Critically Evaluating the Role of Branding, Services and Strategy on Customer Loyalty

P. Yukthamarani Permarupan[^a], Abdullah Al-Mamun[^b,~*]; Roselina Ahmad Saufi[^c]; Noor Raihani Binti Zainol[^d]

[^a]: Lecturer, Faculty of Entrepreneurship and Business, Universiti Malaysia Kelantan, Malaysia.
[^b]: PhD in Development Economics, Senior Lecturer, Faculty of Entrepreneurship and Business, Universiti Malaysia Kelantan, Malaysia.
[^c]: PhD in Management, Professor, Faculty of Entrepreneurship and Business, Universiti Malaysia Kelantan, Malaysia.
[^d]: Lecturer, Faculty of Entrepreneurship and Business, Universiti Malaysia Kelantan, Malaysia.

*Corresponding author.

Received 28 June 2013; accepted 17 August 2013.

Abstract
Nowadays, customers becoming fastidious while choosing hotel as their lodging during vacation or trip. This study examined the relative importance of hotel factors in relation to customers’ overall satisfaction levels with their experience in the hotel and the likelihood of returning to the same hotel. Using a cross-sectional design, this study examined how Branding, Services, and Strategy influence customers’ loyalty. Data was collected from 187 tourists. Findings of this study indicated that branding and services provided by hotels has a significant positive effect on consumer loyalty. Managers should therefore emphasize on service and branding in order to build long term relationship need to maintaining customer’s loyalty, which is crucial for the survival in today’s competitive business environment.

Key words: Branding; Services; Strategy; Customer Loyalty; Hotels; Malaysia

INTRODUCTION

Studies on customer satisfaction in the service industry have increased dramatically in the recent years (Peterson & Wilson, 1992). Following the trend, this study focuses on customer loyalty in choosing hotel and it is an interesting area of research which had been explored by many researchers. On top of that, customer value and service quality have also been of great interest to hospitality researchers (Ekinci et al., 2003; Oh, 1997; Kim & Oh, 2004). Studies done show that the importance of services provided by the hospitality industry will affect the customer value and their loyalty towards the hotel. However, in the said industry, problems often arise in evaluating the service performance by the customer. Following that, a number of authors have researched the selection criteria that consumers take account and use in choosing hotels (Ananth et al., 1992; Callan & Bowman, 2000; McCleary et al., 1993; Weaver & Oh, 1993).

Since then, hotel managements started to emphasize other services that may influence the loyalty among the customer, for instance the decoration in the hotel, pricing strategy that is being used and the advertisement or images they represent. All these factors have come to affect the customer loyalty with different aspects. In this study, the priority is given to what customers look for while choosing a hotel and the findings from this study can evaluate and identify the important variables that impacts customer loyalty. In order to determine what are the factors which influence the customers in choosing a hotel, this study particularly aims to understand the customer preference in choosing hotels. Next, this study strives to identify what customers prioritise in choosing hotels based on the three variables of branding, services, strategy and finally identifying the most important factor in deciding customer loyalty.

1. LITERATURE REVIEW

Loyalty represents one dimension of behavioural intentions (Zeithaml et al., 1996). It shows the customer’s willingness...
to pay more for a firm’s services. The higher level of loyalty means the customer will unlikely to change or switch to other hotels that is available. For a customer, on the other end, loyalty to one organization reduces the risk of service variability, allows for the development of a social rapport with the provider, and the customization of services to his/her specification (Berry, 1995).

The study of customer loyalty towards hotel industry is increasingly interesting among many researchers. It had become a competitive marketplace for this leisure industry where the customers enjoy unprecedented alternatives. In order to remain as the best option of hotel to their potential customers, different efforts had been taken by hotels to preserve customer’s loyalty. Understanding the customer preferences in choosing a hotel could determine the customer loyalty in the hotel industry. It is known that hotelier’s main responsibilities are to deliver their quality services to customers (Su, 2004) as this industry is a highly competitive and being able to deliver quality services determines success in this industry.

Typically, customers choose hotel based on their own primary instinct and satisfaction. These factors are causing occurrence of varieties of preferences within hotel customers. Among various factors, three variables have been identified for the purpose of this research such as branding and image of the hotel, services provided and strategies launched by the hotel.

1.1 Branding

Based on De Paoli and Fischer (2001) “A brand is more than a logo, a name or a corporate design – it is the picture which is anchored in the perception of a customer and affects their preferences”. This statement is also similar with Prasad and Dev’s (2000) perception. In addition, brand also embraces all tangible and intangible attributes that the business stands for (Prasad & Dev, 2000).

