MEASURING THE RELATIONSHIP BETWEEN CUSTOMER SATISFACTION AND CUSTOMER LOYALTY IN THE UAE HOTEL INDUSTRY PERSPECTIVE

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Abstract:
Customer satisfaction is important to evaluate why hotels succeed or fail, and why do hotels have varying levels of performance. It seems that hotels that provide higher service quality do have higher levels of performance that confirms a higher number of satisfied customers. If it impacts the organization’s performance, then it is important to know the relationship between customer satisfaction and customer loyalty. This study has investigated the relationship between customer satisfaction and customer loyalty in UAE hotel industry perspective. Primary data were used to identify the relationship strength between customer satisfaction and customer loyalty. The use of primary data enabled the researcher to measure all the dimensions. This study is significant in the sense that it will allow the understanding of the concept and framework of the customer satisfaction and customer loyalty relationships that takes into account the comparative nature with conventional business. This will also support and enrich theory and model of service quality in UAE’s business environment. Finally, this will generate greater awareness among UAE hotel industry on the importance of service quality and its effectiveness.

Keywords: service quality, customer satisfaction, customer loyalty, UAE, hotel industry

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1. Introduction

Tourism industry has significantly benefited the UAE towards the improvement of economic reform (Anwar & Sohail, 2004; Bagaeen, 2015; Singh & Prashar, 2013). Hence, the country needs to ensure that adequate hotels are built to accommodate this growing number of tourists. In this aspect, UAE, as one of the most visited nations in the world, has greatly benefited from the tourism industry (Karatepe & Tizabi, 2011). Due to recent increase in the tourists’ arrivals, the government has prioritised this sector and concentrated on the development of infrastructures to accommodate the tourists coming to USE. For instance, the government provide funds to build infrastructures such as construction of hotels, roads and airports (Akoum, 2014).

Customer satisfaction is important to evaluate why hotels succeed or fail, and why do hotels have varying levels of performance (Abraheem et al., 2011). It seems that hotels that provide higher services do have higher levels of performance that confirms a higher number of satisfied customers (Amin et al., 2013; Azam & Moha Asri; 2015; Tarofder et al., 2017). If it impacts the organization’s performance, then it is important to know the relationship between customer satisfaction and customer loyalty.

Satisfaction is a crucial factor that will lead to customer loyalty (Dahari et al., 2011; Azam et al., 2014; Tham et al., 2017). When customers have good experience towards the goods and services, the level of loyalty is high. In addition, business firm should be able to retain their customers for the purpose of successfulness. Providing a good services or produce items based on the customer’s expectation is very important. This is because customers are the main key for the business firm to stay longer and successful in the industry (Haque et al., 2014; Moha Asri & Azam, 2015; Haur et al., 2017). Therefore, the business firm should be able to identify the factors the will contribute to the customers satisfaction in order to retain them. By doing so, the business firm may further improve their products and gain competitive advantage. Therefore, this study aimed at identifying the determining factors of service quality on customer satisfaction and loyalty towards hotel industry in UAE.

2. Literature Review

According to STR Global (2014), “Dubai has established itself as a leading global hospitality destination that attracted 7.8 million hotel guests and 2.1 million serviced apartment guests in 2012, representing a total of 9.9 million guests over the 12-month period” (Gissing & Wallace, 2014). This translated into demand for 26.0 million hotel guest nights and 11.4 million serviced
apartment guest nights in Dubai in 2012. Total guest night demand in Dubai in 2012 was thus 37.4 million, up 64% from 22.8 million in 2008.”

![Figure 1: Total Guest Nights, Dubai, 2008 to 2012](image1)

Source: STR Global (2014)

Masad (2015) further noted that, “Dubai’s hotel stock has increased significantly over the past decade. In 2006, Dubai had a total of 233 hotels providing almost 39,000 rooms across all sectors of the market, including 152 unaffiliated or independent hotels. By 2014, this total stock of hotels had grown by almost 48% with the addition of 111 new hotels. If the unaffiliated hotels are excluded, Dubai’s branded hotel market grew by over 105% from 81 hotels in 2006 to 167 in 2014.”

![Figure 2: Hotel Inventory, Dubai, 2006 to 2014](image2)

Source: STR Global (2014)
Satisfaction is a crucial factor that will lead to customer loyalty (Kristian & Panjaitan, 2014). When customers have good experience towards the goods and services, the level of loyalty is high (Li & Green, 2011). According to Akhbar and Parvez (2009), loyalty is important to the business firm for the product to be successful in the market. In addition, business firm should be able to retain their customers for the purpose of successfulness. Providing a good services or produce items based on the customer’s expectation is very important. This is because customers are the main key for the business firm to stay longer and successful in the industry (Sephton, 2013). Therefore, the business firm should be able to identify the factors the will co contribute to the customers’ satisfaction in order to retain them. By doing so, the business firm may further improve their products and gain competitive advantage.

