Impact of Trust, Service Quality, Satisfaction on Loyalty: Mediating Role of Image for The Relationship between Satisfaction and Loyalty in The Indian Hotel Industry

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Abstract

Purpose: Failure is inevitable, and the hospitality business faces it more as the number of tourists continues to rise worldwide. The study aims to examine the impact of trust, satisfaction, and service quality on customer loyalty. In addition, this study endeavors to understand the mediating role of hotel image between customer satisfaction and loyalty.

Design/approach/Methodology: A structured questionnaire was distributed among 700 hotel customers who had the experience of staying in three, four, or five-star hotels. The PLS-SEM technique was used for data analysis and to study the relationship between constructs.

Findings: The study found the significant and positive influence of trust, satisfaction, and service quality on customer loyalty. The partial mediation effect of hotel image between satisfaction and loyalty was also established.

Practical implications: The hotel plays a crucial role in the tourism industry. Based on the previous studies, hotels should take appropriate action to improve customer satisfaction and customer loyalty. With continuous substantial annual changes in the tourist industry, hotels need to reevaluate their business tactics to maintain customer loyalty. Hence, hotels should provide better services to dissatisfied customers.

Originality: Because of the tough competition in the service industry, organizations focus more on service quality to secure long-term profitability. Organizations should continuously evaluate the business strategies to improve customer satisfaction and customer loyalty.

Keywords: Trust, Customer satisfaction, Hotel image, Customer loyalty, Service quality, Hotels.

1. Introduction

"Many millions of jobs and businesses depend on a vibrant and thriving tourist sector around the world. Tourism has also been a driving force in the preservation of natural and cultural assets for future generations to enjoy" Mr. Zurab Pololikashvili. The Indian hospitality and tourism industry has turned into an essential growth driver in India's services sector. Like many other countries, tourism is a significant source of foreign exchange in India. Foreign exchange earnings increased at a CAGR of 7% from 2016 to 2019 but fell in 2020 because of the COVID-19 epidemic (Indian tourism and hospitality industry report, 2021). COVID-19 brought the entire world to a halt. It wreaked havoc on the travel and tourism industry, resulting in a nearly US$ 4.5 trillion GDP loss and 62 million job losses by 2020. Travel and tourism capital investment fell sharply from US$ 986 billion in 2019, accounting for 4.4 percent of total global investment, to US$ 693 billion in 2020, accounting...
for 3.2 percent of total investment, a drop of 29.7% (WTTC 2021). As the industry prepares for a rebound in international visitors and capital investment, it is critical to understand key trends, priorities, and related opportunities to attain the Travel & Tourism sector's unlimited potential in the years ahead. Achieving success will necessitate the involvement of all stakeholders from the early stages of the planning process, ranging from developers, investors, legislators, and policymakers to community groups (WTTC, 2021). As places and government agencies work to encourage investment, they will also need to build an effective supportive environment and consider overarching incentive schemes such as intelligent taxation, transportation facilitation practices, diversification, advancement, and the use of digital technology, as well as the integration of sanitation and safety protocols, communication skills, and the significance of a mutually beneficial relationship. Service failure and recovery are essential in marketing. Glasly 2018 customer service expectations survey states that 92% of customers said they would not repurchase the services if the double deviation system happens, and 26 % will not repurchase the benefits if the failure first occurs. According to the survey, 68 percent of people would pay a higher price for an excellent service company. Thirty-three percent would pay an additional 1-9 percent. 27% would pay another ten to twenty percent (Glasly, 2018). In addition, if the service were excellent, 8% would be willing to pay more than 20% more. These significant benefits in the hospitality industry must remain creative and cautious about standing out among the growing rivals. As customers' expectations increase, hotel companies have to become more attentive when interacting with their tourists to stay competitive in the hospitality sector. Hotel owners need to persist in integrating new important aspects into their operations. Hotel companies should always assume that different guests would have different levels of service expectations. (Glasly, 2018).

