Influence of Service Quality on Customer Loyalty in Luxury Hotel Chains in Tanzania

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Submitted 17.01.2024 Revised Version Received 29.02.2024 Accepted 09.04.2024

Abstract

Purpose: The aim of the study was to assess the influence of service quality on customer loyalty in luxury hotel chains in Tanzania.

Methodology: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: The study indicated a strong correlation between the two factors. High service quality consistently leads to increased customer loyalty within this segment of the hospitality industry. Studies have revealed that luxury hotel guests place significant emphasis on personalized service, attention to detail, and exceptional experiences. When these expectations are consistently met or exceeded, guests are more likely to exhibit loyalty behaviors, such as repeat visits, positive word-of-mouth recommendations, and a willingness to pay premium prices. Additionally, service quality has been found to play a crucial role in shaping guests' perceptions of value and satisfaction, which further contributes to their loyalty. Consequently, luxury hotel chains that prioritize and maintain high levels of service quality are better positioned to foster long-term relationships with their clientele and achieve sustainable competitive advantage in the market.

Implications to Theory, Practice and Policy: Expectancy-disconfirmation theory, service profit chain theory and relationship marketing theory may be used to anchor future studies on assessing influence of service quality on customer loyalty in luxury hotel chains in Tanzania. Practitioners in luxury hotel chains can leverage the empirical findings to inform strategic decision-making and enhance service delivery. Policymakers and industry stakeholders can utilize the empirical evidence to advocate for policies that support service quality enhancement initiatives within luxury hotel chains.

Keywords: Service, Quality, Customer, Loyalty, Luxury, Hotel Chains
INTRODUCTION

Customer loyalty, comprising repeat visits, willingness to recommend, and brand advocacy, is a critical metric for businesses across developed economies like the USA, Japan, and the UK. For instance, in the United States, studies have shown that loyal customers are more likely to make repeat visits, with 82% of US consumers admitting that loyalty programs are a significant factor in their purchasing decisions (Gensler et al., 2017). Furthermore, research indicates that loyal customers in the UK are not only more likely to recommend a brand to others but also spend more per transaction, contributing to higher revenues for businesses (Curtis et al., 2019). These statistics underscore the importance of cultivating customer loyalty as a key driver of business growth and sustainability in developed economies.

Similarly, in Japan, where customer loyalty is deeply ingrained in cultural values, businesses prioritize strategies aimed at fostering long-term relationships with customers. Studies have found that Japanese consumers exhibit high levels of brand loyalty, with 70% of consumers reporting that they stick to brands they trust (Haruo, 2018). Moreover, Japanese businesses leverage customer loyalty programs and personalized services to incentivize repeat visits and cultivate brand advocacy among their customer base. These examples highlight the significance of customer loyalty as a universal phenomenon transcending geographical boundaries and underscore its role in driving business success in developed economies.

In developing economies, such as those in Southeast Asia and Latin America, customer loyalty also plays a crucial role in shaping consumer behavior and driving business outcomes. However, the dynamics of customer loyalty may differ due to socio-economic factors and cultural nuances unique to these regions. For example, in countries like Indonesia and Brazil, where digital transformation is rapidly reshaping consumer preferences, businesses are increasingly turning to innovative loyalty programs and mobile apps to engage with customers and foster brand loyalty (Tan, 2019). Similarly, in Sub-Saharan African economies like Nigeria and Kenya, businesses are leveraging customer loyalty initiatives to differentiate themselves in competitive markets and build sustainable customer relationships. These examples highlight the universal significance of customer loyalty across diverse economic landscapes and underscore its relevance as a strategic imperative for businesses worldwide.

In developing economies, such as those found in Southeast Asia and Latin America, customer loyalty represents a crucial factor in driving business success amidst unique socio-economic landscapes. For instance, in countries like India and Indonesia, where rapid urbanization and a burgeoning middle class are reshaping consumer behavior, businesses are increasingly recognizing the importance of customer loyalty programs to drive repeat purchases and brand advocacy (Arya, 2017). Studies have shown that Indian consumers, for example, exhibit high levels of brand loyalty when offered personalized experiences and incentives through loyalty programs, with 72% of consumers admitting that loyalty programs influence their purchasing decisions (Acharya et al., 2018). These findings highlight the significant role of customer loyalty initiatives in emerging markets, where businesses strive to capitalize on the growing consumer base and increasing purchasing power.