Customer satisfaction plays an important role in hospitality products and services (Mohasri et al., 2014a; Moha Asri et al., 2014b; Ullah et al., 2014). Customer satisfaction is very important to the success of hotel marketing because it influences the choice of hotel and the decision of the customers to return to the same hotel (Felix, 2017). Many researchers attempted to define customer satisfaction in the hospitality industry. Pizam et al. (1999) has defined customer satisfaction as the result of the communication between a customer’s experience at the specific hotel and the expectations he has about that same hotel. Hui et al. (2011) states that customer satisfaction is simply the result of a comparison between previous images of the hotel and what customers actually see, feel, and achieve at the same hotel. Customer satisfaction is the result of a customer’s perception about different points of a specific hotel. Chen and Chen (2010) defined as customer satisfaction is formed by the comparison between customer expectations and post-visit experiences to the hotel. In other words, when current experiences of a customer are compared to the past expectation it results in the feeling of gratification, and also, satisfaction is created (Amin et al., 2013). According to Oliver (1980), customer satisfaction refers to the perceived discrepancy between prior expectation and perceived performance after consumption that is when performance differs from expectation, dissatisfaction happens.

Cronin and Taylor (1992) found a significant relationship between the satisfaction gained by customers and intention to purchase. When applied within the context of hotel industry, this may relate to service quality and customer satisfaction. If a hotel provides better services that satisfy the needs of the customer, it is likely that the customer will continue to use the services. Customer satisfaction is important for the long term survival of a company. In a service industry such as the telecommunications industry, customer satisfaction can be determined by measuring the service quality of
the delivered service. A loyal customer is also more likely to make repeat purchases and this in turn will lead to higher revenue for the company. The customer often will compare the performance of the delivered services with his or her expectations (Alipour, 2011). Negi (2009) stated that measuring service quality in a service industry is difficult because service is intangible, heterogeneous, and inseparable. Kang (2006) stated that service has technical and functional quality dimensions. Technical quality is defined as the ability of a firm to do things according accepted industry standard. It also includes interactions between the customer contact staff and the customer. Other researchers such as Negi (2009) described there are internal and external perspectives in service quality. Internal perspective is similar to technical quality and it is related to conformance to requirements. On the other hand, external perspective is related to perceived service quality. Sohail (2003) stated that customers do not know how to compare the organization’s technical aspects against the industry standard. Therefore, the customer is likely to rely on the “how the service is delivered” to measure the service quality. Rahman, Haque, Ismail & Ahmad (2010) described that service quality is cannot be easily measured and it is in the mind of the customers.

In conclusion, customer’s satisfaction is depending on the mentioned indicators above. Each of the indicators plays a vital role to increase the firm’s sale. But, it is not easy to translate customer loyalty towards a products or services. Besides that, the customers’ loyalty might not lead to the customers’ loyalty purchasing behaviour and may not increase the profit of the firm. Therefore, it is important for the firm to conduct a survey or research after the establishment of their products or services.

2. Methodology

This study has investigated the relationship between customer satisfaction and customer loyalty in UAE hotel industry perspective. Primary data were used to identify the relationship strength between customer satisfaction and customer loyalty. The use of primary data enabled the researcher to measure all the dimensions. The sampling frame includes the customers who stay in hotels in UAE. Besides, due to the huge costs and unavoidable time constraints that might arise and the attendant difficulties to get the required respondents as they are scattered in many areas of the destination, this study only considered the customers who were available within Dubai city. To fulfil the purpose of this study regarding information on the customers’ satisfaction towards the hotels in UAE, a self-administered closed-ended questionnaire was used. The questionnaire was adapted from Amin et al. (2013).
3. Results and Discussion

