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ScienceDirect

Procedia - Social and Behavioral Sciences 189 (2015) 266 – 274

Procedia
Social and Behavioral Sciences

XVIII Annual International Conference of the Society of Operations Management (SOM-14)

Customer Service Experience in Hotel Operations: An Empirical Analysis

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Abstract

Marketers want to offer pleasurable experiences to the customers across channels, not only better services. Customer experience incorporates company–customer interaction that includes both functional and emotional clues developed through different touch points. This research brings an understanding of customer experience quality in hotel operations. This study adopted customer experience scale and examined its effect on customer satisfaction, brand loyalty and word-of-mouth in hotel industry. Present study has been conducted with the hotel guests in order to capture the real essence of customer experience construct. Results showed significant influence of customer experience dimensions on customer satisfaction. Customer satisfaction influences both brand loyalty and word-of-mouth, and the indirect effect of customer satisfaction on word-of-mouth through brand loyalty is much strong. On the whole, this study extends the applicability of customer experience quality scale in hotel operations, which makes marketers to think about the different touch points during customer interaction with the hotel brand.

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Peer-review under responsibility of the scientific committee of XVIII Annual International Conference of the Society of Operations Management (SOM-14).

Keywords: Customer experience quality; Hotel industry; Customer satisfaction; Brand loyalty; Word-of-mouth

Introduction

With the introduction of idea to see customer as rational and emotional decision maker (Schmitt, 1999), studies have directed their efforts in understanding customer experience in different sectors. It has been argued that customer experience is a significant factor for the service brands (Berry et al., 2002; Hartman et al., 2009). Tourism and

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hospitality industry has been seen as the more experience-based service industry (Gilmore & Pine, 2002; Yuan & Wu, 2008). Selling services are not enough to differentiate your offerings; it is required to provide memorable experiences to the hotel guests (Gilmore & Pine, 2002). Despite this growing significance of customer experience measurement in the hospitality and tourism industry, literature does not find much customer experience related researches in this industry (Binkhorst & Dekker, 2009; Ritchie & Hudson, 2009). Further, due to globalization a rapid growth has been observed in the hospitality industry that also demands research in this area. Therefore, this study focuses on understanding the importance of customer experience quality in the hotel industry in India.

We adopted customer experience quality (EXQ) scale (Maklan & Klaus 2011) to predict key consumer behavioural outcomes that are customer satisfaction, word-of-mouth and brand loyalty. EXQ scale offers better measurement of customer experience. This scale was developed and tested in banking services (Maklan & Klaus, 2011; Klaus & Maklan, 2012), later on Klaus and Maklan (2013) validated its generalizability across four services (retail banking, mortgage, fuel and service station and luxury goods). All these studies were conducted in United Kingdom (UK), a developed economy. It gives rise to three questions: (1) Does customer experience really matters in developed economy like India, (2) Is EXQ scale provides better measurement in hotel industry, a highly experiential service industry? And (3) Does it adds to our knowledge of research based on customer experience and its outcomes in Indian market? This study examine EXQ in hotel industry to deal with the generalizability issue and examine EXQ's influencing strength against key consumer behavioural outcomes - word-of-mouth, customer satisfaction and brand loyalty.

The rest of the study is organized in the following manner. First, we provide theoretical background on customer experience and develop hypothesis. Second, we discuss the method adopted to address the objectives of the study. Finally, we discuss results of the study followed by implications for managers and also provide future research directions.

Theoretical background

Service quality measures received global attention (Zeithaml, 1988), but recent service quality researches has shown criticism due to its large focus on transaction specific assessment (Voss et al., 2008). Customer experience incorporates service quality definition along with the objective to refine static measurement of service quality (Berry et al., 2002). Customer experience is an observation of a journey that precedes service encounters, passes through service deliver and continues even after delivery of services (Berry et al., 2002). Before service delivery or purchase, customer experiences direct or indirect communications made by a firm (Brakus et al., 2009) and receives word-of-mouth from other customers (Kwortnik & Ross 2007). Customer experiences the context of approaching the organization, like the journey to a retailer (Gilmore & Pine, 2002) or the contact through website medium (Sautter et al., 2004). Physical environment contacts also offer experiences to the customer (Pullman & Gross 2004). After delivery of services, customer consumes the product/service that constitutes consumption experiences (Woodruff, 1997).