In other developing economies across regions such as Southeast Asia and Latin America, customer loyalty initiatives play a significant role in driving business success and fostering sustainable growth. For instance, in countries like Thailand and Vietnam, where the retail sector is
experiencing rapid expansion and urbanization, businesses are increasingly investing in loyalty programs to enhance customer retention and drive repeat purchases (Ngo, 2018). Studies have shown that Thai consumers exhibit high levels of brand loyalty when offered personalized experiences and incentives through loyalty programs, with 74% of consumers indicating that they are more likely to continue purchasing from brands with loyalty programs (Kwanchai, 2019). Similarly, in Vietnam, businesses are leveraging loyalty programs to differentiate themselves in competitive markets and build long-term relationships with customers (Ngo et al., 2018). These findings underscore the importance of customer loyalty initiatives in Southeast Asian economies, where businesses seek to capitalize on changing consumer preferences and foster brand loyalty amidst evolving market dynamics.

In Latin American economies like Colombia and Argentina, businesses are also embracing customer loyalty programs to drive customer engagement and enhance brand loyalty (Maldonado et al., 2019). Research indicates that Colombian consumers value personalized experiences and rewards offered through loyalty programs, with 68% of consumers reporting that they are more likely to recommend brands with effective loyalty programs to others (Garcia, 2017). Similarly, in Argentina, businesses are leveraging digital technologies to enhance the effectiveness of loyalty programs and engage with customers in innovative ways (Maldonado et al., 2019). These examples highlight the universal relevance of customer loyalty initiatives in developing economies, where businesses seek to build sustainable customer relationships and drive long-term business success in dynamic market environments.

Similarly, in Latin American economies like Brazil and Mexico, businesses are leveraging customer loyalty programs to navigate competitive market landscapes and foster long-term relationships with consumers. Research indicates that loyalty programs are particularly effective in driving repeat visits and enhancing customer retention rates in these regions, with 75% of Brazilian consumers reporting that they are more likely to continue purchasing from brands with loyalty programs (Rocha, 2019). Moreover, businesses in Latin America are increasingly embracing digital technologies to enhance the effectiveness of loyalty programs, offering mobile apps and online platforms to engage with customers and deliver personalized experiences. These examples underscore the universal relevance of customer loyalty as a strategic imperative for businesses operating in developing economies, where building sustainable customer relationships is essential for driving growth and maintaining competitiveness.

In Sub-Saharan African economies, such as Nigeria and Kenya, customer loyalty represents a crucial aspect of business success in rapidly evolving market environments. Studies have shown that businesses in these regions are increasingly recognizing the importance of building strong relationships with customers to drive repeat purchases and brand advocacy (Oyewobi, 2019). For example, in Nigeria, where the retail landscape is characterized by intense competition and changing consumer preferences, businesses are leveraging loyalty programs to incentivize repeat visits and enhance customer retention rates (Ogbeide, 2018). Research indicates that Nigerian consumers are responsive to loyalty programs that offer tangible benefits such as discounts and rewards, with 68% of consumers reporting that they are more likely to continue purchasing from brands with loyalty programs (Ogundele, 2020). These findings underscore the significance of customer loyalty initiatives in Sub-Saharan African economies, where businesses seek to capitalize on growing consumer demand and foster brand loyalty amidst evolving market dynamics.
Similarly, in Kenya, where the retail sector is experiencing rapid growth and urbanization, businesses are investing in customer loyalty programs to differentiate themselves in competitive markets and drive sustainable growth (Oyewobi, 2019). Studies have shown that Kenyan consumers value personalized experiences and incentives offered through loyalty programs, with 70% of consumers expressing a willingness to recommend brands with effective loyalty programs to others (Oke, 2017). Moreover, businesses in Kenya are increasingly leveraging digital technologies such as mobile apps and online platforms to enhance the effectiveness of loyalty programs and engage with customers in innovative ways. These examples highlight the growing importance of customer loyalty as a strategic imperative for businesses operating in Sub-Saharan African economies, where fostering long-term customer relationships is essential for achieving sustainable business growth and maintaining competitiveness in dynamic market environments.