Identifying the tangible marketing activities that create intangible connections is invaluable because strong brands rest on compelling and distinctive emotional connections with their customers (John T. Copeland, 2003). This result reveals brand strength will provide benefit to the customer such as greater customer loyalty in choosing hotel (Keller, 2001). Brands would be a plus point for hotel chains to identify and differentiate themselves in customers’ mind which their behaviour actually affected by brand loyalty and willingness to pay a high price. In other words, the hotel industry has to understand the needs of customer and brand’s identity in order to gain customer loyalty.

Nevertheless, building strong brand is not getting any easier (Aufreiter, Elzinga, & Gordon, 2003). No brand can be successful without building a base of loyal and satisfied customers who hold the brand in high regard (Forgacs, 2003). De Paoli and Fischer (2001) have stated that brand management activities can only be defined with a relevant and concrete value proposition and it is crucial that the hotel’s value proposition takes effect at every point of contact with the customer.

Nowadays, hospitality industry has come out with co-branding strategy that become popular among hospitality industry. In general, co-branding can be defined as several brands collaborating in technology development, marketing, or production while keeping their independence as separate business entities (Stewart, 1995). On the marketing side, the polled resources which similar with co-branding allow brands for more effective market segmentation, well-coordinated multi channel promotion and sophisticated product development, brands can claim strong market penetration and premium price (Forgacs, 2003) to achieve customer loyalty.

However, Jiang et al. (2002) stated that a hospitality company can use an endorsed brand extension strategy to extend the power of well-accepted brand identity to a number of diverse concepts differentiated by market segment. Which the endorsed brand strategy puts a well established name on a cluster of products or services (Jiang et al., 2002).

1.2 Services

Services are one of the variable in customer loyalty studies because of the consistent and high standards of service that provided by the hotel. Customers are also assured of the hotel being familiar with the specific of their needs. The hotel will also offer substantial discounts according to the need of the customers. The delivery of service as promised was identified as the factor, which is the most important in developing loyalty to a hotel (Weber, 2001).

Due to the dynamic changes of customer preference at all the time, research into customer satisfaction in the service industry has increased dramatically in recent years (Peterson & Wilson, 1992). The increase has been aggravated by the increasing growth of the service industries (Danaher & Haddrell, 1996). According to Kivela (1996) customers are likely to view the services as bundle of attributes which may differ in their contributions from the service evaluations and choice. With a very good service offer to customers, it may establish loyalty (Cronin and Taylor, 1992), resulting in repeat purchases (Fornell, 1992), and favourable word-of-mouth advertising (Halstead & Page, 1992).

Teas (1994) states that there are five dimensions of hotel service quality: Tangibility, reliability, responsiveness, assurance, and empathy. Tangibility means the physical facilities, equipment, appearance of employees, and other customers. Reliability involves the consistency of performance and dependability which means the hotel performs the service correctly for the first time and honours its promise to customers. While responsiveness concerns the willingness or readiness of employees to provide services. Assurance defined as knowledge, courtesy of employers and their ability to
convey trust and confidence. Empathy means offering caring and individual attention to customers provided by the staff.

Providing a high-quality service has become an increasingly important issue to hotel service providers. An excellent quality of service that offered by a hotel can achieve competitive advantage, differentiate itself from competitors, increase customer loyalty, enhance corporate image, increase business performance, retain existing customers, as well as attract new customers (Watson et al., 1992). According to Tat and Raymond (2000), which says that “Staff Service Quality”, “Room Qualities” and “Value” were the three most influential factors in determining travellers’ overall satisfaction levels and their likelihood of returning to the same hotel.

Staff service quality has been identified as the most influential component in determining customers’ overall satisfaction levels and their likelihood of returning. Various research studies show that quality of service is considered being one of the top priorities in evaluating service quality (Oberoi & Hales, 1990). Cronin and Taylor (1992) suggest that service quality is likely to have a significant effect on purchase intention, but they also reported that customer satisfaction has a stronger and more consistent causal relationship with purchase intention than service quality.

Another unique aspect of service is the importance of face-to-face contact with customers (James, 2006). A successful hotel will recruit employees who display flexible personalities and willingness to do what it takes to satisfy the customers. The hotel’s training and socialization processes should encourage employees to care emotionally about their customers.

### 1.3 Strategy
Website becomes an extremely crucial strategy for attracting customers in hotel industry. Hotel industries are adopting this strategy into the business to the matters of survival. Websites help to identify the determinants affecting hotel customers’ online reservation intentions besides to assess their satisfaction with online hotel reservation. Hotel customers are more likely to rely on client information required and online security compared to the hotel branding and price benefits before they become experienced internet users.