Studies argued the conceptual difference between customer experience and service quality (Klaus & Maklan, 2007), and developed new measurement for it (Klaus & Maklan, 2012). According to Klaus and Maklan (2013), measure of experience incorporates feelings and emotions that bring its scope broader than that of service quality measures. Literature provides better understanding of customer experience through some definitions. As, Meyer and Schwager (2007) define customer experience as “customers’ internal and subjective response to any direct or indirect contact with the company across multiple touch points”. Gentile et al. (2007, p. 397) stated that “customer experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer’s involvement at different levels (rational, emotional, sensorial, physical, and spiritual)”. Klaus and Maklan (2013) viewed customer experience as “the customer’s cognitive and affective assessment of all direct and indirect encounters with the firm relating to their purchasing behaviour”. In the words of Lemke et al. (2011), customer experience is conceptualized as “the customer’s subjective response to the holistic direct and indirect encounter with the firm, and customer experience quality as its perceived excellence or superiority”.

Hypothesis development

This study concentrates measures the effect of customer experience on key consumer behavioural outcomes: customer satisfaction, word-of-mouth and brand loyalty. There are two reasons two choose these outcomes. First, studies have suggested the crucial role of customer experience in predicting the customer satisfaction, word-of-

mouth and brand loyalty (Caruana, 2002; Garbarino & Johnson, 1999; Puccinelli et al., 2009; Shankar et al., 2003; Verhoef et al., 2009). Second, literature has not verified the explanatory power of EXQ scale in developing country like India as well as in hotel industry, which we have chosen. Studies only examined the EXQ scale in predicting customer satisfaction, brand loyalty and word-of-mouth in banking industry and found significance of the scale.

Customer satisfaction and customer experience are distinct constructs (Garbarino & Johnson, 1999) and shows a contributory relationship with each other (Fornell, 1992). Caruana (2002) proposed customer satisfaction and brand loyalty as an outcome customer experience. Customer experience brings customer satisfaction which subsequently resulted into brand loyalty (Shankar et al., 2003). Furthermore, better experiences leads to positive feelings and emotions due to that consumer want to repeat these experiences that not only influence satisfaction of the customer but also results into brand loyalty. Studies put forward the significant impact of experiences on brand loyalty through customer satisfaction (Brakus et al., 2009; Klaus & Maklan, 2013; Nvyseen et al., 2013). Therefore, the present study examined the direct influence of customer experience quality dimensions on customer satisfaction, brand loyalty and word-of-mouth, and also measures indirect influence of customer satisfaction on word-of-mouth through brand loyalty.

Furthermore, studies explained the influence of customer experience on customer satisfaction (Anderson & Mittal, 2000), loyalty (Fornell et al., 2006) and word-of-mouth (Babin et al., 2005; Hennig-Thurau et al., 2002; Keiningham et al., 2007; Voss & Zomerdijk, 2007) in several contexts. More specifically, Maklan and Klaus (2011) and Klaus and Maklan (2013) measured the role of customer experience in generating positive word-of-mouth for banking services, and for mortgages, fuel and service station and retailing of luxury goods respectively. Thus, based on above discussion from the literature, this study hypothesized the following statements:

- H1: Peace of mind positively influences customer satisfaction.
- H2: Moments-of-truth positively influence customer satisfaction.
- H3: Outcome focus positively influences customer satisfaction.
- H4: Product experience positively influences customer satisfaction.
- H5: Customer satisfaction positively influences brand loyalty.
- H6: Customer satisfaction positively influences word-of-mouth.
- H7: Brand loyalty positively influences word-of-mouth.