Moreover, instead of putting too much emphasis on additional services, hotels must first meet the primary demand of consumers (Mansori et. al., 2014). Listening to customers' complaints is one of the most acceptable ways to boost relationships with customers. Now a day's, service recovery is an essential aspect of every organization. Subsequently, service recovery has drawn the attention of every researcher and academicians. This concept has been seen in marketing studies and business practices. Service failure is the nature of the products that organizations provide to their customers, leading to increases in the possibilities of defeat (Hoffman and Suhartanto, 1995). (Liat et. al., 2018) studies the relationship between services recovery, customer satisfaction, and loyalty. The study found a positive relationship between service recovery, satisfaction, and loyalty. Therefore, in this study, we discussed the variables not described in any study. Moreover, the study explains the conceptual model made by taking the variables from previous studies. The research shows the main contributions to the (services) marketing and hospitality literature. Based on this justification, this paper has gone through a brief theoretical foundation, development of the hypothesis, and the proposed framework, which contains essential term definitions and formulation of past studies. The study discussed the results followed by research methodologies. The study provides theoretical/managerial implications and future outcomes based on the current study's limitations.

2. Literature review
A literature review was conducted to expand the current understanding of the relationship between trust, satisfaction, service quality, and its impact on loyalty and mediates the hotel image for the relationship between satisfaction and loyalty. The following section examines the literature on customer satisfaction.

2.1 Tourist Satisfaction
Customer satisfaction has always been an exciting area of research because customer reactions ascertain the long-term relationship with customers that can ultimately lead to a business's long-term viability. (Anderson et al., 2004). With the widespread availability of services, monopolistic service provisions, in which consumers have little or no say over
their purchases, are becoming increasingly rare. Many studies have tried to describe satisfaction, although; it can be broadly defined as "the consumer's response to the evaluation of the perceived discrepancy between expectation and actual quality of the service as perceived after consumption" by many researchers. (Giese and Cote, 2000) there are three components of satisfaction: an emotional response, a response that defines clear focus, and a response regulated by confined time. This understanding is further expanded in recent service marketing literature (Mohajerani and Miremadi, 2012) found that customer satisfaction is represented as a composite of perceived image, service quality, and perceived value. Customers are tourists, and their role is to use and enjoy the products or services purchased. Subsequently, Customer satisfaction and loyalty are critical to the market concept's implementation success. Satisfied tourists always return and rebuy if the service provider meets or improves their expectations (Hsiung, 2011). The study tries to address satisfaction, failure, and recovery of services. Customer satisfaction is the most important aspect of the hospitality and tourism industry. In addition, due to the different characteristics of services, failures are bound to happen. To counter that, precise planning must be done (Mostert et. al., 2009). The study reveals that organizations' efforts of service recovery have a significant impact on customer satisfaction. Once a customer receives a satisfying customer service experience, a strong bond is being created, generally lasting long. Companies have spent a lot of money to increase customer satisfaction (Durvasula et. al., 2004). Customer satisfaction is an indicator of an organization's overall health and prospects and has many benefits for organizations, such as establishing consumer loyalty, limiting customer churn, lowering marketing expenses, and increasing brand reputation (Fornell, 1992). The company's strategy's performance is determined by its ability to meet its commitments to customers, leading to long-term, productive relations (Carpenter and Fairhurst, 2005). Managers must distinguish between satisfying and dissatisfying product qualities. Satisfaction is defined as an independent variable, which shows a relationship between customer satisfaction and loyalty.

