



Do hoteliers need to manage image to retain loyal customers?

Do hoteliers
need to manage
image?

Jay Kandampully

*Department of Consumer Sciences, The Ohio State University, Columbus,
Ohio, USA, and*

Hsin-Hui Hu

*Hospitality Management Department, School of Tourism,
Ming Chuan University, Taipei, Taiwan*

435

Abstract

Purpose – The aim of this paper is to understand the relationships between service quality and customer satisfaction and how they impact corporate image and customer loyalty.

Design/methodology/approach – Data were collected from several cities in Mauritius. The study sample included participants who stayed in various hotels in Mauritius; the participants were randomly approached and invited to participate in a survey on their respective hotel's services.

Findings – Corporate image is influenced both by service quality and customer satisfaction, which in turn influences customer loyalty. Thus, the key to customer loyalty appears to be the fostering of a favorable image of the hotel firm created by improving service quality and satisfying customers.

Research limitations/implications – Given the difference in values and cultures among different countries, the findings need to be confirmed by further evidence from other countries. Future research should further investigate the impacts of service quality, customer satisfaction, corporate image, and behavior intentions on organizational performance measures such as profitability, extend the integrative framework and incorporate other variables.

Practical implications – This study clearly illustrates the importance of a long term focus on superior service delivery on a firm's image. Service quality and customer satisfaction should therefore aim to enhance a long term image of the firm in the customer's mind.

Originality/value – This research clearly adds new knowledge to the present body of hospitality literature and will assist managers by providing a practical approach to enhance customer loyalty.

Keywords Hospitality management, Corporate image, Customer services quality, Customer satisfaction, Customer loyalty

Paper type Research paper

Introduction

The hyper competitive global economy has intensified the importance of identifying factors that will provide firms with long-term competitive advantages. The search for such drivers is no longer confined to the tangible components of the firm's offer. In fact, the service components of the offer provide the firm with the unique advantage to enhance value. Thus services not only help the firm to sustain loyalty from its customers but, more importantly, to enhance the firm's image in the marketplace. Indeed, the importance of "service superiority" and "corporate image" has become a common agenda in board rooms and management meetings in an effort to gain competitive advantage. However, translating the firm's corporate service vision into an actionable strategy has not proved easy for many firms. Academic literature has identified numerous factors that contribute to a firm's success; and both theory and



International Journal of
Contemporary Hospitality
Management
Vol. 19 No. 6, 2007
pp. 435-443

© Emerald Group Publishing Limited
0959-6119

DOI 10.1108/09596110710775101

practice has repeatedly proved that short term economic and market goals do not provide a firm with a sustainable advantage.

The competitive marketplace and continuous expansion in the choice available to customers has rendered organizations with limited means of distinguishing themselves from their competitors. One of the most effective means to elevate customer perceived “image” of a hotel is by consistently offering superior performance. Many hotels therefore spend time, resources and money in advertising the hotel and its products and services to create a strong and impressive brand image. Employees are trained in corporate dressing and image marketing while research firms help organizations to determine consumer preferences and opinions about the firm and its products. In response to these observations, this article aims to examine factors that affect corporate image in the hospitality industry. This research helps us to understand the direct and indirect impact of corporate image on consumer loyalty in the hospitality industry. Based on the study findings we recommend strategies that can be utilized by hotel firms to enhance corporate image.