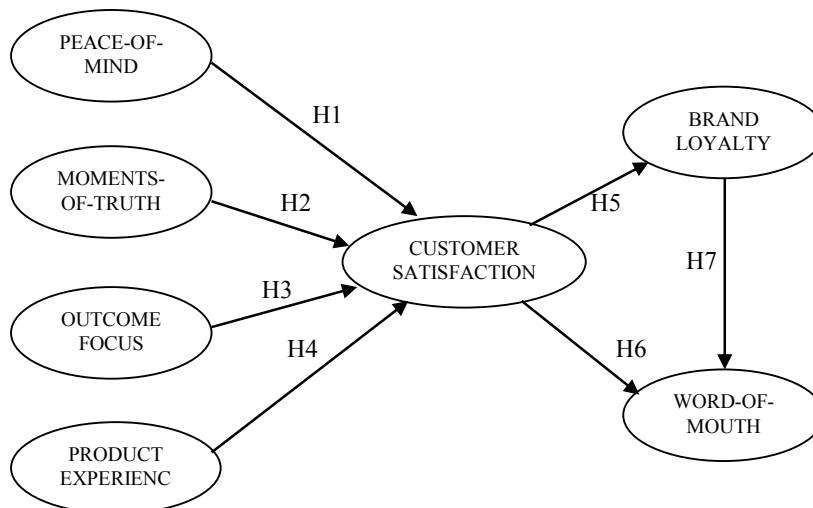


Figure 1 Conceptual framework linking EXQ dimension to customer satisfaction

In the present study, we examine the Klaus and Maklan's (2012) scale of customer experience quality (EXQ) (Peace-of-mind, moments-of-truth, outcome focus and word-of-mouth) to validate our hypothesis in hotel industry, a highly experiential industry (Gillmore & Pine, 2002). This study has been conducted in Indian context, which is

not explored yet.

Method

We performed an empirical study to examine the impact of customer experience quality dimensions on customer satisfaction, word-of-mouth and brand loyalty in hotel industry.

Sample

The sample comprises 326 respondents (hotel guests) from the Haridwar and Dehradun districts in Indian that attracts both national and international tourists. We collected data through a printed questionnaire distributed to hotel customers. An online questionnaire copy also forwarded to those who were not interested to fill questionnaire at that moment by taking their mail IDs. We received good response through online questionnaires.

Measures

Items were generated from the previous literature on customer experience quality scale, loyalty, customer satisfaction and word-of-mouth. For customer experience we adopted 19 items of the EXQ scale (Klaus & Maklan, 2012) with the four identified dimensions: product experience, moments-of-truth, outcome focus and peace-of-mind. Product experience is an antecedent of loyalty (Srinivasan et al., 1998) and plays an important role in consumer behaviour modelling (McAlister & Srivastava, 1991). Product experience refers to the experience developed from the features and range of different product offerings. Outcome focus reflects the significance of goal-oriented experiences and related with the reduction in customer's transaction cost, for instance customer seeks any particular service as soon as possible. Moments-of-truth based on the flexibility (Liljander & Strandvik, 1993) and service recovery (Tax et al., 1998), when complications arise with the customer. Customer forms an experience during these moments-of-truth and that become not only long lasting but also influence consumer buying decisions. Peace-of-mind dimension is related with the emotional side of services (Klaus & Maklan, 2011; Liljander & Strandvik, 1997) and incorporates the evaluation of all the touch points with the services offered, these touch points can occur pre-purchase, during purchase and post purchase of the service.

For measuring customer satisfaction, five items were taken from the study of Dagger et al. (2007). Brand loyalty was measured with three items, employed by Nyvseen et al. (2013) in measuring brand loyalty for the services. Word-of-mouth construct measurement was based on the seven items developed by Brown *et al.* (2005). All the measurement items are given in Appendix 1.

Respondents were asked regarding their customer experience using a 7-point Likert scale (1=strongly disagree, 7=strongly agree) on each scale item. The obtained 326 qualified responses were analyzed through the statistical software SPSS 20.0 and AMOS 22.0. Sample characteristics are presented in the Appendix 2. Our sample size is in accordance with the stated requirements (e.g., Hair et al., 1998).

Results

Results of the analysis are explained as following:

Measurement model

Prior of hypothesis testing, measurement items were tested for their reliability and validity. The psychometric properties of the scale items were analyzed through the confirmatory factor analysis. All of the variables have composite reliability above 0.6 (Bagozzi & Yi, 1988). In order to confirm convergent validity, we identified factor loading of each item and resulted above 0.5 (Anderson & Gerbing, 1988). Table 1 shows the factor loading of every item on its respective latent construct. On the whole, measurement model was looked for goodness of fit and found satisfactory (χ^2 (df) = 2,750.76 (714); $\chi^2/df = 3.85$; CFI = 0.91; IFI = 0.91; RMSEA = 0.07; RMR = 0.02). After confirming the psychometric properties of the measurement scale, we looked at the structure of the model.