### 2.2 Customer satisfaction and customer loyalty

Loyalty is a multifaceted concept that different scholars define and evaluate differently. Consumer loyalty can be divided into three categories: behavioral loyalty, attitudinal loyalty, and composite loyalty (Taylor et. al., 2006). These variables influence consumer expectations, contentment, and repurchase behavior (Curtis et. al., 2009). Some organizations charge high switching fees to promote loyalty, which thwarts switching intentions (Lee and Romaniuk, 2009). These expenses have a detrimental impact on the customer's relationship with the supplier. The literature review of the satisfaction-loyalty link revealed two essential points. The first point of view found that customer satisfaction is the most critical factor in customer loyalty (Dixon et. al., 2005). The second point of view on the satisfaction-loyalty link is that, while customer satisfaction can affect consumer loyalty, it is not enough to establish loyalty (Julander and Soderlund, 2003; Oliver, 1999). Customer satisfaction is well established in the literature as one of the specifications for building consumer loyalty. Companies must be capable of handling and adequately resolving problems to maintain this relationship (Morgan and Hunt, 1994). Satisfaction is a person's sensation of pleasure or disappointment that emerges from comparing product performance expectations with actual performance, implying that if the execution falls short of expectations, the consumer will be dissatisfied. (Giao et. al., 2020). Additionally, customers define customer satisfaction as the evaluations of goods or services they have already bought (Nguyen et. al., 2020). Previous studies indicated that customer loyalty is induced by effective service recovery (Komunda and Osarenkhoe, 2012). They also mentioned an idea known as loyalty, which refers to a customer's repurchasing behavior. On the other hand, many research studies have only looked at repurchasing behavior without considering the attitude factor. (Jin et. al. 2019) Customer satisfaction is an important quality of every successful business. Providing the customer with positive service encounters is necessary, but every business needs to satisfy the dissatisfied customer. Over the years, customer satisfaction was increased in the hospitality industry. Therefore,
service failure is a significant problem in the hotel industry because employees do not react to customer complaints. The gap between customer expectation and customer experiences is called service failure. The study's objective is to examine the types of service recovery strategies and service recovery times. The study has done an online survey of 495 respondents. Factorial ANOVA exploratory factor analysis techniques were used for data analysis. As a result, it is possible to speculate that:

H1. Customer satisfaction positively affects customer loyalty for the hotel.

2.3 Hotel Image, Customer Satisfaction, Customer loyalty

Satisfaction is essential, but this is not the first-factor motivating people to stay loyal. Customer loyalty is influenced by corporate image and satisfaction, according to (Faullant et. al., 2008). Customers' perceptions of the company can be viewed as corporate image. It could be the company's brand and its products and services. (Dibb & Fisk, 2005). Hotel image refers to how a consumer perceives a hotel's identity in the hospitality industry. Past research indicated a positive relationship between hotel image and loyalty, and image leads to loyalty (Faullant et. al., 2008). Many studies have been conducted to investigate the impact of corporate image on customer perceptions and behavior. (Faullant et. al., 2008) found that hotel image and satisfaction are essential factors in encouraging customer loyalty (Liat et. al., 2017). The image of a company has a significant impact on marketing actions, both favorably and adversely. Therefore, the image has an impact on the consumer decision process. Service literature identifies various aspects that reflect image in the customer's mind. Corporate image is defined as the images and impressions of the hotels you have visited, and you feel about the same (Zameer et. al., 2018). A set of beliefs, ideas, and one's impression of a corporation can be considered a corporate image (Kissel & Buttgen, 2015). Examples of the good corporate image defined are good responses in involvement, active roles, and other positive acts, and negative responses in rejection or other negative forms of a corporation (Sallam, 2016). Subsequently, the corporate image has an essential role in the mind of the customers. (Kissel & Buttgen, 2015). With a great level of competition in the industry, services have become a significant factor. The recovery strategies were applied to determine the customer's satisfaction level and loyalty. Thus, these factors are significant for hotels to maintain their name in the market. In the study, responses are collected from unsatisfied customers. It was done to understand the customer's satisfaction after recovery and to know the loyalty of the customers. It also tries to depict the image of the hotel. Loyalty is one of the major theories for making a customer relationship. Now a day, every brand has a different characteristic. The overview of the study is to check the strength and depth of the connection between consumers and brands. The study's objective is to examine the applicability of brand relationship quality in the hotel industry. The results showed that service recovery plays a vital role in satisfying the customer, creating loyalty, and improving the corporate image.

H2. Hotel image mediates the relationship between customer satisfaction and loyalty.