The demographic characteristics of the respondents were split according to the categories which are gender, age, religion, educational level, monthly income, job status, marital status and nationality. From the total respondents, 67.3 percent of respondents were male while female respondents were 32.7 percent of the questionnaires. The result showed the distribution between male and female respondents. Base on the question answered, 11.5 percent of the respondents come from respondents aged between 19 to 24 years old. Another 43.1 percent come from people aged between 25 to 30 years old. Rest 45.4 percent respondents fall in age of 31 and above. From the result, it is seen that the age group of the respondents were much diversified and there is assumed to be no bias in sample selection. In terms of marital status, only 12.1 percent of the respondents are single. This group of respondents are mostly the young visitors. The rest 87.9 percent of the respondents are married. 33 percent of the total respondents have a diploma qualification while 30.7 percent claim to have bachelor degree. Another 27.1 percent have master degree while the rest 9.1 percent have PhD or other qualifications. Monthly income level among respondents also varies. The income range in the questionnaire was divided into three major scales. The first scale refers to those with monthly income level of 2,000 and less, and they are contributing 9.4% of the total population. The second class refers to the income group that ranges from 2,001 to 5,000 and their percent rate is 49.6% which is held the highest rate among the respondent groups. The final class refers to respondents with monthly income of more than 5,001 and above which the rate of that is 41%. Finally, the questionnaire in this study had been distributed among the locals as well as to the foreigners who came to Dubai, UAE for various purposes. The majority of the respondents are foreigners. Out of the 339 respondents, 79.4 percent of them are foreigners from many different countries. Locals consist of only 20.6 percent. This reflects the popularity of UAE to the foreigners as a preferred location for many purposes.

In order to investigate how reliable the questionnaire items are, Cronbach's alpha was run. In reference to the table below (Table 1) one can observe that the value attained for Cronbach’s alpha is .819, indicating that there is an adequate level of consistency among the items that are in the research instrument.
According to Hair et al. (2010), simplification of data can be considered as the underlying goal of this respective analysis. EFA is a statistical analysis that is broadly employed in researches. EFA is conducted in order to find interrelationships that exist between sets of variables (Pallant, 2007). This study also looked into the KMO and Barlett’s Test of Sphericity value (Pallant, 2007). The KMO value achieved in this study is .841 with a significant level of 0.000. The outcomes of the tests are shown below in table 2.

Table 2: KMO and Bartlett’s Test

<table>
<thead>
<tr>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</th>
<th>.841</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approx. Chi-Square</td>
<td>6.011E3</td>
</tr>
<tr>
<td>Bartlett’s Test of Sphericity</td>
<td></td>
</tr>
<tr>
<td>df</td>
<td>561</td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 3 below illustrates that from the analysis, a total of 2 components were extracted through the extraction method known as the principal component analysis. All the respective components successfully attained eigenvalues higher than one as recommended by Pallant (2007).

Table 3: Factor Analysis

<table>
<thead>
<tr>
<th>Code</th>
<th>Item</th>
<th>CS</th>
<th>CL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CS1</td>
<td>Materials associated with the services are adequate and sufficient (soap, shampoo, towel, etc.)</td>
<td>.815</td>
<td></td>
</tr>
<tr>
<td>CS2</td>
<td>The hotel provides consistent services (providing the same services and associated materials every time)</td>
<td>.757</td>
<td></td>
</tr>
<tr>
<td>CS3</td>
<td>The atmosphere and equipment are comfortable and appropriate for the purpose of the stay (beds, chairs, rooms, etc. are comfortable, clean and tranquil)</td>
<td>.728</td>
<td></td>
</tr>
<tr>
<td>CS4</td>
<td>The hotel performs the services right from the first time</td>
<td>.685</td>
<td></td>
</tr>
<tr>
<td>CS5</td>
<td>Availability of utilities (parking, waiting places and public conveniences…etc.)</td>
<td>.828</td>
<td></td>
</tr>
<tr>
<td>CS6</td>
<td>Food and beverages served are hygienic, adequate and sufficient</td>
<td>.776</td>
<td></td>
</tr>
<tr>
<td>CS7</td>
<td>The hotel resolves guest complaints and compensates for the inconveniences guests go</td>
<td>.691</td>
<td></td>
</tr>
</tbody>
</table>
From the table above, it can also be seen that the factor loading for the variable Customer Satisfaction (CS) consists of 7 items. The item CS5 (Availability of utilities (parking, waiting places and public conveniences…etc.) has achieved the highest loading of .828 and the item CS4 (The hotel performs the services right from the first time) has attained the lowest factor loading of .685. The factor loading for the variable Customer Loyalty (CL) consists of 5 items. The item CL2 (I will speak highly about this hotel and their quality of service) has achieved the highest loading of .754 and the item CL4 (This hotel will be my first choice for my future stay) has attained the lowest factor loading of .579. This study concludes that all the results conducted passed the unidimensionality, validity as well as reliability for further analysis (Table 4).

