

## An investigation of Influencing Factors Customers' Loyalty in a Four Star Hotel in Iran

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### Abstract

*Customer loyalty as a vital subject in quality researches has become an essential concern for managers. The reason for this increasing concern may refer to the intense competition, particularly in service industries. So, improving customer loyalty has been one of the managers' challenges. The current research focuses on a four-star hotel's customers in order to investigate the factors including personalization, communication, trust and satisfaction which may influence customer loyalty. The statistical population of the research is made-up of customers of the studied hotel. The findings reveal that there are significant correlations amongst all the factors and the most significant one is customer satisfaction.*

**Keywords:** Personalization, Customer, Loyalty, Hotel, Service Quality, Communication

### 1. Introduction

The high competitive global economy has intensified the importance of identifying factors which provide firms with long-term competitive advantages. The investigation for such drivers is no longer confined to the tangible components of the firm's offer. In fact, service components may provide the firm with the unique advantage to achieve values. Thus, appropriate services not only help companies to sustain customers' loyalty but also, more importantly, to improve the firm's image in the marketplace. Customer loyalty is increasingly being recognized by businesses as a path to enhanced profitability in a long term. It is considered as an important key to organizational success and profit (Oliver, 1997). Since, finding new customers and doing business needs time, effort and money, Some Scholars have suggested that the cost of attracting a new customer is five times more than the cost of retaining an existing customer (Barsky, 1994; Reichheld and Sasser, 1990). Although companies are realizing the value of keeping customers loyal, but more important is to know how to do it. Companies measure customer satisfaction, and hope that high customers' satisfaction scores leads to their loyalty.

But even satisfied customers leave for the attraction of a competitor's offer (Cannie, 1992). Customer loyalty, as a major concept in marketing research, has become an essential concern for managers. This increasing concern has mainly been due to intense competition, particularly in service industries, and the current consideration on the relationship between consumers and organizations, which is the core of the relational marketing approach (Olsen and Johnson, 2003). Services that fit with customer's needs may usually be more satisfactory than unfitted ones. On the other hands, personalized services may encourage the customer to believe that the firm is interested to fulfill his/her needs. Personalization seems to be difficult to apply and execute, because personalization means something different in different businesses. Peppers and Rogers (1997) defined personalization as the process of using a customers' information to deliver the required services to the customer. Vazquez-Carrasco and Foxall (2006) examined the relationship between aspects of consumers' personalities and their perception of relational benefits, satisfaction with and active or passive loyalty of 800 Spanish consumers. The results revealed that the perception of relational benefits improve customers' satisfaction and passive loyalty.

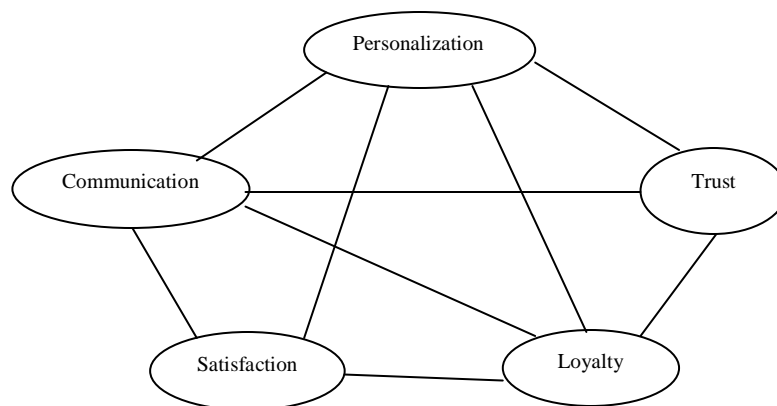
Ball et al. (2006) analyzed the influence of service personalization on loyalty and measured some of the psychological dynamics of the process. Their findings prove that service personalization indirectly influence on loyalty. The intermediate variable in this relation were service satisfaction and thrust. Bodet (2008) in an empirical study examined the relationship between satisfaction and loyalty based on four constructs including specific satisfaction, overall satisfaction, attitudinal loyalty and repurchase behavior. The findings of this study intended to reduce the role of transaction-specific satisfaction and to highlight the role of overall satisfaction even if it did not find any relationship with repurchasing behavior to be significant. In a study conducted by Lai et al. (2008) the relations among service quality, value, image, satisfaction and loyalty were examined in China through an integrative model. The results revealed that value has both a direct and indirect (through satisfaction) effect on customer loyalty. Other criteria mediate the influence of both service quality and corporate image on customer loyalty. In this paper, the correlation amongst five factors including personalization, communication, trust, satisfaction and loyalty are analyzed. The correlation test is used to find interrelationships amongst the mentioned factors. Thus, this research is conducted in a four star hotel located in Isfahan. Following the literature reviewed on the subject of loyalty and its related factors, a conceptual framework developed. A four star hotel in Isfahan as the major zone of tourism in Iran is undertaken as a sample of analysis. Finally, the results are analyzed; discussed and major conclusions are presented.

