.132	.137		1.040	.288
		Service Quality	.453	.054	.539	8.637	.000
		Satisfaction	.279	.062	.283	5.032	.000

Source: Compiled through SPSS

It can be analyzed from Table 5, that in case of Govt. hotels service quality and customer satisfaction has significant impact on the customer Loyalty because unstandardized Coefficients (b-Value) is positive and significance value is less than 0.05. It can be depicted that change in 1 unit of service quality impact .371 unit change in customer loyalty and change in 1 unit of customer satisfaction impact .586 unit changes in customer loyalty, while the effect of other variables are constant. Further in case of Private hotels also service quality and customer satisfaction has significant impact on the customer Loyalty because unstandardized Coefficients (b-Value) is positive and significance value is also less than 0.05 which rejects the null hypothesis. It can also be depicted that change in 1 unit of service quality impact .453 unit changes in customer loyalty and change in 1 unit of customer satisfaction impact .279 unit changes in customer loyalty, while keeping other variables constant.

Suggestions:

It can be concluded that hotels should provide proper facilities with all the amenities required by the customer because customer is the king of the market and it is important to satisfy them. It can be drawn from the study that for creating customer satisfaction and loyalty it is necessary to work on admirable service product, fast and effective services. Further, the scope of the study can be widened by increasing the sample size for getting appropriate results and comparative study for employee’s satisfaction and loyalty in Govt. hotels and private hotels can also be conducted. The study is intended to be useful contribution to understand the relationship of customer satisfaction and customer loyalty with the hotel industry.

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