Service quality, encompassing factors such as staff responsiveness, cleanliness, and amenities, plays a pivotal role in shaping customer loyalty within the hospitality industry. Staff responsiveness refers to the promptness and effectiveness of employees in addressing customer needs and concerns, which directly impacts customer satisfaction and loyalty (Choi & Chu, 2001). Cleanliness, including the cleanliness of facilities and rooms, influences customers' perceptions of the overall quality of service provided by the establishment. Studies have shown that perceived cleanliness significantly affects customer satisfaction and loyalty, with clean environments enhancing the likelihood of repeat visits and positive word-of-mouth recommendations (Lee et al., 2009). Similarly, amenities such as complimentary services, recreational facilities, and in-room features contribute to the overall service experience and influence customers' perceptions of value and satisfaction. Research has demonstrated that well-appointed amenities can enhance customer loyalty by providing added convenience and comfort, leading to increased repeat visits and brand advocacy (Wu & Ko, 2013).

Customer loyalty, comprising repeat visits, willingness to recommend, and brand advocacy, is intricately linked to service quality dimensions such as staff responsiveness, cleanliness, and amenities. When customers perceive high levels of staff responsiveness, they are more likely to feel valued and satisfied with the service received, leading to increased loyalty and repeat visits (Choi & Chu, 2001). Moreover, positive experiences with cleanliness and well-appointed amenities contribute to customers' overall satisfaction and loyalty, as they associate these factors with the quality of service provided by the establishment. Therefore, by prioritizing service quality dimensions such as staff responsiveness, cleanliness, and amenities, hospitality businesses can effectively cultivate customer loyalty and foster long-term relationships with their clientele.

**Theoretical Framework**

**Expectancy-Disconfirmation Theory**

Originating from consumer behavior research, Expectancy-Disconfirmation Theory posits that customer satisfaction is determined by the extent to which perceived performance meets or exceeds expectations (Oliver, 2014). In the context of luxury hotels, guests arrive with certain expectations regarding service quality based on brand reputation, advertising, and past experiences. If the actual service quality exceeds these expectations, customers are more likely to be satisfied and exhibit loyalty towards the hotel chain. Therefore, understanding how service quality influences customers' expectations and perceptions is crucial for enhancing customer loyalty in luxury hotel chains.
Service Profit Chain Theory

Developed by Heskett (2014), the Service Profit Chain Theory emphasizes the linkages between employee satisfaction, customer satisfaction, and financial performance. In luxury hotel chains, service quality is intricately tied to the performance and satisfaction of frontline employees who directly interact with guests. According to this theory, satisfied and engaged employees are more likely to deliver superior service experiences, leading to higher levels of customer satisfaction and loyalty. Thus, investigating the role of employee satisfaction and engagement in delivering exceptional service quality is essential for understanding its impact on customer loyalty in luxury hotel chains.

Relationship Marketing Theory

Relationship Marketing Theory focuses on building long-term, mutually beneficial relationships between firms and customers (Grönroos, 2011). In luxury hotel chains, fostering strong relationships with guests is fundamental for cultivating loyalty and maximizing customer lifetime value. Service quality plays a critical role in nurturing these relationships by consistently delivering superior experiences that meet or exceed guests' expectations. Therefore, exploring how service quality contributes to relationship development and maintenance in luxury hotel chains is vital for understanding its influence on customer loyalty.

Empirical Review

Smith and Johnson (2019) examined the impact of service quality on customer loyalty within luxury hotel chains. Through a mixed-methods approach, including both qualitative interviews and quantitative surveys, the researchers gathered data from a diverse sample of customers across various luxury hotel brands. Their findings indicated a robust positive correlation between service quality dimensions such as responsiveness, reliability, and empathy, and customer loyalty metrics such as repeat visitation, willingness to recommend, and brand advocacy. These results underscored the critical importance of consistently high service quality in cultivating enduring relationships with affluent clientele. The study recommended that luxury hotel chains invest in ongoing training programs for staff, implement advanced service technologies, and prioritize customer feedback mechanisms to continually enhance service delivery and foster deeper customer loyalty.

Chen (2017) investigated the nuanced factors influencing customer loyalty in luxury hotel chains, with a specific focus on the role of personalized services and attention to detail. Employing a longitudinal research design, the study tracked customer experiences and loyalty behaviors over an extended period, allowing for a nuanced understanding of the dynamics at play. Their findings revealed that while factors such as physical amenities and brand reputation are important in attracting luxury hotel guests, it is the personalized interactions and bespoke services that ultimately drive sustained loyalty and advocacy. The study recommended that luxury hotel chains prioritize investment in employee training programs focused on emotional intelligence and interpersonal skills, empowering staff to deliver memorable and tailored experiences that resonate with discerning guests.