## 2. A conceptual framework of loyalty, trust, communication, satisfaction and personalization

In order to steer the subsequent review and discussion, a figure identifying the key constructs included in the study is provided in Fig. 1. The framework presents loyalty as a consequence of relationships with trust, personalization, communication, satisfaction and loyalty. The conceptual framework outlined in Fig. 1 presents a series of associative links that have been previously described in literature.

A growing number of organizations are interested in having faithful and loyal customers. It has been proved that how profitability, customer loyalty and companies' brand are interrelated. But an important attribute of loyalty is its time aspect which can be divided into two dimensions:" (Rundle-Thiele and Mackay, 2001)

- A behavioral dimension
- A mental dimension, including attitudes and intentions towards objects.
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**Figure 1. A conceptual framework of loyalty, satisfaction, trust, communication and personalization**

Personalization is closely related to Customer needs and expectations which have an increasing extent tailor-made to the customer's specific desires. Every customer is to have a unique treatment and unique offers. Customizing concerns on the following steps: (Bergman and Klefsjo, 2003)

- Identify the customers and their buying habits
- Differentiate the customers according to value and need.
- Open a dialogue with the customers.
- Customizing goods and services on offer to different customers.

The degree of customer satisfaction is the ultimate measurement of quality. It is always the customers who judge the quality of goods or services. Customer satisfaction is related to the needs and expectations of the customers. These in turn are affected by several factors, such as previous personal experience, the renown of the products or services, what the company has promised and some extent, the price of the goods or service.

The degree of customer satisfaction is the ultimate measurement of quality. It is always the customer who judges the quality of goods or services, and the quality of end products is determined by external customers. It is also closely related to how well the customer's needs and expectations are fulfilled (Bergman and Klefsjo, 2003). In the context of trust, two components including performance or creditability trust and benevolence trust can be considered (Ball et al. 2006). Trust as a critical variable in the relationship between vendor and customer plays a vital role. Therefore, customers who are not willing to trust a vendor in competitive marketplace are unlikely to be loyal (Chaudhuri and Holbrook, 2001). Another important factor which has been examined is communication. Appropriate communication from service provider can be helpful, positive, useful and pleasant. Therefore, good communication not only may create customer satisfaction, but also can make a positive influence on provider. The definition of communication also deals with communication from service provider to the customer. This relationship is not mutual (Ball et al. 2004).

### 3. Research Methodology

Hotels play a vital role in any tourism destination and contribute remarkable economic growth. Isfahan as a unique historical city with worldwide identity is not an exception to this problem. A survey is developed and conducted in a four star hotel in Isfahan as the major tourism focal point in Iran. The data is collected by a 52 items questionnaire, which is presented to customers in order to measure the level of service personalization, communication, satisfaction, trust and loyalty. A seven point Likert scale (1 as very low, 2 as low, 3 as somewhat low, 4 as moderate, 5 as somewhat high, 6 as high and 7 as very high) was used to measure the constructs. The questionnaire of the study includes 10 questions related to personalization, 10 questions related to personalization, 16 questions related to loyalty, 10 questions related to trust, 5 questions related to communication and 22 questions related to customer satisfaction.