For the assessment of the structural path relationship among the identified variables, three distinct criteria have been applied based on Hair et al. (2010). The first criterion is the Absolute fit category where Root Mean Square Residuals (RMSEA) was used. The second category is the Incremental fit where the Comparative Fit Index (CFI) and Goodness Fit Index (GFI) value were considered. Finally, in the Parsimonious fit category, this study has selected the ChiSq/df (CMINDF). Under this index, a proposed model has been compared with the null model holding the assumption that no relationship exists between the respected measures.

Table 4: CFA Results for the Measurement Models

<table>
<thead>
<tr>
<th>Name of Category</th>
<th>Required Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unidimensionality</td>
<td>Factor loading for each item ≥ 0.50</td>
</tr>
<tr>
<td>Convergent Validity</td>
<td>Average Variance Extracted (AVE) ≥ 0.50</td>
</tr>
<tr>
<td>Construct Validity</td>
<td>All fitness indexes for the models meets the required level</td>
</tr>
<tr>
<td>Discriminant Validity</td>
<td>The correlation between exogenous constructs is ≤ 0.85</td>
</tr>
<tr>
<td>Internal Reliability</td>
<td>Cronbach alpha ≥ 0.70</td>
</tr>
<tr>
<td>Construct Reliability</td>
<td>CR ≥ 0.60</td>
</tr>
<tr>
<td>Average Variance Extracted (AVE)</td>
<td>AVE ≥ 0.50</td>
</tr>
</tbody>
</table>
Figure 1: Study Model

Figure 1 illustrates the Goodness of Fit Indexes (GOF) values that have been attained from the SEM model for this study. The model shows that it has achieve the required GFI value in the goodness of fit indices for meeting the fitness criteria [Incremental fit (CFI) = .972; (GFI) = .958; Parsimonious fit (CMINDF) = 3.225; and Absolute fit (RMSEA) = .071)]. All the values required for the model fit was found to be within the required fitness parameter. It can also be seen that the path coefficient between customer satisfaction and customer loyalty is positive 0.68. This means that when customer satisfaction goes up by 1 standard deviation, customer loyalty goes up by 0.68 standard deviations. Thus, this study confirms that the relationship between customer satisfaction and customer loyalty is statistically significant (the value of the path coefficient is more than 0.681).

This also indicates that customer satisfaction significantly influence customer loyalty in UAE hotels. The finding is also identical with past findings (Akhbar & Parvez, 2009; Bond & Fink, 2003; Felix, 2017; Gilbert & Veloutsou, 2006; Hafeez & Muhammad, 2012; Liu et al., 2017). According to them, customer satisfaction is very important to the success of hotel marketing because it influences the choice of hotel and the decision of the customers to return to the same
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hotel. As such, if a hotel provides better services that satisfy the needs of the customer, it is likely that the customer will continue to use the services.

4. Conclusion

This study is important from several aspects. Academically, this study will contribute towards increased knowledge. The findings from this study will also draw the basis and as starting point of reference to other researcher or be practiced by organizations. From the government perspective, since the UAE government aimed to improve the economic from the hospitality sector, this study will help to achieve UAE’s development plans in increasing management and employee’s commitment and performance in UAE hotel industry sector and other UAE organizations. This will help to understand in detail how UAE hotels can reach customer satisfaction by providing standard quality of services. By providing good quality of services, hotel industry in UAE can reach customer satisfaction as well as increased customer loyalty. This will play an important role for the country to attract as well as motivate more investors to invest in the hotel industry which will positively impact on the overall economy through revenue generation and providing employment.

In conclusion, hotels of all types and sizes continually face changing situations. These changes may be minor or significant, but there is an urgent need to cope with changes. Being able to cope effectively with these uncertainties in the external and internal environments and achieve expected levels of performance is a real challenge. By systematically reviewing the customers’ feedbacks, decision makers might examine all the important aspects in order to determine the most appropriate decisions and actions to satisfy the customers with an aim to retain them. Hence, the deliberate structure of the management process forces hotel employees to examine relevant variables in deciding what to do and how to do it.

In terms of future direction, it is hoped that from this study, a new line of researches will be developed that will help in gaining a deeper understanding of the topic at hand. First and foremost, due to the scarcity of studies on this issue pertaining to UAE consumers the study at hand can be considered a potential area for future research. It has opened the doors to academicians and researches to conduct more studies of such nature in the future in the context of UAE and generalize the findings.
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Reference


42. STR Global. (2014). Middle East Hotel Market Insight Report. Issue 1, April. Dubai, UAE.