2.4 Service Quality and loyalty

The SERVQUAL model has been proposed to measure service performance based on research. SERVQUAL is a tool for evaluating the level of services delivered by businesses. This model has a lot of criticism. However, still widely used in the field of service marketing. In the literature, relationships between customer satisfaction and service quality are well accepted. (Duygun, 2015; Gautam, 2013; Parasuraman et. al., 1988). Customer satisfaction is achieved when hotel service quality is managed by ensuring that actual service performance matches the customer's perceived services. Service quality is represented at every stage of the service interaction from the standpoint of services marketing, and it is service attainment. Put another way, it measures how well a hotel service fulfills a customer's aspirations (Cheng et. al., 2019). Service failures are unavoidable in the service industry. In any case, the hotelier is responsible for any service interruptions. The hotel's strategies should include appropriate measures concerning a service failure to stay competitive. According to (Michel et. al., 2009), such a response may increase customer satisfaction or decrease customer
disappointment.

2.5 Trust and loyalty
Trust is regarded as a critical component in relationships between individuals and organizations (Prieto et. al., 2014). Whenever you visit the hotel, what is the first thing that comes to your mind? Is the hotel trustworthy or not? Therefore, loyalty is defined as the reflection of trust and commitment. Customer loyalty positively affects organizations' growth (Khoa, 2020). Nowadays, worldwide everyone wants the best products and services. Customer loyalty maintains a relationship with the organizations. Trust has been discussed in various disciplines and has been incorporated in multiple ways. Many others have discussed trust in services marketing (Parasaraman et. al., 1991). (Moorman et al., 1993) define trust as "the eagerness to rely on an exchange partner in whom one has trust." Most studies have looked at trust as a one-dimensional concept (Dwyer et. al., 1987). However, some researchers (Doney & Cannon, 1997) argue that trust should be viewed as a multidimensional concept. Several academics who study long-term relationships and, as a result, repeat buying behavior have stated that trust is an essential factor in maintaining customer loyalty during difficult times (Doney & Canon, 1997). (Singh and Sirdeshmukh, 2000) propose a model in which customer loyalty is positively influenced by post-purchase satisfaction and trust. Establishing existing business relationships appears to require a high level of trust. Given the intangible nature of service and the fact that it is consumed right after purchase, it can be argued that a greater degree of trust in the product and supplier is needed to promote acquisition. (Lewis & McCann, 2004) the hospitality industry interacts with employees and consumers. The quality of the degree is determined by the actions of frontline staff whose experience is minimal. This paper is focused on the service failure and recovery experienced by a hotel guest. In all statements, the major problem was regarding the room cleanliness, followed by staff not being helpful, locks quality, food quality incorrect bills. An Independent sample t-test has been used to analyze the data. The study found that 57 percent said they would stay at the hotel again, and half of the guests who were dissatisfied with problem resolution did not intend to return to the hotel. This research suggests that loyalty is influenced positively.
H4: Trust has a positive influence on loyalty.

3. Research Methodology
In this study, we chose the hospitality sector. There were many reasons for this consideration. First, in the last two years, covid-19 affected the hospitality industry worldwide as we are all stuck at home in the meantime and were not able to get the services from these industries. Now the hospitality sector has been open all over the world. Therefore, this study focuses on what changes customers are facing at this time after the covid-19. Nowadays, the Indian tourism industry has been overgrowing. A structured questionnaire was distributed to 700 tourists who have visited the hotels in the last few months in the present study. We have taken the sample from three-star, four-star, five-star hotels of Haryana, Punjab, Himachal

Figure 1: Conceptual model
Pradesh, and New Delhi for our research. Data were collected by using the convenience-sampling method. The researcher approached the respondents in hotels. Two criteria were used to choose the responses. First, they stayed in the respective hotels within the last two months and had an experience of service failure. After getting approval from the respondents, the participants were given a brief explanation of the survey, and a questionnaire was distributed to them. Confidentiality is given to the participants who filled the questionnaire. A questionnaire was distributed among the respondents for the data collection. Out of the \((n=700)\), 469 was usable for further analysis. The remainder were rejected due to the incomplete information provided by the respondents. For the measurement, items for various variables were adopted from the different studies. The service quality items were taken from previous studies. Moreover, the satisfaction items were taken from the developed (Kuo et al., 2013). Moreover, all other things were measured using a 5-point Likert scale, from 1=Strongly Disagree to 5=Strongly Agree. Data have been analyzed by using smart pls 3.3.3 software.

