

Effect of Employees on Customers Loyalty in Hotel Industry

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Abstract: *Hotel industry provides a pleasurable experience to its customers. It is observed that employees of the hotel play a significant role in creating such experience. Happy and satisfied customers leave the hotel with a wish to come again. With the increasing competition, customers are displaying switching behaviour for many reasons. Customer loyalty is an important issue of concern among hotels. There are many factors contributing to customer loyalty but it is observed that employee performance play a key role in retaining customers. The purpose of the present study was to identify employee performance related dimensions and their influence on customer loyalty. The results of factor analysis suggest that employee performance can be grouped into five factors namely reliability, customer orientation, responsiveness, respect, and relationship orientation. It is also found that there is a significant positive effect of employee performance on customer loyalty. The study provides valuable insights for human resource management and improving employee performance for retaining customers. Issues for future research are suggested for further exploring related dimensions.*

Key Words: *Employee, Customer Loyalty, People, Hotel Industry, Customer Retention*

Introduction

Employees are one of the most important elements in service creation and delivery in all types of service industries. Hotel services are a part of hospitality sector and are considered as high involvement services. Customer services delivered by hotel employees play a key role in customer satisfaction and their repeat visits. Word of mouth communication is also highly dependent upon the customer experience created through interactions with employees at different stages in service consumption. Hotel services ranging from inquiry, reception, accommodation, dining, business centre, entertainment, travel, transport to billing and

payments are highly dependent on employees' competencies, and emotional and behavioural skills. All types of customers coming to hotel expect a pleasant experience with human touch. Retaining customers is a becoming very challenging in a highly competitive scenario. Customer are displaying switching behaviour and becoming very demanding. The present study is aimed at identifying employee performance related dimensions and their relationship with customer loyalty.

Review of Literature

In many studies it was found that customer satisfaction and loyalty is significantly influenced by employee related dimensions. Happy and satisfied employees are found to be related to customer satisfaction, loyalty and profitability to the service organization. In one of the classical studies [1] a Service Profit Chain model was proposed which explained that Employee Quality, Satisfaction are related to employee satisfaction and quality, which in turn are directly related to customer satisfaction, customer loyalty, growth and profitability. Their study emphasised on the role of quality of employees and internal employee management process for bringing favourable organizational results. The role of employees can be described in terms of designing, developing and delivering services. They perform a number of activities to complete their assigned task and responsibilities. Quality of their performance has been reported as an important determinant of customer loyalty. Trust and customer interaction are also found to influence customer loyalty in hotel industry. In one of the studies [2] it was reported about relationships among customer interaction, service quality, trust, and customer loyalty. They found that customer interaction had the greatest direct impact on trust, followed by service quality, and finally, customer loyalty. This study clearly brought out the importance of employee and customer interaction in hotel industry. In another study [3] it was found that customer relationship management

practices adopted by Hotels have a direct impact on customer loyalty. In all the CRM activities, employees play an important role in building and managing relationships with customers. This is more important in hotel industry as it is highly people intensive.

In a study [4] of hotel industry in Malaysia it was revealed that employee satisfaction is an important factor contributing to formation of personal attitude to the professional activity of an organization. It was further reported in the study that employee satisfaction is considered to be a critical success factor for organizations. In another study [5] it was also found that employee's skills influence performance of hotels and restaurants. They reported that human resource management practices and managers' planning skills are the major dimensions of hotel performance.

Human dimensions of service quality have also been found to influence customer loyalty in hotel industry. In one of the studies [6] it was observed that reliability, responsiveness, empathy and assurance components of service quality had an impact on customer loyalty in hotels. There are some more studies which have also reaffirmed the influence of people related dimensions of service quality on customer loyalty [7, 8]. These studies have highlighted the fact that employees of the hotels are integral part of service quality which in turn influences customer satisfaction, loyalty, brand image and word of mouth communication.

Research Objectives

The primary purpose of this research was to understand the relationship between employee performance and customer loyalty. Following objectives were defined for the present study:

1. To analyze the dimensions of employees' performance in hotel industry; and
2. To examine the effect of employees' performance on customer loyalty in hotel industry.