Corporate image

Corporate image has been identified as an important factor in the overall evaluation of a firm (Bitner, 1990) and is argued to be what comes to the mind of a customer when they hear the name of a firm (Nguyen, 2006). There are two principal components of corporate image: functional and emotional. The functional component is related to those tangible characteristics that can easily be measured, such as the physical environment offered by the hotel; the emotional component is associated with those psychological dimensions that are manifested by feelings and attitudes towards an organization. These feelings are derived from the numerous experiences with an organization and from the processing of information on the attributes that constitute functional indicators of image (Kennedy, 1977). The association between corporate image and a hotel’s offering is much more difficult to pinpoint because of the large intangible component of the hotel’s offer. Rendering the intangible components tangible is therefore imperative if the hotel is to communicate quality and value to its customers. Contact personnel and physical environment are thus used by many hotels, to successfully communicate the benefits (Nguyen, 2006), essentially creating a more concrete and perceivable image to its customers. Although the quality of service is “defined” by the customer, but “created” by the employees, it is the “human factor” that holds the ultimate balance of quality in service industries. Service providers not only deliver and create the services but are often seen as synonymous to the firm in the eyes of the customer (Surprenant and Solomon, 1987). For example, Ritz Carlton hotel’s Credo “we are ladies and gentlemen serving ladies and gentlemen” communicates a strong service “image” to both its customers and its employees simultaneously. To Ritz Carlton both these customer groups (external customers and internal customers) are essential not only to the firm’s success, but also to maintain a superior service image in the market. Ritz Carlton clearly communicates their firm’s service superiority by showcasing their world class employees (Bacon and Pugh, 2004). To Ritz Carlton, its employees are the “ladies and gentlemen” of the hotel profession – the elite hotel professionals – who inherently familiar with how best to serve “ladies and gentlemen”. Thus the employee induced image communicates superior service to the firm’s customers. To support its world class employees, Ritz Carlton has also developed

numerous service focused strategies such as empowering employees with \$2,000 to use towards anything that will enable employees to create an out of the ordinary experience for customers. Gronroos (1984, 1990) argued that service quality and the subsequent image gained by the firm are derived through two distinctly different dimensions namely: technical quality; and functional quality. Functional quality addresses “how” the service is offered, and considers issues such as the behavior of customer-contact staff and the speed of service, whereas technical quality addressed “what” is offered, and considers such issues as the end result of service provision (Kang, 2006). In a hotel context, the functional aspects of services (how they are offered) has a much higher probability of influencing customers’ emotional feelings, than the technical aspects (what is offered). The functional aspects of the service enhance value and provide a memorable experience to the customer. Several authors have suggested that evaluation of service quality should include both sets of attributes (Baker and Lamb, 1993; Mangold and Babakus, 1991). Theory suggests that employees service mindedness and thoughtful action enhance customer perception and therefore lead to favorable hotel image (Little and Dean, 2006). Researchers have found image to be a very complex concept in that it is more than just the summation of all the factual attributes of a firm. Image is influenced by the interactions among all factual and emotional elements of a firm in generating consumer’s impression and suggesting a “gestalt” view of the firm’s image (Arons, 1961; Oxenfeldt, 1974; Dichter, 1985; Keaveney and Hunt, 1992). Moreover, many studies have reported that the firm’s ability to consistently offer superior service and the resulting customer satisfaction has a strong positive influence on the firm’s image.

Influence of service quality and customer satisfaction on corporate image leading to loyalty?

Hotel image is believed to play an important role on a customer’s decision to use a hotel. Corporate image is mainly derived from customers past experiences. Thus, a customer’s experience with the hotels’ services is considered to be the factor most influential in determining their image of the hotel (Kandampully and Suhartanto, 2000). Andreassen and Lanseng (1998) and Grönroos (1984) suggested that corporate image serves as a filtering mechanism that impacts customers perception and customer satisfaction. Nguyen and LeBlanc (1998) reported that customers who perceive service quality over repeated service encounters will have an overall favorable image of the firm. Thus, it is important for hospitality firms to gain high customer satisfaction by managing service encounters. If customers perceive that the firm is truly service oriented, it will have the power to enhance customers’ perception of the firm’s image and gain their loyalty. Those firms who have developed strategies and systems to ensure that the entire firm’s focus remains directed on assisting and supporting customers will not only gain positive influence on the firms’ image but will also gain customer loyalty. For example: Dell’s customer focused service model “beginning with the customer and ending with the customer” helped Dell to provide personalized service to its customers (Dell, 1999). Through Dell’s intense customer focus it was possible for Dell to create the revolutionary service strategies that enabled Dell to show its service superiority. Dell’s strategies: “build-to-order”; “direct relationship” and “single point of accountability” helped to orient the entire firm to serve the customer better. These services were unheard of in the computer industry, as it was considered