4. Data Analysis

4.1 Sample Characteristics

With descriptive statistics, the demographic profile of the respondents in this study Females made up 53.1 percent of the respondents in this study. In terms of age, the bulk of the respondent was 18-24. Furthermore, the majority of the respondents (80.4%) were single. As far as a profession was concerned, we have taken the sample of govt sector employees (14.5%), private sector employees (15.8%), self-employed (5.6%), and students. Most of the respondents are students in this study (64.1%). Further, we have taken the type of family, the number of family members, and frequency of visits in a month in the selected hotels, and the purpose of staying in the respective hotels.

Validity and Reliability

<table>
<thead>
<tr>
<th>Construct</th>
<th>Dijkstra Henseler's rho ((\rho_h))</th>
<th>Jöreskog's rho ((\rho_{ji}))</th>
<th>Cronbach's alpha ((\alpha))</th>
<th>The average variance extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>sat</td>
<td>0.8902</td>
<td>0.9173</td>
<td>0.8869</td>
<td>0.6896</td>
</tr>
<tr>
<td>trust</td>
<td>0.9064</td>
<td>0.9259</td>
<td>0.8935</td>
<td>0.7576</td>
</tr>
<tr>
<td>loyalty</td>
<td>0.9226</td>
<td>0.9450</td>
<td>0.9224</td>
<td>0.8112</td>
</tr>
</tbody>
</table>

The applicability of the created measurement for this was tested using validity and reliability analyses. For each of the study's constructs, the average variance extracted (AVE), composite reliability (CR), and Cronbach's alpha were calculated, and to prove convergent validity, the recommended threshold values are (a) factor loading for the item more than 0.70, (b) AVE more than 0.50 (c) the reliability score more than 0.70. the results reveal that all measuring item loadings were more outstanding than 0.60, the AVE for all constructs was more significant than 0.50, and the reliability score for all constructs was more critical than 0.70, indicating that convergent validity was obtained.

4.3 Structural Model and Hypothesis Testing

<table>
<thead>
<tr>
<th>Effect</th>
<th>Original coefficient</th>
<th>Mean value</th>
<th>Standard error</th>
<th>t-value</th>
<th>p-value (2-sided)</th>
<th>p-value (1-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>sat -&gt; loyalty</td>
<td>0.2354</td>
<td>0.2290</td>
<td>0.0810</td>
<td>2.9051</td>
<td>0.0038</td>
<td>0.0019</td>
</tr>
<tr>
<td>trust &lt;-&gt; loyalty</td>
<td>0.2401</td>
<td>0.2435</td>
<td>0.0784</td>
<td>3.0642</td>
<td>0.0022</td>
<td>0.0011</td>
</tr>
<tr>
<td>Quality-&gt;loyalty</td>
<td>0.2278</td>
<td>0.2321</td>
<td>0.0625</td>
<td>3.6476</td>
<td>0.0003</td>
<td>0.0001</td>
</tr>
</tbody>
</table>
Table 2 demonstrates based on the estimates of the standardized coefficients; each construct was positive and significant, trust and quality, satisfaction and quality, quality and loyalty were effective. The results found that appropriate confidence and customer satisfaction positively affect customer loyalty. Therefore, results found that the corporate image partially mediates the relationship between customer satisfaction and customer loyalty.