Research Methodology

The present study was explanatory in nature and adopted a survey research approach. The data was collected with the help of a questionnaire consisting of final fifteen questions related to employee dimensions of hotel. Customer Loyalty was measured with a two separate questions. All the questions were

developed after a preliminary interaction with hotel customers and employees, and review of literature. The responses were obtained on a five point Likert type scale ranging from very important to least important. A total of 140 valid responses were used for data analysis after removing incomplete questionnaires. The data was collected from customers who had consumed hotel services. Initially employee performance dimensions of hotel services were analyzed with the help of exploratory factor analysis. Later correlation and regression analysis was done to study the relationship between employees' performance and customer loyalty.

Results and Discussion:

The data for employee performance was analyzed using Exploratory Factor Analysis technique with Principal Component Technique. The data was initially checked for sample adequacy through KMO and Bartlett's Test. The values for were found to be significant and adequate in the light of obtained scores (Table 1). Factor analysis converged the data into nine factors. The nomenclature of these factors was done as per their characteristics and constituents, such as Reliability, Customer Orientation, Responsiveness, Respect, and Relationship Orientation. The total variance contributed by all the factors was 63.109% which is regarded as significant. (Table – 2, and 3). Reliability of the scale for employee performance was also calculated and found to be 0.834 which is highly significant (Table-4). A brief discussion of all the five factors is presented below:

The first factor was named as **Reliability** which had a total variance of 17.126%. This factor was constituted by three items namely: Employees establish trust and faith with customers; The employees are experts in their areas of operation; and Employees are reliable. The factor loadings of these items were .764, .698, and .662 respectively. This factor highlights role of competency dimension of employee performance which results in a perception of reliability. Their ability to perform the task dependable and accurately is reflected by their expertise in their areas of operation. Their ability to win the trust of customers is very important. Service quality models also give very high importance to reliability factor. The core performance heavily relies on this factor.

The second factor was named as **Customer Orientation** which had a total variance of 14.327%. This factor was constituted by four items namely:

Employees take genuine interest in customers' expectations; Employees offers personalized services; Customers' complaints are promptly attended by employees; and Employees are very enthusiastic to serve the customers. The factor loadings of these items were .766, .683, .567, and .532 respectively. To fulfil the ever growing demands of the customer and to remain competitive it is extremely important to maintain a customer focus in all operations of the organization. All the employees at all the levels and across all the functional areas in the hotels need to be customer oriented. With an attitude to serve customers, employees must understand customer expectations so that personalized services are offered in an enthusiastic manner and all the complaints are resolved.

The third factor was named as **Responsiveness** which had a total variance of 12.334%. This factor was constituted by three items namely Employees take interest in understanding customer preferences; Customers' suggestions are obtained by Employees; and Employees effectively communicate with customers. The factor loadings of these items were .775, .663, and .628 respectively. Employees' interactions with customers to know about their preferences, suggestions, views and opinions is important to respond effectively. The preparedness of employees plays an important role in reflecting hotel's responsiveness towards customers' requirements.

The fourth factor was named as **Respect** which had a total variance of 10.753%. This factor was constituted by three items namely: Employees do not involve in arguments with the customers; Customers are given due attention by employees; and Employees provide relevant information to customers. The factor loadings of these items were .742, .599, and .532 respectively. The importance given to customers in different ways is a reflection of respectfulness towards customer. In hospitality industry respect and care of customers is very important. They are treated as valuable guests in the hotels. Therefore this factor holds significant importance.

The last factor was named as **Relationship Orientation** which had a total variance of 8.569%. This factor was constituted by two items namely: Care and curtesy offered by Employees make people feel good; and Employees maintain a valued relationship with customers. The factor loadings of these items were .815, and .507 respectively. Managing customer relationship is important for customer retention. The empathetic attitude and

behaviour of employees towards customers make them feel to be associated with the hotel. It is a major contributor towards customer loyalty and word of mouth communication.

All the above mentioned five factors reflect that the competencies, attitude, orientation, emotional expressions, behaviour, and other qualities of the employees are perceived to be important in defining performance of hotels. Effective management of employees help in enhancing quality of hotel services.

