

Impact of SERVQUAL Dimensions over Customer Loyalty in Hospitality Industry of Pakistan

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Abstract

The paper critically reviews different researches on hospitality industry of Pakistan. These researchers include hotel sector, restaurants and other various sectors in the hospitality industry. Various researches have been carried out focusing on different behavioral intentions of the customers. These include, customer loyalty, customer satisfaction and customer repurchase intentions. The purpose of writing this paper was to increase the awareness about SERVQUAL dimensions (empathy, tangibles, responsiveness, etc.), that how can they impact over customer loyalty. Studies have same results overall i.e. increase in these SERVQUAL dimensions (empathy, tangibles, responsiveness, etc.) would increase customer loyalty, satisfaction and repurchase intentions. The paper critically reviews the literature of various researches and discusses the improvements required in them. This study can help in developing a stronger relationship with customers. Hotel and restaurant managers and even other areas of hospitality industry can use this study for customer relationship management.

Keywords: Service, quality, empathy, tangibles, responsiveness, customer loyalty and satisfaction.

1. Introduction

The paper reviews the SERVQUAL dimensions that have an impact over customer loyalty in hospitality industry of Pakistan. There are many literatures available in Pakistani context; their critical review has been carried out in this paper. Behavioral intentions of customers play a main role in contributing to the sustainability of this sector. Customer loyalty is the main factor to keep into consideration. According to Singh (2006), customer loyalty is referred to as the strong bond of the customer to a certain brand or product which he/she is willing to purchase despite any influence of different products marketing and any other situation, that person will still spend into his preferred product or brand. Customer loyalty plays its important role as a behavioral intention, as it can impact the consumption of different goods and services. According to Rehman et al. (2013), behavioral intentions are the different attitudes and behaviors of the individuals associated to a certain organization. So, the customer loyalty can be predicted to be such a behavior of the customers that can impact over the stability of the organization. Stability could be in terms of sales due to increased loyalty, as the customers would likely purchase the same product over a longer span of time.

Customer Loyalty is therefore an important factor for the organization, because of its impact on organizational stability. Sustainability and growth are also some of the important key objectives. Therefore, companies try to work hard in gaining the loyalty of their customers to increase their sales. The word of mouth approach of a customer can help in attracting potential new customers.

The paper explains the role of these behavioral intentions in the hospitality industry. Hospitality industry is growing rapidly in Pakistan (Rehman et al., 2013). New restaurants and hotels are being introduced to the market. So, that is where the role of behavioral intention comes in. Customers who are loyal to a certain brand or product will always continue to buy that product, even with the changing circumstances (Singh, 2006). When we apply this concept to the hospitality industry, it is very important for those restaurants or hotels.

Loyal customers will visit that certain hotel or restaurant over and over again. This not only helps that restaurant in gaining sales of its product, but also builds up its reputation. This has caused the hospitality industry to draw its focus upon potential customers. According to Chen et al. (2001), it is five times more expensive for companies working on bringing and attracting new customers, than maintaining existing loyal customers. This clearly indicates the importance of keeping loyal customers for these organizations.

The paper reviews different studies conducted on the hospitality industry in Pakistan. The paper provides a critical review of the role of SERVQUAL factors and their impact over customer loyalty. The need for customer retention is increasing day by day, so this paper can help in indicating the important aspects that are needed to be catered in order to maximize customer loyalty.

2. *Tangible Services and Customer Loyalty:*

Malik et al. (2011) explains that, customers have a strong bond with the tangibles available at a certain hotel. So, the loyalty of the customers is expected to increase with the good tangibles that are available to them. Malik et al. (2011) carried out multiple regression analysis on eight different hotels, which included four star and five star hotels as well. Reliability and empathy have also been considered as some important factors to impact the loyalty of a customer (Malik et al., 2011). But the most important factor is considered to be tangibles, which are available at the hotel. The study shows the relation of tangibles on customer loyalty. So, now a day people are looking towards quality. Quality is therefore another main aspect that has to be catered in this increasingly competitive environment. Hotel managers can take into the aspect of managing quality. This can help them in maintaining loyal customers by matching their demands.

Malik et al. (2012) also talks about three factors that have an impact over customer loyalty. These factors are different from the first study. These factors include price perception, service quality and brand image. All of these three factors have a positive impact over the loyalty of a customer (Malik et al., 2012). According to Malik et al. (2012), brand image and service quality are more positively related to customer loyalty than price perception. Relating the two studies the impact is overall the same. This shows that customers are more focused towards tangibles and quality. So, these studies provide much benefit to the hotels so that they can work on building up customer loyalty. These studies provide ample amount of data about customer relationship management and highlights the important factors for the hotels, that can help improve customer loyalty. This study also has some limitations associated to it as mentioned by Malik et al. (2012). These include the same limitations as in the previous study, only three factors have been discussed and the study could have had incorporated more. One more limitation to the study is that demographics have not been tested with independent and dependent variables. So, in order to add more to the study their testing should be carried out. Multiple regression analysis has been carried out by Malik et al. (2012). In the previous study, multiple regression analysis was also carried out. So, the two studies follow the same testing method for analysis. So, their results could be compared and therefore all of the factors from both studies would tend to increase customer loyalty.

