Volume 19 Issue 3
Originally issued as A1



Global Journal of Management and Business Research: A Administration and Management
Volume 19 Issue 1 Version 1.0 Year 2019
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals
Online ISSN: 2249-4588 & Print ISSN: 0975-5853

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By Md. Alauddin, Syed Md. Hasib Ahsan, Dr. Mohammad Masrurul Mowla, Md. Mahmudul Islam & Md. Musharof Hossain
International Islamic University Chittagong

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GJMBR-A Classification: *JEL Code: M19*



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Investigating the Relationship between Service Quality, Customer Satisfaction and Customer Loyalty in Hotel Industry: Bangladesh Perspective

Md. Alauddin [α], Syed Md. Hasib Ahsan[σ], Dr. Mohammad Masrurul Mowla [ρ], Md. Mahmudul Islam [ω] & Md. Musharof Hossain[¥]

Abstract- **This paper attempts to reveal the relationship between service quality, customer satisfaction and customer loyalty of the hotel sector in Bangladesh. A total of one hundred native and international tourists are selected for this study. The self-employed form survey was used to gather information from the respondents by using SERVQUAL model. Data has been analyzed by using SPSS version-22. The relationship between the variables was studied by applying Pearson Correlation analysis. Results indicate that a significant relationship exist between service quality attributes and customer satisfaction. Results conjointly revealed that service quality results in satisfying customers and customers' satisfaction results in customer loyalty. Hotel managers should offer better services to their customers for gaining competitive advantage, and it will facilitate them to guide the market with efficiency.**

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I. Introduction

In modern business, service quality is playing a vital role in satisfying the customers. Customers will be delighted if they get proper service. In that case, hotel businessmen should ensure service quality. These sectors are the most potential sectors in today's business, and it is going to become more challenging as well. A satisfied customer is an issue in these business sectors to gain a competitive advantage. The people involved in service businesses in the hotel industry are trying to render the best services by upgrading the level of service quality and performance. Identifying customers need this will help the hoteliers to deliver better service. (Juwaheer & Ross, 2003) stated that hotel operators are now emphasizing more on the quality standard to meet the basic needs and expectations of the clients and once customers' requirements are identified and hotel operators are capable to fulfill their customers' needs and wants.

It is noted that satisfying the customer should be one of the prime goals by delivering better service to the clients. If the hotel businessmen can do it, they will be able to manage their business successfully. To meet the competitions, all service organizations should try and provide the best quality services to their customers. Service has become the most significant components for securing a strong position in the marketplace. Many countries are trying to internment this market by following new strategies and policies. Bangladesh is not an exception from this. This country is full of natural beauty. There are many sightseeing spots in this country which includes the hills, mountains, beach, etc. Another tourist attraction spot is Coxsbazar beach which is the largest sandy beach in the world. This study has been done based on this city. It is considered as a tourism capital city in Bangladesh. Many foreigners come to visit this beach every year, and it is increasing day by day. Similarly, there are many people from our country, who tour from one place to another place for enjoying this beach. If we consider the meaning of hotel in the dictionary, a hotel is a building where you pay for sleeping and eating meals (Cambridge dictionary).

Sheela (2002) defined hotel is the place where the tourist stops being the traveler and become a guest. A good quality hotel can attract many customers by providing better quality service. They can offer a variety of items that must ensure quality. Moreover, the hotel is measured as an industry whose prime aim is also to make profits for the hoteliers. This sector is being considered as service sector industry. For developing the tourism sectors, the hotel industry can play an important role locally and internationally. For attracting a large number of customers, hoteliers should provide more innovative facilities for their clients. The success of this sector is totally depending on better service quality which will help them to satisfy the clients.

Author α σ ¥: Assistant Professor, Department of Business Administration, International Islamic University Chittagong. e-mails: mdalauddin89@yahoo.com, hasib27ahsan@gmail.com, musharof_cu@yahoo.com

Author ρ: Associate Professor & Chairman, Department of Business Administration, International Islamic University Chittagong. e-mail: mmmiiuc@gmail.com

Author ω: Lecturer, Department of Business Administration, International Islamic University Chittagong. e-mail: islam_mahmudul@yahoo.com

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II. Literature Review

a) Service Quality

According to Gilbert & Veloutsou (2006), service quality has been considered as one of the significant aspects for the organization's success because of its proximity with customer satisfaction notably in the service industry. Moreover, for gaining better excellence in the field of hospitality business, businessmen & women who are involved in this business must concentrate on quality service. It can differentiate from one to another. It is also regarded as an element for the hotel industry's success and performance (Min, Min & Chung, 2002).