5. Discussion and conclusion of the study

<table>
<thead>
<tr>
<th>Constructs</th>
<th>The direct effect of sat on loyalty in the absence of image</th>
<th>The indirect impact of sat on belief in the presence of image</th>
<th>An immediate impact of sat on loyalty in the company of image</th>
<th>Inference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sat -&gt; loyalty</td>
<td>0.2354*</td>
<td>0.0943*</td>
<td>0.2231*</td>
<td>Partial Mediation</td>
</tr>
</tbody>
</table>

The study found that the result is worth noting. First, the study found that trust and service quality positively influence customer satisfaction in the respective states of the Indian hospitality sector. Previous studies supported that hotel guests’ views of overall service recovery and service quality positively affect their satisfaction. Subsequently, service recovery actions influence customer satisfaction who has encountered service failure during their stay, just as service performance quality substantially affects a customer's judgment or perception. The hospitality sector is especially susceptible to customer dissatisfaction and perceptions of service quality because of the high frequency of engagement (Sweeney & Soutar, 2001). Skilled individuals in the hotel industry should ensure that smooth customer service policies and practices are carried out. Hotels, for example, should consider renovating their exteriors and interiors to make an excellent first impression on their guests. In addition, updating amenities such as websites, booking systems, and room facilities, among others, can significantly affect how customers perceive the hotel. Hotel companies should highlight the importance of the assurance factor by assuring that their customers' safety is secured. This can be accomplished by providing security officers with sufficient training, reviewing key card access, controlling after-hours access, and maintaining security-conscious customer service. Hoteliers should provide training and courses to help staff improve their work performance and the service delivery process in terms of responsiveness, reliability, and empathy. Nowadays, attracting new customers is 15 times more costly than sustaining the previous one. The hotel industry should follow all approaches to attract customers and provide customer satisfaction. For instance, several hotels should encourage feedback or suggestion programs, as this strategy can help them uncover any problem spots in their operations that need improvement. This is done with the help of survey forms, which can be handed out at the front desk or sent through email. In addition to recruiting new customers, effective techniques would assist convert customer satisfaction into customer loyalty. (Faullant et. al., 2008) indicated that image and satisfaction lead to loyalty intentions. The study administered that hotel image partially mediated the relationship between these two variables concerning the mediating effect. (Kandampully and Suhartanto, 2000). Customer loyalty leads to a positive customer image. The organizations provide high service quality with delighted customers, leading to a positive corporate image. Therefore, such an organization would benefit from the patronage of loyal consumers and their friends, who would become new customers due to word of mouth. The long-term marketing strategy should include actions to strengthen the hotel's corporate image. To ensure customer service justice, hotel owners should emphasize the necessity of service recovery. For example, management could provide remedial service recovery by providing consumers with a free hotel up-gradation or a free meal coupon. In the hospitality industry, the Indian hospitality industry plays pivotal roles all over the country. The study found a positive impact between these variables and partial mediation between customer satisfaction and customer loyalty. In summary, the study found a positive effect of trust, satisfaction, and service quality on loyalty and partially mediated the role of image in relation to satisfaction and loyalty. It is
critical for the hotel sector to continuously enhance and deliver high-quality facilities and services to make consumers as satisfied as possible in every service encounter, resulting in customer loyalty.

6. Limitations and future Implications

This model is tested in the Indian hotel industry. As a result, the findings may or may not be applicable in a different sector. Second, the questionnaire only included closed-ended questions. Furthermore, future studies should include another method to provide more credible findings. The study investigated the effects of trust, satisfaction, and service quality on customer loyalty and mediating the role of image in the relationship between happiness and loyalty. The findings will be helpful to hoteliers that want to improve their corporate appearance to develop more effective loyalty campaigns. The study has several practical directions for future research. Concerning the previous analysis, trust, quality, and satisfaction induce customer loyalty. The research found that the hotel managers know that trust, quality, and satisfaction have a positive role in creating hotel image. There are some flaws of the study, and these limitations give insights for future research; the research only focuses on one industry as it affects to generalize the result. Future research should also test this contextual framework in the other sector. Future research is recommended to measure the relationship between perception of feedback, trust, and loyalty.

References