Raza et al. (2012) talks about the relationship between perceived values, service quality, customer satisfaction and repurchase intentions. The paper also discussed different dimensions of service quality and perceived value. All of these four factors are positively related to one another and would increase revisit intentions (Raza et al., 2012). According to Raza et al. (2012), service quality matters a lot when you are developing customer loyalty. The impact of service can leave a good mark over a customer's perception. Perception when developed can impact over the repurchasing ability of the customers. Comparing the first two papers with this one shows that all of these factors are much important for the hotel industry. Not only these factors have an impact over customer loyalty but they can also increase revisit intentions of the customers. So, it is important for the different hotels to look into these factors which can help them in gaining potential customers, and also maintaining their loyalty. The study carried out by Raza et al. (2012) includes different tests on four variables and also their dimensions. This is a good approach as compared to the regression tests carried out by other two studies. It can help in discussing the relationships of variables and their dimensions in different angles. The study conducted by Raza et al. (2012) is overall better than other two, because it has carried out the research on 125 different hotels of Pakistan. So, it can provide an ample amount of data and its analysis than other studies.

3. *Empathy and Customer Loyalty:*

Ullah et al. (2016) in their paper talk about the relationship of perceived quality and customer loyalty. There is a positive relationship between perceived quality and customer loyalty (Ullah et al., 2016).

According to Ullah et al. (2016), there are different dimensions of perceived quality that impact over customer loyalty. These dimensions include reliability, assurance, empathy, responsiveness and tangibles. The paper has many limitations; it needs to focus on other hotels as well rather than only the Pearl Continentals. Hotels should be from both rural and urban environment, and also the study needs to cater other different factors that have an impact over the customer loyalty. This can help hotels in identifying different factors for retaining customer loyalty. The study carried out by Ullah et al. (2016) also focuses on multiple regression tests. These multiple regression tests can help determining the relationship of each dimension over customer loyalty (Ullah et al., 2016). Comparing all these four studies with each other shows that that the study carried out by Raza et al. (2012) is much better. The reason behind it is that the hotels used for the selection of data are up to 125, and more tests are carried out in this study. Main significance of study performed by Ullah et al. (2016) is that, it is carried out recently than other researches. So, it provides more relevance to the current point of time. Therefore, this study can be more helpful in future and current researches than the previous studies. Still, all of the studies help in identifying different factors that can help in retaining customer loyalty. These combinations of studies can also help different hotels in identifying their weaknesses, improving their core competencies and offering better quality for customers.

Shafiq et al. (2013) in their paper, talk about the relationship of service quality with customer satisfaction. According to Shafiq et al. (2013), service quality has a positive impact over the satisfaction of a customer. A person is more satisfied if tangibles including decoration, cleanliness etc is provided to them (Shafiq et al., 2013). Effect of empathy on customer satisfaction has also been discussed by Shafiq et al. (2013). The previous paper by Malik et al. (2011) also talks about the impact of empathy and tangibles over customer loyalty. So, the findings of both of the papers are the same. Better the tangibles are available to the customers, more they would be loyal and satisfied. Same is the case for empathy; increasing empathy would lead to rising loyalty of the customers. There are some limitations in the paper as discussed by Shafiq et al. (2013). These include not focusing on other cities and also following one tool. Some other limitations should have had also been mentioned in the paper. These include, carrying out research in many different hotels of both rural and urban areas. Including other factors as well and testing their effect on customer satisfaction. Overall, all of the studies provide an ample amount of data and results for the hotels in hospitality industry of Pakistan. These results can be utilized by the different hotels of Pakistan; it can help them in increasing satisfaction level of customers, and maintaining loyalty of the customers.

4. *Responsiveness and Customer Loyalty:*

Moon et al. (2015) talks about the role of norms, beliefs and values on behavioral intentions. According to Moon et al. (2015), social and personal motives have a great impact over the behavioral intentions of consumers. The customers with certain personal motives would focus on recycling their products on a regular basis (Moon et al., 2015). This indicates that a person with developed social beliefs and norms would tend to have more positive behavior of recycling the products. Normative influences were greater in this context (Moon et al., 2015). There are some limitations to the study as mentioned by Moon et al. (2015). These include, study focusing upon graduated students only. Results could not be the same in this case when you are looking at a broader perspective. In order to find that out, research on multiple personalities and individuals has to be carried out. This can help in providing the proper impact of norms and beliefs over behavioral intentions. One main important limitation of the study which has not been mentioned is that, other factors should have had been incorporated in the study. Not only norms and beliefs would have an impact over the behavioral intentions of the individuals. Other factors should have had also indicated their impact over behavioral intentions, which can vary as well. So, it is important to consider more factors in a study. The study provides a good source of information about the people of Pakistan. It also explains that people tend to follow what their social environment has taught them, they keep on developing their personal motives from time to time. Therefore, it can have a certain impact over their behavioral intention.