The relationship between employee performance and customer loyalty was analyzed with the correlation analysis (Table – 5) and regression analysis (Table – 6). Both the analysis reported a significantly high relationship (.519) between employee performance and customer loyalty. Customers leave the organization with a wish to come again and they also spread positive word of mouth communication if they are satisfied with employees. They recommend the same hotel to others. This is an important finding which clearly brings out the role of employees in maintaining customer loyalty in hotel industry.

Conclusion

The present study provides important insights into the role of employee performance in hotel industry. It analyzed the employee performance in different activities and grouped them into five factors namely Reliability, Customer Orientation, Responsiveness, Respect, Relationship Orientation. The study makes a significant contribution by further revealing that employee performance has a significant impact on customer loyalty in hotel industry. In an era of growing competition and demanding customers, hotels find it difficult to retain customers. Customer switching is a very common phenomenon. The present study has proposed important implications for hotel industry. It suggests that by effective management of employees' performance on important dimensions, hotels can improve customer loyalty.

Future researches can be undertaken to explore other relationships related with employee performance and customer loyalty. Different departments or functional areas may have different impact on customers, which may be explored. The studies can also be undertaken to compare the results in different categories of hotels. Other elements contributing to customer loyalty in hotel industry can also be identified. The effect of employees' performance on hotels'

performance can also be measured with the help of financial metrics.

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**Appendix
Table -1
KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.844
Bartlett's Test of Sphericity	Approx. Chi-Square	454.134
	df	105
	Sig.	.000

**Table - 2
Factor Analysis**

Total Variance Explained							
Component	Initial Eigen values			Rotation Sums of Squared Loadings			
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
1	4.678	31.185	31.185	2.569	17.126	17.126	
2	1.448	9.652	40.837	2.149	14.327	31.453	
3	1.210	8.069	48.906	1.850	12.334	43.786	
4	1.106	7.371	56.277	1.613	10.753	54.540	
5	1.025	6.832	63.109	1.285	8.569	63.109	
6	.865	5.768	68.877				
7	.739	4.927	73.804				
8	.674	4.493	78.297				
9	.570	3.801	82.098				
10	.516	3.442	85.541				
11	.506	3.375	88.916				
12	.472	3.145	92.060				
13	.436	2.907	94.968				
14	.395	2.632	97.599				
15	.360	2.401	100.000				

Extraction Method: Principal Component Analysis.

Table – 3
Factors of Employee Performance

Rotated Component Matrix^a					
	Factors				
	1	2	3	4	5
1 Employees establish trust and faith with customers.	.764				
2 The employees are experts in their areas of operation.	.698				
3 Employees are reliable.	.662				
4 Employees take genuine interest in customers' expectations.		.766			
5 Employees offers personalized services.		.683			
6 Customers' complaints are promptly attended by employees.		.567			
7 Employees are very enthusiastic to serve the customers.		.532			
8 Employees take interest in understanding customer preferences.			.775		
9 Customers' suggestions are obtained by Employees.			.663		
10 Employees effectively communicate with customers.			.628		
11 Employees do not involve in arguments with the customers.				.742	
12 Customers are given due attention by employees.				.599	
13 Employees provide relevant information to customers.				.532	
14 Care and curtsey offered by Employees make people feel good.					.815
15 Employees maintain a valued relationship with customers.					.507
Extraction Method: Principal Component Analysis.					
Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 11 iterations.					

Table – 4
Reliability of Employees Performance Scale

Reliability Statistics	
Cronbach's Alpha	N of Items
.834	15

**Table – 5
Correlations**

Correlations			
		People	Loyalty
Employees Performance	Pearson Correlation	1	.519**
	Sig. (2-tailed)		.000
	N	119	119
Customer Loyalty	Pearson Correlation	.519**	1
	Sig. (2-tailed)	.000	
	N	119	119

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

**Table – 6
Regression**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.519 ^a	.269	.263	1.27803		
a. Predictors: (Constant) Employees Performance						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.928	.878		2.196	.030
	Employees Performance	.101	.015	.519	6.563	.000
a. Dependent Variable: Customer Loyalty						