With the enormous improvement of software and the speed of telecommunications, more people than ever are using the internet as a purchase channel (Connolly et al., 1998). The driving force behind information technology is customers’ insistence upon convenience, ease of use, hassle-free services, and accurate information (Connolly & Olsen, 2000; Ho et al., 2000). Hotels would likely to reduce the distribution cost as the customers seek to a lower search and process costs by obtaining information and making arrangements electronically. Therefore, Internet provides hotel industry a worldwide distribution channel for customers to book hotel rooms.

Armed with stronger information search capabilities offered by the internet and the World Wide Web (WWW), potential hotel customers will conduct more comprehensive online searches for information so that they are able to compare the alternatives and make the best purchase decision (Woo et al., 2005). The way potential customers conduct this type of online information search is crucial for a hotel managers to upgrade their technology and using marketing strategies that facilitate customers in choosing hotels.

Customers’ search activities include multiple suppliers, facilities, prices and availability which are facilitated by the internet searching capabilities. Information intermediaries are able to profile consumers and provide a selection that reflects their needs. According to Jeong et al. (2001), they had investigated consumer perceptions of hotel websites. The results indicated that potential online customers were only moderately satisfied with hotel websites.

The emphasis on safety issue is motivated primarily by the fact that financial security is of foremost concern to consumers who are deciding whether or not to buy online (Szymanski & Hise, 2000). Likewise, numerous studies have indicated that the main reason for non-purchasers’ reluctance to purchase online was the credit card security problem (Law & Leung, 2000; Rao, 2000; Szymanski & Hise, 2000).

Room rate strategy is one of the most vital strategies taken by hotel operators. Hotels’ room capacity restricts the maximum number of rooms available for rent in either a high season or a low season. The optimal room rates are determined by costs, market demand variations, and room capacity a hotel can lobby could be considered one of the most important services capes. It is usually easier to meet or exceed customer expectations when the first impressions have been positive (Knutson, 1988).

According to Dube and Renaghan (2000), the physical property of a hotel which includes the hotel lobby and other public spaces is very influential in driving the hotel purchase decision. They claimed that the physical property is one of the top attributes considered in the hotel purchase decision among travellers or customers. In light of the importance of the physical property of a hotel and in conjunction with the concept of services capes, it is important that hotels pay closer attention to the physical settings (Cary C. & Soo, 2006). More specifically, this research attempts to identify which elements of physical environment significantly influence a customer’s impression on hotel lobby (Cray C. & Soo, 2006).

Moreover, Siguaw and Enz (1999), after examining some of the best practices in the hotel industry had indicated that the architectural style of a hotel did have an impact on the profitability and success of the hotel. Those hotels that had more of a “home-like” or residential feel.
to them, had a strong theme, or incorporated more of the natural landscape surrounding the hotel, were found to be more successful than other hotels (Siguaw & Enz, 1999). Some people feel that the success of “boutique” hotels is due in part to their unique architectural and interior designs (Cassedy, 1993; Templin, 1999).

2. RESEARCH METHODOLOGY

In this study, a quantitative approach had been adopted to determine the customers’ perceptions and satisfaction towards the branding, services and strategy provided by the hotel. The survey instrument was a self-administered questionnaire. The hotels attributes were believed to cover some relevant elements considered important to the customers in relation to hotel evaluation such as: branding, service and strategy.

The questionnaire consisted six sections; the first section was designed to extract customers’ profile which contains gender, age, marital status, level of education, occupation and level of income. The second section measured customers’ purpose of staying in hotel and perceptions of hotel attributes for a hotel stay. The third section is determining the customer’s loyalty towards hotels. Likert scale is used in this section which ranging from “Not important at all” (1) to “Extremely important” (5). Whereas rest of the sections tested factors that influenced the customers in returning to the same hotel and Likert scale was once again being adopted in these sections which is ranging from “Strongly disagree” (1) to “Strongly agree” (5).

The questionnaire was filled up by 200 tourists who stayed in hotels. The tourists are from various countries such as from Hong Kong, Taiwan, Australia, Mexico and some other countries. The target populations for our study were those tourists who were travelling around the highly populated areas. Our study take place at the heart of the Kota Kinabalu City, Warisan Square, KK Plaza, Centre Point, Wisma Merdeka, Jesselton Point and it took one day to distribute all the questionnaires. 200 questionnaires had been collected after filled by the tourists. Only 187 questionnaires were accepted and the others were rejected because some of the questions were not answered by the respondents.