impossible to build computers for the requirements of every individual customer. Dell's service strategy to offer customized computers to its customers communicated Dell's superiority over other computer firms in the market. Dell thus was also successful in communicating their service-oriented system very effectively to their customers. In effect, Dell gained the opportunity to create and maintain direct relationship with its customers by assigning single point of accountability (customers have direct contact with one Dell employee who fulfills all of a customer's requests). This direct relationship focused strategy helped Dell not only to offer customer support but also to maintain direct long term relationship with the customers through the entire life span of the computer. Dell's direct relationship and service support was truly a "unique proposition" to the customers. Dell's well thought through service strategies allowed Dell to orchestrate superior services that are focused on customer needs. Through its superior service Dell gained customer satisfaction and uplifted its image in the customers mind, thereby gaining the all important customer loyalty. The above examples of Ritz Carlton and Dell, provides a clear message to the hotel firms. It is imperative for hotel firms to move away from the old paradigm of marketing and advertisement. Image and loyalty are no longer the variables that can be influenced through advertisement and marketing, but are those that can be successfully managed through superior service and customer satisfaction.

Will positive corporate image lead to customer loyalty?

A firm's ability to consistently deliver superior quality of service and the subsequent customer satisfaction are considered to be the primary prerequisite for gaining customer loyalty. Several studies suggested that consistently providing high quality service may help hospitality firms increase their number of brand loyal customers (Tepeci, 1999; Backs and Parks, 2003). The quality of service is influenced by the actions of contact employees during service delivery. The thousands of moments-of-truth that are spontaneously managed by service employees both in the presence and/or away from customers' sight communicates quality, efficiency the service-oriented culture of the firm. The firm's employees' service mindedness may be considered as the collective service culture of the firm which motivates service personnel to go beyond their job tasks to fulfill customer needs. Service minded employees therefore have the unique opportunity to establish relationship with the customer. For example: at Southwest Airlines the common mantra is "customers come second – and still get great service". South West's core belief "the better its people are treated the better they perform" this core belief helped Southwest gain three very important outcomes, namely: employee relationships, service culture and customer relationship. Employee relationship spontaneously created the most coveted service culture Southwest enjoys (Bunz and Maes, 1998; Rhoades, 2006). The commitment and loyalty of its employees is what differentiates Southwest from its competition. A sense of employee "ownership" within a service-oriented culture has reaped significant dividends for the firm. The loyalty of Southwest's internal customers is reflected directly on in the loyalty of it external customers. Customer focused service culture of Southwest instigates employees to go out of their way to please customers. At every moment of the service experience Southwest's employees create positive and memorable moments-of-truth that have helped them gain and enhance customer relationship, loyalty and positive word-of-mouth. Efficient, spontaneous and

personalized service offered by Southwest employees has helped to win the heart of its customers. Thus the superior quality of service as perceived by its customers helped Southwest successfully create customer satisfaction and long term relationship with its customers. The above example from Southwest clearly illustrates the impact of operational outcome on customer satisfaction, image and customer loyalty. Getty and Thompson (1994) reported that consumer's intentions to recommend are a function of their perception of both their satisfaction and service quality with the hotel experience. Oh (1999) also found that perceived service quality and customer satisfaction have important relationships in customer's repurchasing decision process. Their study indicates that service quality and customer satisfaction are directly or indirectly related to repurchase intention as well as to positive WOM communication intentions in the hotel industry.

Corporate image is considered to serve as an important factor that will enhance customer loyalty. Heung *et al.* (1996) found that hotel image is important to gain relatively high score rating among loyal customers. Kandampully and Suhartanto (2000, 2003) further identified that the hotel image and customer satisfaction have direct impact through the performance of housekeeping, reception, food and beverage and are positively correlated to customer loyalty. Their study results indicated that hotel image and customer satisfaction are important factors in determining customer's intention to repurchase, to recommend, and exhibit loyalty. Our study was aimed to further understand the relationships that exist between service quality, customer satisfaction, image and customer loyalty in the hospitality industry. We developed a model (Figure 1) to help us review the relevant literature and practice and also to examine the relationships that exist.