Quality of service has been thought to have an absolute impact on customers' gratification, the tendency towards the repeat purchase behavior and ensuring the company's long-term profit as well. (Wilkins, Meerilees & Herington, 2007). Continuous communication with personnel and an analysis of service encounters are mandatory for ensuring the better service quality of an organization (Prayuhda & Harsanto, 2014).

Parasuraman et al. (1988) defined service quality as the capability of the organization to comply with customer expectation. Lewis and Booms (1983) viewed service quality as an analogy between expectations and performance. Kotler (2003) defined, a service is any activity or benefit that one party can offer to another that is essentially intangible and doesn't result in the ownership of anything. It may also be outlined as an offer that is intangibly provided by one party to another party in exchange for money. (Solomon, 2009).

Quality explains as the combination of features of goods or services that promise to satisfy the stated or implied needs of customers. (Kotler et al., 2002). Parasuraman et al. (1988) developed the "SERVQUAL model" to measure service quality along five dimensions such as "reliability, tangible, responsiveness, assurance, and empathy". This model welcomes and the most popular in the service industry. Most of the researchers used this model to identify the gap between customer expectation and customer perception and basically it is used how to ensure better service quality. In addition to this, other researches also confirmed that "SERVQUAL instrument" is noteworthy in the tourism industry (Fick and Ritchie, 1991; Shaikh and Khan, 2011).

Though this model can be applied in many industries, it is also criticized on several grounds. (Cronin and Taylor, 1992). However, all researchers do not unanimously accept this model to measure service quality.

b) Customer Satisfaction

Satisfaction is an assessment or evaluation that is done by the customers. (Oliver, 1980). As Kotler (2000) outlined that satisfaction may be a person's feelings of enjoyment or disappointment ensuing from comparison a product's perceived performance (or outcome) regarding to his or her expectation.

Oliver (1981) contended that satisfaction is the emotional reaction to a specific product/service experience, and these emotional reactions come from disconfirmation of a consumer's perceived performance of product or service and his or her expectations of performance.

c) Customer Loyalty

It is a complicated concept. According to Dekimpe et al. (1997), all customer loyalty research may be classified as behavioral (customers' loyalty is determined to refer to purchase behavior pursued by the customer, which is observed for a certain time period). Caruana (2002) argues that behavior is a full expression of loyalty to the brand and not just thoughts.

It is considered as a tool for customer relationship management. Loyal customers are a vital part for any organization. Oxford lexicon defines loyalty as a state of faithful commitment. Pearson (1996), Defined customer loyalty as the mindset of the customers who hold favorable attitudes toward a company, commit to repurchase the company's product/service, and recommend the product/service to others.

Rahman, et al. (2010) terminated that identifying the perceptions of consumers, the scale of service quality, and their relative importance for customers for every specific section of the hotel business would positively facilitate managers within the challenge of accelerating customer satisfaction. Tabassum, et al. (2012) disclosed that perception concerning service quality varies considerably among the tourists visited within the hotels of Cox's Bazaar supported the variations in their gender and education and the service quality of traveler hotels varies among tourists from the different occupation in regarding reliability, responsiveness, and sympathy. The service quality conjointly varies among tourists from totally different people regarding responsibility.

Mazumder & Hasan (2014) noted that service quality is required to measure their perceptions. The outcomes showed that the customer's satisfaction levels towards the hotel sectors aren't satisfactory between local hotel guests and guests from foreign countries. A paper like this one can facilitate to debate needed amendment required in these sectors. Farhana & Islam (2011) our findings reveal that the link of customers attributes connected perception, quality and worth connected perception and convenience connected perception with financial gain, age and overall client service for victuals restaurants and quality and worth connected perception is influenced by financial gain and it absolutely was conjointly found that there's a

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relationship of attributes connected perception and quality and worth connected perception with overall client service.