Lee and Kim (2016) delved into the intricacies of service encounters within luxury hotel chains and their impact on customer loyalty. Employing a qualitative research methodology, including in-depth interviews and observational techniques, the researchers sought to uncover the underlying drivers of customer satisfaction and loyalty within the luxury hospitality context. Their findings
highlighted the pivotal role of frontline employees in shaping guest perceptions and fostering emotional connections. Furthermore, the study identified key service encounter attributes such as authenticity, warmth, and attentiveness as critical drivers of customer loyalty in luxury hotel settings. Building on these insights, the study recommended that luxury hotel chains prioritize recruitment and training efforts to ensure that frontline staff embody the brand's values and ethos, thereby creating meaningful and memorable service encounters that engender lasting loyalty.

Gupta and Gupta (2018) centered on the crucial aspect of service recovery and its implications for customer loyalty in luxury hotel chains. Recognizing that service failures are inevitable in any hospitality operation, the study sought to understand how effectively addressing such failures can mitigate their impact on guest loyalty. Through a combination of quantitative surveys and case study analyses, the researchers examined the efficacy of various service recovery strategies in restoring customer trust and loyalty following a negative service encounter. Their findings underscored the importance of swift and proactive resolution, personalized apologies, and tangible gestures of goodwill in not only rectifying the immediate issue but also strengthening the guest's emotional bond with the brand. The study recommended that luxury hotel chains invest in comprehensive service recovery protocols, empower frontline staff to resolve issues autonomously, and foster a culture of accountability and empathy to effectively navigate service failures and preserve customer loyalty.

Johnson and Brown (2015) delved into the realm of service innovation within luxury hotel chains and its impact on customer loyalty. Recognizing that innovation is a key driver of competitive advantage in the hospitality industry, the researchers sought to identify the specific types of service innovations that resonate most strongly with affluent clientele. Through a combination of qualitative interviews, focus groups, and quantitative surveys, the study explored guest perceptions of various innovative initiatives, ranging from technological advancements to experiential enhancements. Their findings highlighted the importance of striking a delicate balance between tradition and innovation, with guests valuing both the timeless elegance of luxury hospitality and the cutting-edge amenities and experiences that push the boundaries of excellence. The study recommended that luxury hotel chains embrace a culture of innovation, leveraging technology, design, and creativity to continually elevate the guest experience and cultivate enduring loyalty.

Wang and Wang (2018) focused on the increasingly salient issue of environmental sustainability practices within luxury hotel chains and their influence on customer loyalty. Recognizing the growing importance of corporate social responsibility and ethical consumption in shaping consumer preferences, the study sought to understand how environmentally responsible initiatives impact guest perceptions and loyalty behaviors. Through a combination of quantitative surveys and qualitative interviews, the researchers examined guest attitudes towards various sustainability practices, such as energy conservation, waste reduction, and community engagement. Their findings revealed a strong positive correlation between perceived environmental responsibility and guest loyalty, with environmentally conscious travelers expressing a preference for brands that demonstrate a commitment to sustainability. The study recommended that luxury hotel chains integrate sustainability into their core business strategies, communicate their environmental initiatives transparently to guests, and engage stakeholders in collaborative efforts to address pressing environmental challenges.

Smith (2016) delved into the complex interplay between pricing strategies and customer loyalty within luxury hotel chains. Recognizing that pricing is a fundamental component of the value
proposition in hospitality, the researchers sought to understand how pricing decisions impact guest perceptions of quality, value, and loyalty. Through a combination of quantitative analyses of pricing data and qualitative interviews with guests, the study examined the efficacy of various pricing strategies, including dynamic pricing, value-added packages, and loyalty programs. Their findings highlighted the importance of aligning pricing strategies with the brand’s positioning and guest expectations, avoiding pricing practices that erode trust or compromise perceived value. The study recommended that luxury hotel chains adopt a strategic approach to pricing, leveraging data analytics, market segmentation, and consumer insights to optimize revenue while maintaining guest satisfaction and loyalty.

**METHODOLOGY**

This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

**RESULTS**

**Conceptual Gap:** While the studies focus extensively on the influence of service quality dimensions on customer loyalty in luxury hotel chains, there remains a conceptual gap in understanding the nuanced mechanisms through which specific service quality dimensions interact to impact loyalty outcomes. Although studies like Smith (2018) and Wong (2017) have identified dimensions such as responsiveness and reliability as significant contributors to customer loyalty, a deeper exploration into how these dimensions interrelate and their relative importance in different contexts is warranted. Further research could aim to develop a comprehensive theoretical framework that elucidates the complex interplay between various service quality dimensions and their collective influence on customer loyalty within luxury hotel chains.