Methodology

The data was collected from the customers of hotels located in Mauritius. Participants of this study were customers of various hotels belonging to three hotel categories, namely: luxury, mid-scale and economy hotels (luxury hotel – 26 percent, mid-scale hotel – 64 percent, and economy hotel – 10 percent). In total, 1,500 respondents participated in this study. The questionnaire used was composed of 39 questions.

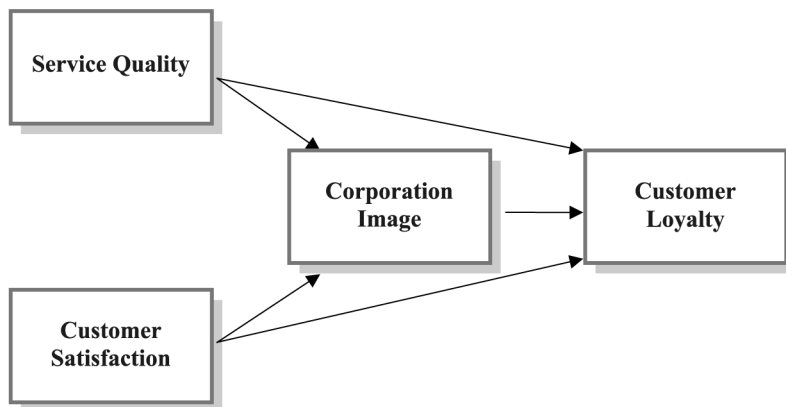


Figure 1.
Proposed model

Service quality was measured with a scale modified from Parasuraman *et al.*'s SERVQUAL instrument. To measure satisfaction, customers were asked to state their overall satisfaction with the hotel, their overall satisfaction with the employees' service mindedness and the quality of services offered by the hotel. Corporate image was operationalized using the dimension of image attributes and image holistic developed by (Kandampully and Suhartanto, 2000). Customer loyalty representing repurchase intentions, willingness to recommend, and price sensitivity was measured using a scale developed by Zeithaml *et al.* (1996). Each of the items was accompanied by a seven-point scale ranging from 1 = not at all likely to 7 = extremely likely. Construct reliability was assessed by using the Cronbach alpha coefficient. Reliabilities range from 0.64 to 0.95, suggesting that the construct could be used with confidence.

The results of our study support the existence of a significant relationship between service quality and customer satisfaction. The relationship between service quality and corporate image was found statistically significant. This study finding suggests that customers who received high service quality formed a favorable image of the hotel. The relationship between customer satisfaction and corporate image was also found to be statistically significant. Thus, this study results clearly indicates that customer satisfaction has a positive impact on the corporate image. However, no significant impact of service quality on customer loyalty was observed. Furthermore, customer satisfaction was found to significantly affect loyalty. It was also found that customer satisfaction has positive impact on customer loyalty. Finally, corporate image was found to positively influence customer loyalty. This study results support that corporate image has a strong impact on customer loyalty. Additionally, service quality and customer satisfaction were also found to have indirect effects on customer loyalty via corporate image.

Our study findings clearly illustrate that hotel image and loyalty are directly linked with the hotels service performance. Not merely in terms of "what" was performed but more importantly as to "how" it was performed. In effect, the moments-of-truth that were created through service minded employees actions were found to be an important contributing factor. Thus it can be concluded here that service quality and customer satisfaction helped hotels to enhance corporate image that in term enticed customers to remain loyal by retuning to the hotel and/or recommending the hotel. Moreover, both operational factors and the human factors were found to have high influence to enhance hotel's image and loyalty.

Conclusions

Relationship between service quality, customer satisfaction, corporate image, and loyalty in a hotel setting were examined in this study. The results of this study clearly indicate that hotel image is influenced by both service quality and satisfaction, and they in turn enhance the hotel's image resulting in gaining customer loyalty. Thus the key to customer loyalty appears to be through favorable image of the hotel. Favorable image of a hotel however, is created by improving service quality and customer satisfaction. We found that the impact of customer satisfaction has direct impact on customer loyalty in the hotels. Therefore, it is clear from this study finding that customer satisfaction influence customer loyalty indirectly by affecting image of the hotel but also influences customer loyalty directly. Although we did not find evidence that high service quality will result in loyalty, service quality has an indirect effect on

customer loyalty via corporate image. These study findings suggest that service quality affects corporate image, which in turn affects customer loyalty. Thus, corporate image mediates the effect of service quality on customer loyalty. In summary, hotel firms' competitiveness is associated with higher levels of service quality and customer satisfaction. Further, customer's perception about the Firms' image will have positive impact on customer loyalty.