III. Theoretical Framework

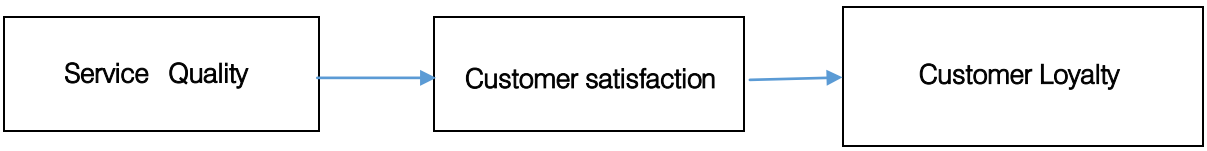


Figure 1

IV. Purposes of the Study

The prime objective of this research is to investigate the relationship between service quality, customer satisfaction and customer loyalty of hotel industry in Bangladesh.

Considering the above objectives of the study, the following working hypotheses have been developed and tested:

H_1: There is an association between service quality (SQ), customer satisfaction (CS) and customer loyalty (CL) in the hotel industry.

V. Research Methodology

The survey was prepared on the basis of researchers such as Parasuraman et al., (1985), who identified five dimensions of service quality: tangible (equipment, written material, personnel, and appearance of physical facilities), reliability (ability to deliver promised service and accurately), responsiveness (willingness to help customers and providing prompt services), assurance (Knowledge and ability of employees to inspire trust and confidence), and empathy (Caring and providing individual attention to each customer). Parasuraman et al., (1985) indicates that service quality consists of eleven dimensions: reliability, competence, responsiveness, access, courtesy, communication, credibility, security, competence, tangibles, and understanding of customer.

a) Research Approach

Data has been collected from both primary and secondary sources. Structured questionnaire was considered for collecting primary data which was divided under two heads i.e. demographics i. e., & service quality. Initially, respondents were questioned to disclose their characteristics, and in the final part, respondents were asked to evaluate the parameters of service quality, customer satisfaction and customer loyalty on a 5 point scale.

b) Sampling and Sample size

The size of the sample was 100 & Convenience sampling method was adopted for sampling.

c) Reliability

Reliability of the items has been used using by Cronbach's alpha. We have used three variables in this study named as Customer Service Quality, Customer Loyalty and Customer Satisfaction. Cronbach's alpha value was over 0.70 for all the variables, which shows there is good reliability in the item of the variables (Sekaran and Bougie, 2010).

Table 1: Reliability Statistics Overall

Cronbach's Alpha	Number of Items
.89	22

d) Analytical Tools

For analysis and interpretation of this study, Arithmetic mean, standard deviation, Coefficient of correlation & regression analysis have been applied.

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Table 2: Socio-Demographic Characteristics of respondents, Sample size (n) =100

Particulars	Classification	Frequency	Percentage
Gender	Male	70	70
	Female	30	30
Education	Higher Secondary	35	35
	Graduate	45	45
	Post Graduate	20	20
Age group	Below 22 years	45	45
	23- 32 years	25	25
	33- 42 years	15	15
	43- 52 years	10	5
	Above 52 years	10	10
Marital Status	Single	60	60
	Married	40	40
Income level (Per month)	< Tk.30000	40	40
	Tk.30001-Tk.60000	20	20
	Tk.60001-Tk.90000	20	20
	>Tk. 90000	20	20
Nationality	National	90	90
	Foreigner	10	10
Profession/Occupation	Business	25	25
	Service holders	20	20
	Teacher	10	10
	Doctor	5	5
	Student	25	25
	Government officer	10	10
	Others	5	5

Source: Calculated by researcher

From table 2, it is observed that demographics and socio-economic features of respondents were categorized according to their gender, age, marital status, nationality, monthly income & profession. From the above table, it is shown that 70% are male and 30% are female among the respondents. Most of the respondent's age is below 22, and their percentage is 45 and 25% of respondents age are between 23 and 32 years. 15% of respondent's age is 33-42, and 52 and above belongs only 10%. It is also exposed from the table that 60% of the respondents are single and rests of them are married, and their percentage is 40. 40% of the respondent's income levels per month are less than Tk. 30000 and 20% of the respondent's income level per month Tk.60001- Tk.90000. Among the tourists 90% of them are Bangladeshi, and rests of them are the foreigner. Majority of the respondents are students and businessmen, and their percentage is 25. 20% of them are service holders. Rests of them are teachers, doctors, Government officials, and their percentage is 10, 5, and 10. Only 5% of the respondents are involved in other activities.