3. SUMMARY OF FINDINGS

From the data that we obtained, there are total of 97 of the respondent was female, and 90 respondent was male. It made up that 48% of our respondent was male and 52% are female. The reason why the female respondents are higher than the male respondent was due to the targets that we approach. The female respondents are more likely and enthusiastic to participate in completing our surveys.

Among the respondents that answered our question, 99 of them were the age around 21 to 30, which is 53% of the total respondent. These groups of people were the highest respondents that took part in the survey. This is because their age and income were able to afford to travel and stay in hotel. While those people that age below 20 and over 60 was the group of people that have the least respondent where they are only 7% each from the total respondents. For those whom are below 20, this is because according to their income that may cause them unable to afford since this group of people may still in schooling era. For those respondents who were above 60, they may be categorized to the retire-citizens that earn no income. Therefore, this might as well limit their expenses to travel and stay in hotels.

In the data we have collected, there is total of 108 of them are single. This group of people ranked the highest percentage in our research which is 58%. Our respondents having this group of people as the highest respondent may due to their intention to travel. They can be having holidays with friends and adventuring to new places. However, there is 1 of our respondent who is divorce without child. The other respondents were in the range of married without child, married with one child, married with more than one child and divorce with child.

For category level of education, respondents with Degree level are the highest rate with 79 persons which hold 42% under this group. This is because many people having the degree level of educations which enable them to have a good job and salaries. It followed by 38 respondents with SPM education level that holds 20% from the total respondent. Data continues by respondents with Master Level, STPM, PHD, and PMR. The lowest rate in this category is respondents with UPSR level which are only 2 persons or 1% under this group. Respondents’ with occupation as student and professional are the highest rate with 39 persons which hold 21% under this category. Professional will have more opportunity to stay in hotel because they may need to attend meeting, conference and to obtain information for business use. It followed by 21 respondents which are self-employed with 11% from overall data gathered. Data continues by respondents with occupation as Executive, Management, Retired, and home-maker. Respondents that worked as clerical are the lowest rate under this category which merely consisted of 7 persons or 4% under this group.

For category level of income, respondents that earned more than RM4000 per month is the highest rate under this category which are 79 persons or 42% of overall. People with higher income tend to stay in hotel for the purpose of release stress. It continues by respondents with income less than RM2000 per month which are 76 persons or 41%. Lastly, respondents that earned from RM2000 to RM4000 are only 32 persons or 17% had become the lowest rate under this category.
The standardized regression coefficients presented at Table 2 shows that “Services” has the most significant positive relationship with “Customer Loyalty”. “Services” had p-value lower than chosen 5% level of significance. The t-value represented by the variable “Services” shows at 4.018. The beta value on services scored 0.289 which is relatively higher than the other variables. Therefore, the variable of “Services” had the most significant relationship with the “Customer Loyalty” when choosing a hotel. The next variable, which is “Branding” has p-value lower than chosen 5% level of significance. The beta value scored by “Branding” was 0.183 and t-value at 2.568. This shows that branding does have relationship with “Customer Loyalty”, but it is a weak relationship. The third variable “Strategy” scored p-value higher than chosen 5% level of significance, therefore, not statistically significant.

CONCLUSION
This study identified three variables namely branding, services and strategy in influencing customers in choosing hotel and their likelihood to repeat purchase. The results revealed that “Services” have the most influential component and significant relationship to affect customers in choosing hotel. As a conclusion, our findings are considered applicable to the hotel industry because we are able to indicate that “Services” was the most important factors for customers to choose hotel and repeat patronage. This is because, according to Kivela (1996) customers are likely to view the services as bundle of attributes which may differ in their contributions from the service evaluations and choice. Moreover, An excellent quality of service that offer from hotel can achieve competitive advantage, differentiate itself from competitors, increase customer loyalty, enhance corporate image, increase business performance, retain existing customers, as well as attract new customers (Watson et al., 1992; Lewis, 1993; Smith, 1993). Hoteliers should ensure the quality of hotel services by constantly reviewing their customers’ needs, and by strengthening customer service training programs for their employees (Choi & Chu, 2001). Internal marketing is also crucial to the quality of hotel services. That is, treating employees as internal customers would enhance the employees’ satisfaction, which is fundamental to the provision of good service to the hotel customers (Heung et al., 1996). This is because, many customers do care the services can be provided and the actual status of a hotel before they get their bags in. Therefore, the hoteliers should look towards the way to improve the services quality in order to attract more potential customers and retain existing customer purchase since the result indicated services is the most vital factor for them to repeat purchase.

REFERENCES