Do hoteliers
need to manage
image?

441

Managerial implications

In today's globally competitive market, hospitality firms have to seek ways by which they can communicate uniqueness to its customers through superior performance so as to enhance the firm's corporate image and to gain customer loyalty. This study clearly provides hospitality managers the insight that will help them create service focused strategies. Hotel firms' service focus should aim to enhance their image and customer loyalty on an ongoing basis. Service quality and customer satisfaction are imperative for the firm's success. However, hospitality managers have to develop long term service oriented strategies that will help to orchestrate the firm and its employees to focus on the customer. It is the firm's intense customer focus that will help them to become service oriented that will enhance the firm's image in the customers mind. Moreover, service quality, customer satisfaction, image and loyalty are intricately correlated and have direct influence on each other. Thus from a strategic perspective service quality, customer satisfaction, image and loyalty should be managed by coordinating operational, human resources and marketing. Therefore hotel firms should seek ways effective methods to unify operations, human resources and marketing though customer focus and service orientation. In fact, marketing may prove virtually ineffective if firms' service promises are not fulfilled by the employees operationally. From this study results we now know that image has high impact on loyalty and hence, image building service strategies should be part of the firm's commitment to sustain superior operational performance. For example, Ritz Carlton maintains its elite position in the hospitality industry by maintaining its superior standard of service. Ritz Carlton's service image further reinforces the loyalty of its customers, as they experience superior service with out fail, every time, all the time. It is the long-term commitment of Ritz Carlton that has gave them the opportunity to develop numerous ways to enhance their standard of service on an ongoing basis. Thus it is imperative that hospitality firms take on the task of long term commitment to service quality and customer satisfaction. Improving the quality of service should not merely be seen as an operational challenge but as a strategic image building initiative. Image both positive and negative can and will influence customer loyalty. Furniture manufacturing firm IKEA has been successful in creating customer loyalty through their corporate image by communicating effectively what IKEA stands for; not just in words but through their uniquely innovative democratic design that provide customers with form, functionality and price (Edvardsson *et al.*, 2006). Although there is no quick fix to gain positive image, building image should be taken up not merely as a marketing initiative but also as an operational challenge. It is the operations that reinforce the image in the customers' mind and therefore service quality and customer satisfaction should aim to build long-term image of the firm rather than short-term operational benefit.