### 4. Sample and Data Collection

Kowsar International hotel is selected for the survey. The Kowsar Hotel is located in the center of the city with an excellent and unique situation. Hotel is located in the middle of slightly views in the distance of 100 meters from historical bridge of sio-Se-Pol Bridge over looking Zayandeh Rood River. Kowsar hotel offers 24 hours room services and some services such as swimming pool, sports & gym club, conference hall, tea house, sauna, Jacuzzi, parking lot, restaurant, shopping center, barber's, coffee net, coffee shop, etc. The sample of the survey includes 150 customers of the hotel. Table 1 addresses demographic characteristics of the sample of customers. As it is clear, majority of the sample of respondents contain young people (60% less than 35 years old). In this category, 20 percent of customers are between 15 to 25 and 40 percent are between 25 and 35 years old. 58 percent of respondent are men and 42 percent are women. Most of the customers have bachelor degree (54 percent) and earn more than eight million Rials per month (56 percent). 34.6 percent of them are single while 65.4 percent are married.

**Table 1: Sample demographic characteristics**

	N	%		N	%
<b>Age</b>			<b>Gender</b>		
15 to 25	30	20	Male	87	58
25 to 35	60	40	Female	63	42
35 to 45	52	34.6	<b>Education Level</b>		
45 to 55	8	5.3	High School	0	0
55 and over	0	0	Diploma	20	13
<b>Marriage Status</b>			Associates	26	17.3
Single	52	34.6	Bachelors	81	54
Married	98	65.4	Masters and higher	23	15.3
<b>Purpose of the Journey</b>			<b>Customers' Revenue (Rials)</b>		
Job related	69	46	Less than 5000000	23	15.3
Entertainment	63	42	5000000 to 8000000	43	28.6
Others	18	12	More than 8000000	84	56

### 5. Results

The scores in table 2 denote the relative value of studied variables. As it is shown the highest value is related to communication. Personalization as another studied variable has the lowest value amongst the five variables under investigation. The Cronbach's Alpha of the data is calculated as, which is satisfactory; 0.979 and the Pearson correlation test is also performed on the data and the results are presented in table 3.

As it is shown in table 3, there are significant relationships amongst all the mentioned factors. The highest significant correlation value is related to the satisfaction and loyalty. The correlation value between communication and satisfaction, communication and trust, communication and loyalty, satisfaction and trust, trust and loyalty are also greater than 0.80. The least correlation value also refers to the personalization and trust. Table 2- Descriptive statistics of the related factors on loyalty

No.	Item	Mean	Std. Deviation
1	Personalization	5.019	1.975
2	Communication	5.485	1.448
3	Satisfaction	5.412	1.229
4	Trust	5.264	1.398
5	Loyalty	5.362	2.667

**Table 3- Two Tailed Pearson Correlation Test Amongst related factors on loyalty**

	Personalization	Communication	Satisfaction	Trust	Loyalty
Personalization	1	0.648*	0.618*	0.581*	0.786*
Communication	0.648*	1	0.882*	0.813*	0.930*
Satisfaction	0.618*	0.882*	1	0.808*	0.901*
Trust	0.581*	0.813*	0.808*	1	0.852*
Loyalty	0.786*	0.930*	0.901*	0.852*	1

\*Correlation is significant at the 0.01 level

### 6. Conclusions

In this paper, the interrelationship of studied variables including personalization, communication, satisfaction, thrust and loyalty were examined by correlation analysis. The findings imply that all variables had mean value of greater than average on a seven point Likert scale and communication as an important variable had the highest mean value. Communication had also the highest correlation with loyalty. In addition, all studied variables had significant correlations with each other. The proposed approach could be used in any service organization. The finding of this paper provides great competitive advantage to hotel managers who have interest to improve their customer loyalty. Since most of the service providers are looking for the ways to improve their own profitability, the finding of this research can help the companies to increase their profit through customer loyalty approach. This paper also has some limitations. Although the adapted questionnaire in this research considered only five important factors, it is costly and time consuming due to the large number of questions it holds. The results are also limited to one hotel and cannot be expanded to other hotels and service providers of the hospitality industry. These two important issues provide good opportunities for further development of the subject in future studies.

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