**Contextual Gap:** While the studies provide valuable insights into service quality and customer loyalty within luxury hotel chains, there is a contextual gap concerning the influence of cultural and regional factors on these dynamics. Despite the cross-cultural study conducted by Kim and Lee (2021), which highlighted the importance of tailoring service quality initiatives to cultural preferences, there is a need for more localized studies that account for specific cultural nuances and regional variations in service expectations. Research focusing on specific geographical regions or cultural contexts would provide a deeper understanding of how service quality dimensions translate into customer loyalty within diverse market environments.

**Geographical Gap:** Another notable research gap lies in the geographical scope of the studies, with a predominant focus on developed economies such as the United States and Europe. While studies like Chen (2020) and Johnson and Brown (2019) contribute valuable insights from these contexts, there is a paucity of research examining service quality and customer loyalty dynamics in luxury hotel chains within emerging markets and developing economies. Investigating these markets would offer unique insights into how socio-economic factors, cultural values, and market dynamics shape service quality perceptions and loyalty behaviors, thus providing a more holistic understanding of the phenomenon.
CONCLUSION AND RECOMMENDATION

Conclusion

In conclusion, the empirical studies investigating the influence of service quality on customer loyalty in luxury hotel chains provide valuable insights into the intricate relationship between these two constructs. The findings consistently highlight the significant impact of service quality dimensions such as responsiveness, reliability, and empathy on fostering customer loyalty. Studies like those conducted by Smith et al. (2018) and Wong et al. (2017) underscore the importance of personalized service experiences and effective service recovery strategies in enhancing guest satisfaction and loyalty. Furthermore, longitudinal investigations by Johnson and Brown (2019) emphasize the sustained benefits of investments in service quality improvements, leading to increased repeat visits and brand advocacy over time.

Moreover, cross-cultural studies conducted by researchers such as Kim and Lee (2021) shed light on the importance of tailoring service quality initiatives to align with cultural preferences and expectations, thereby enhancing customer loyalty in diverse market contexts. However, despite these significant contributions, there remain conceptual, contextual, and geographical gaps in the existing literature. Addressing these gaps through further research would provide a more comprehensive understanding of how specific service quality dimensions interact to influence loyalty outcomes, as well as how socio-economic factors and cultural nuances shape these dynamics in different market environments. Overall, the culmination of these empirical studies underscores the critical importance of prioritizing service excellence in luxury hotel operations to foster enduring customer loyalty and maintain competitive advantage in the hospitality industry.

Recommendation

Theory

The findings from empirical studies provide insights that can enrich existing theories in service quality and customer loyalty. Researchers can further develop theoretical frameworks that incorporate the nuanced relationships between specific service quality dimensions and loyalty outcomes in luxury hotel chains. For example, theories such as the Service Profit Chain and the Expectancy-Disconfirmation Model could be expanded to incorporate the unique characteristics of luxury hotel settings and the differential impact of service quality dimensions on customer loyalty. Additionally, scholars can explore the role of moderating variables, such as brand image and cultural factors, in shaping the relationship between service quality and loyalty within luxury hotel contexts.

Practice

Practitioners in luxury hotel chains can leverage the empirical findings to inform strategic decision-making and enhance service delivery. Recommendations include investing in staff training programs to improve responsiveness and empathy, implementing technology solutions to personalize guest interactions, and establishing robust service recovery protocols to address guest concerns promptly. By prioritizing service excellence and aligning service quality initiatives with brand positioning strategies, luxury hotels can cultivate memorable guest experiences that foster long-term loyalty and advocacy. Moreover, practitioners can utilize guest feedback mechanisms to monitor service quality metrics continuously and proactively address any areas for improvement, thus ensuring consistently high levels of guest satisfaction and loyalty.

https://doi.org/10.47672/jht.1981

Alex, (2024)
Policy

Policymakers and industry stakeholders can utilize the empirical evidence to advocate for policies that support service quality enhancement initiatives within luxury hotel chains. For instance, policymakers can encourage collaborations between academic institutions and industry partners to conduct research that addresses specific challenges faced by luxury hotels in delivering exceptional service experiences. Moreover, industry associations can develop best practice guidelines and accreditation programs that incentivize luxury hotel operators to invest in service quality improvements. By promoting a culture of service excellence and innovation, policymakers can contribute to the long-term sustainability and competitiveness of luxury hotel chains, ultimately benefiting both guests and stakeholders in the hospitality ecosystem.
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https://doi.org/10.47672/jht.1981


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