References

- Andreassen, T.W. and Lanseng, E. (1998), "Customer loyalty and complex services: the impact of corporate image on quality, customer satisfaction and loyalty for customers with varying degrees of service expertise", *International Journal of Service Industry Management*, Vol. 9 No. 1, pp. 7-23.
- Arons, L. (1961), "Does TV viewing influence store image and shopping frequency?", *Journal of Retailing*, Vol. 37 No. 3, pp. 1-13.
- Backs, K.J. and Parks, S.C. (2003), "A brand loyalty model involving cognitive, affective, and cognitive brand loyalty and customer satisfaction", *Journal of Hospitality & Tourism Research*, Vol. 27 No. 4, pp. 419-35.
- Bacon, T.R. and Pugh, D. (2004), "Ritz-Carlton and EMC: the gold standard in operation behavioral differentiation", *Journal of Organizational Excellence*, Vol. 23 No. 3, pp. 61-76.
- Baker, J.A. and Lamb, C.W. Jr (1993), "Measuring architectural design service quality", *Journal of Professional Services Marketing*, Vol. 10 No. 1, pp. 89-106.
- Bitner, M.J. (1990), "Evaluating service encounters: the effects of physical surroundings and employee responses", *Journal of Marketing*, Vol. 54, April, pp. 69-82.
- Bunz, U.K. and Maes, J.D. (1998), "Learning excellence: Southwest Airlines' approach", *Managing Service Quality*, Vol. 8 No. 3, pp. 163-9.
- Dell, M. (1999), *Direct from Dell: Strategies that Revolutionized an Industry*, HarperCollins Publishers Inc., New York, NY.
- Dichter, E. (1985), "What's in an image?", *Journal of Consumer Marketing*, Vol. 2 No. 4, pp. 75-81.
- Edvardsson, B., Enquist, B. and Hay, M. (2006), "Values-based service brands: narratives from IKEA", *Managing Service Quality*, Vol. 16 No. 3, pp. 230-46.
- Getty, J.M. and Thompson, K.N. (1994), "The relationship between quality, satisfaction, and recommending behavior in lodging decision", *Journal of Hospitality and Leisure Marketing*, Vol. 2 No. 3, pp. 3-22.
- Grönroos, C. (1984), "A service quality model and its marketing implications", *European Journal of Marketing*, Vol. 18 No. 4, pp. 36-44.
- Grönroos, C. (1990), *Service Management and Marketing*, Lexington Books, Lexington, MA.
- Heung, V.C., Mok, C. and Kwan, A. (1996), "Brand loyalty in hotels: an exploratory study of overseas visitors to Hong Kong", *Australian Journal of Hospitality Management*, Vol. 3 No. 1, pp. 1-11.
- Kandampully, J. and Suhartanto, D. (2000), "Customer loyalty in the hotel industry: the role of customer satisfaction and image", *International Journal of Contemporary Hospitality Management*, Vol. 12 No. 6, pp. 346-51.
- Kandampully, J. and Suhartanto, D. (2003), "The role of customer satisfaction and image in gaining customer loyalty in the hotel industry", *Journal of Hospitality and Leisure Marketing*, Vol. 10 Nos 1/2, pp. 3-25.
- Kang, G.D. (2006), "The hierarchical structure of service quality: integration of technical and functional quality", *Managing Service Quality*, Vol. 16 No. 1, pp. 37-50.
- Keaveney, S.M. and Hunt, K.A. (1992), "Conceptualization and operationalization of retail store image: a case of rival middle-level theories", *Journal of the Academy of Marketing Science*, Vol. 20 No. 2, pp. 165-76.
- Kennedy, S.H. (1977), "Nurturing corporate image", *European Journal of Marketing*, Vol. 11 No. 3, pp. 120-64.

-
- Little, M.M. and Dean, A. (2006), "Links between service climate, employee commitment and employees' service quality capability", *Managing Service Quality*, Vol. 16 No. 5, pp. 460-76.
- Mangold, G.W. and Babakus, E. (1991), "Service quality: the front-stage perspective vs the back-stage perspective", *Journal of Services Marketing*, Vol. 5 No. 4, pp. 59-70.
- Nguyen, N. (2006), "The collective impact of service workers and servicescape on the corporate image formation", *International Journal of Hospitality Management*, Vol. 25 No. 2, pp. 227-44.
- Nguyen, N. and LeBlanc, G. (1998), "The mediating role of corporate image on customers' retention decisions: an investigation in financial services", *International Journal of Bank Marketing*, Vol. 16 No. 2, pp. 52-5.
- Oh, H. (1999), "Service quality, customer satisfaction, and customer value: a holistic perspective", *International Journal of Hospitality Management*, Vol. 18, pp. 67-82.
- Oxenfeldt, A.R. (1974), "Developing a favourable price-quality image", *Journal of Retailing*, Vol. 50 No. 4, pp. 8-14.
- Rhoades, D.L. (2006), "Growth, customer service and profitability Southwest style", *Managing Service Quality*, Vol. 16 No. 5, pp. 538-47.
- Surprenant, C.F. and Solomon, M.R. (1987), "Predictability and personalization in the service encounter", *Journal of Marketing*, Vol. 51, April, pp. 86-96.
- Tepeci, M. (1999), "Increasing brand loyalty in the hospitality industry", *International Journal of Contemporary Hospitality Management*, Vol. 11 No. 5, pp. 223-8.
- Zeithaml, V., Berry, L. and Parasuraman, A. (1996), "The behavioral consequences of service quality", *Journal of Marketing*, Vol. 60, April, pp. 31-46.

Corresponding author

Jay Kandampully can be contacted at: kandampully.1@osu.edu

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.