VI. Correlation

Pearson Correlation has been used to recognize the interrelationship between variables. From the interpretation, it shows that "positive values of correlation coefficient" designate that if one variable increases cause a rise in other variable and if one variable decreases cause a decline in the other variables. From table 3, Significance value (2-tailed) is found 0.00. It shows that value for correlation coefficient is 0.774 which is for Service Quality and Customer Satisfaction that shows a high positive correlation between them and again the correlation coefficient value is found 0.696 for Service Quality and Customer Loyalty which is moderately correlated and value for correlation coefficient is 0.577 for customer satisfaction and customer loyalty. From the below table, it can be said that there is a positive relationship between the constructs.

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Table 3

		Customer Service Quality (SQ)	Customer Loyalty(CL)	Customer Satisfaction(CS)
SQ	Pearson Correlation	1	.696**	.774**
	Sig. (2-tailed)		.000	.000
	N	100	100	100
CL	Pearson Correlation	.696**	1	.577**
	Sig. (2-tailed)	.000		.000
	N	100	100	100
CS	Pearson Correlation	.774**	.577**	1
	Sig. (2-tailed)	.000	.000	
	N	100	100	100

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

Table 4

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.776[a]	.602	.594	.40588	2.011

a. *Predictors: (Constant), SQ, CS*

b. *Dependent Variable: CL*

VII. Regression

Another tool we have used is the "regression analysis" which was also used to quantify the point of the relationship between service quality and Customer Loyalty and between customer loyalty and Customer satisfaction. Quality of service and customer satisfaction was taken as independent variables on the other hand customer loyalty were booked as the dependent variable in regression analysis. From table 4, Durbin-Watson value is 2.011 which show there is no autocorrelation between the constructs. From the above table 4, it was also seen that there is a high positive correlation between service quality and customer satisfaction and customer loyalty and the value of adjusted R2 is 0.594 for Service quality which shows that 59.4 percent change in Customer Loyalty is due to Quality Services, and Customer Satisfaction and Standard Error of estimate is 0.40 which shows that 40 percent of change in Customer Loyalty is due to other factors". Again from table 5, it shows that the fitted regression model is the most highly significant.

Table 5

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.145	2	12.072	73.283	.000[b]
	Residual	15.979	97	.165		
	Total	40.124	99			

a. *Dependent Variable: Customer Loyalty*

b. *Predictors: (Constant), Customer Service Quality, Customer Satisfaction*

VIII. Conclusion & Recommendation

Results show that there's a positive relationship between service quality and customer satisfaction that ascertains H1 is accepted and it's additionally tested that 60 % of the increase in customer loyalty is attributable to service quality and customer satisfaction. Therefore, it is often said that service quality plays a significant role to satisfy the customers and hotel managers ought to give superior services to their clients for gaining competitive advantage, and it'll facilitate them to guide the market with efficiency. Moreover, employees of the hotels should give proper concentration to customers and should be willing to

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help their clients. Furthermore, employees of the hotel should be given special training to behave courteously with every customer. Hoteliers should adopt new policy and strategy so that they can serve the customers effectively and efficiently.

IX. Limitation

This study encompasses a few ranges of issues solely only in Chittagong have been chosen for this study that doesn't expose the whole situation of the hotel sector in Bangladesh. We tend to used convenience sampling techniques i.e., a hundred purposively wherever sample size wasn't massive. The paper has engaged the SERVQUAL instrument (Parasuraman, Zeithaml, and Berry, 1985) to live the service quality of hotels. This model isn't additionally out of criticism (Cronin and Taylor, 1992).

X. Scope for Further Future Research

There are certain factors that have an effect on customer loyalty that may be enclosed for future researchers. Moreover, future study may be conducted with a bigger sample size so results may be comprehensive to an outsized population to live the amount of service quality. This study has been meted out solely in Chittagong and Dhaka. Therefore, the more research may be conducted in several different cities in Bangladesh which may decide a much better result for developing this sector in Bangladesh.

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