5. *Reliability and Customer Loyalty:*

Rahman et al. (2016) in their paper, talk about the relationship of service quality and behavioral intentions. According to Rahman et al. (2016), service quality has a positive impact on the behavioral intentions of a customer. The paper talks about the impact of reliability in the life assurance sector. People are more concerned about their lives after terrorism attacks and threats (Rahman et al., 2016). Therefore, people look forward towards quality in life assurance sector as well. Good quality attracts the customer for being a lifelong partner of the company (Rahman et al., 2016).

The company has to cater good quality standards and also provide customers with vast variety of packages so in order to maintain their loyalty, and also attracting more customers (Rahman et al., 2016). There are some limitations to the research as explained by Rahman et al. (2016). These include, the research only focusing upon the customers perspective not on the insurers. So, the study needs to cater this dimension as well in order to get more accurate results. Other is that, the research focuses only on the province of Punjab. Other limitations not mentioned in the study would include, catering other factors as well to see its impact on the customers. Other factors like price and premium can also have an impact over the behavioral intentions of the customers. Rahman et al. (2016) carried out multiple regression analysis for the study. It helped them in identifying the suitable relationships among the variables. Comparing the two studies it is very suitable to say that, perceptions of people matter a lot. Organizations need to work on developing these perceptions of the people. When these perceptions are developed, customers would be loyal to the company. As mentioned by Singh (2006), loyal customers would tend to repurchase higher.

Kanwal (2016) in her study, talks about the relationship of service quality, gratitude feelings and corporate image on customer repurchase intentions. The study focuses upon different restaurants. According to Kanwal (2016), service quality is positively related to customer repurchase intentions. Gratitude feelings and corporate image have little or no impact over customer repurchase intentions (Kanwal, 2016). In Pakistan, people are becoming more quality conscious (Kanwal, 2016). Therefore, this study is important in the aspect of measuring the impact of quality on customer repurchase intentions. There are some limitations to the study as mentioned by Kanwal (2016). These include, the study focusing on the cities of Islamabad and Rawalpindi. Scope of the study should have had been extended to get a broader view of the study. One of the main limitation not mentioned by the study is that, the study should have had focused on more factors. Comparing the previous studies as well this is the main limitation in all of them. Studies focus on discussing only a single or two factors and discussing their impact on the later. Catering on more factors can help the study to expand its view and approach. It can also help in providing more accurate results matching the context of the study. The study done by Kanwal (2016) focuses on multiple regression analysis. With this test, the relationship among different factors is analyzed. These studies also focus on regression analysis only; this could be extended by doing CFA as well. This could also provide useful results about the study and therefore adding more to the research. Overall, the studies focus on developing quality services so that customers are satisfied. When customers become satisfied, their intentions to repurchase also increase (Singh, 2006). This is a very important aspect for the organizations, as it can help in developing customer loyalty.

6. Conclusion and Recommendations

There are many studies carried out in the hospitality industry of Pakistan. These studies focus upon developing customer loyalty, increasing their satisfaction and their willingness to repurchase certain product. Talking about the hotel sector in the hospitality industry, many studies have been done in Pakistani context. This study can help in developing stronger relationship with customers. Different SERVQUAL factors that impact customer loyalty have been discussed in the paper. Hotel and restaurant managers and even other areas of hospitality industry can use this study for customer loyalty development. They can apply all of these rules to analyze the behavior of the customers. After analyzing, they can focus on the roles of empathy, tangibles and responsiveness. This can help in developing stronger customer relationship.

Talking about the restaurant sector and other hospitality industry, many studies are also available in the same context. These studies provide useful amount of data for analyzing the impact of service quality over customer repurchase intentions and loyalty. Some of the recommendations for future researchers are that, the focus should be towards other factors as well like price, premium and personal relationship development etc. These factors could help determine the impact over customer repurchase intentions more effectively. Other than that, scope of the study should be extended to entire Pakistan. As mentioned above, research should not focus only on regression analysis. Other tests should be conducted in current setting to determine the effects more effectively. This can not only help the future researchers but also this sector as well, as they can increase their focus over these factors, which can in-turn increase customer repurchase intentions and develop loyalty.

For future, researchers should look into more hotels in the rural areas as well. This can help differentiate between the impact in the rural and urban environment. Researchers can also focus on other industry and sectors like bank as well.

There are some limitations of this study as well; the review only focuses over the hospitality industry and on several sectors in the hospitality industry. The scope of the study can be extended. The paper only discusses about the SERVQUAL factors and their impact on customer loyalty, more factors can be taken into consideration as well.

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