Structural Model

To assess the parameters of the structural model, this study employed structural equation approach through AMOS 20. The structural model named EXQ dimensions (i.e. peace-of-mind, moments-of-truth, product experience and outcome focus) as exogenous constructs. These constructs were particularly related to the customer satisfaction construct, which is related to final construct (brand loyalty and word-of-mouth). Overall acceptability of structure

model was analyzed through goodness-of-fit statistics, which showed good fit with the data: χ^2 (df) = 244.17 (16); χ^2 /df=15.26; CFI=0.93; IFI=0.93; RMSEA=0.12; RMR=0.03; GFI=0.92. A detail about the hypothesized paths is reported in Table 2.

Relationships between EXQ dimensions and customer satisfaction

Empirical analysis provides support for the relationships between customer experience dimensions and customer satisfaction as hypothesized through H1-H4 (see Table 2). Peace-of-mind is significantly related to customer satisfaction ($\beta = 0.61$, $p < 0.01$). Moments-of-truth is significantly related to customer satisfaction ($\beta=0.44$, $p < 0.01$). Outcome focus is significantly related to customer satisfaction ($\beta = 0.31$, $p < 0.01$). Product experience is significantly related to customer satisfaction ($\beta = 0.26$, $p < 0.01$).

Table 1 Results of the confirmatory factor analysis.

Variable	Measured items	Factor Loadings	CR	AVE
Peace of mind	PE1	0.713	0.821	0.77
	PE2	0.743		
	PE3	0.707		
	PE4	0.773		
	PE5	0.735		
	PE6	0.675		
Moments-of-truth	M1	0.729	0.779	0.83
	M2	0.760		
	M3	0.699		
	M4	0.702		
	M5	0.757		
Outcome focus	O1	0.721	0.811	0.81
	O2	0.726		
	O3	0.756		
	O4	0.747		
Product experience	P1	0.711	0.799	0.80
	P2	0.698		
	P3	0.723		
	P4	0.772		
Customer Satisfaction	S1	0.661	0.831	0.79
	S2	0.726		
	S3	0.717		
	S4	0.767		
	S5	0.760		
Brand loyalty	L1	0.780	0.822	0.73
	L2	0.768		
	L3	0.713		
Word-of-mouth	W1	0.701	0.801	0.87
	W2	0.689		
	W3	0.762		
	W4	0.777		
	W5	0.780		
	W6	0.704		
	W7	0.663		

Note: CR (composite reliability), AVE (average variance extracted)

Relationships among customer satisfaction, word-of-mouth and loyalty

As hypothesized through H5-H7, a significant relationship examined among customer satisfaction, brand loyalty and word-of-mouth. These relationships were empirically supported.

While discussing the both direct and indirect relationship strengths in the model, customer satisfaction was found to have a greater total effect on brand loyalty ($\beta = 0.59$, $p < 0.01$) in comparison to positive impact on word-of-mouth behaviour ($\beta = 0.41$, $p < 0.01$). Indirect effects were analyzed by modelling brand loyalty as a mediator between customer satisfaction and word-of-mouth (see Table 2). The total indirect effect on word-of-mouth through brand loyalty is 0.66.

Table 2 Hypothesized relationship

Hypothesis	Hypothesized relationship	Standard path estimates	Decision
Relationships between EXQ dimensions and customer satisfaction			
H1	Product experience → Customer satisfaction	0.34	Supported
H2	Outcomes focus → Customer satisfaction	0.24	Supported
H3	Moments-of-truth → Customer satisfaction	0.33	Supported
H4	Peace-of-mind → Customer satisfaction	0.38	Supported
Relationships of customer satisfaction with loyalty and word-of-mouth			
H5	Customer satisfaction → Loyalty	0.59	Supported
H6	Customer satisfaction → Word-of-mouth	0.41	Supported
H7	Customer satisfaction → Loyalty → Word-of-mouth	0.66	Supported

Discussion

Customer experience management is considered as an important issue in today's highly competitive environment in service organizations (Badgett et al., 2007; Garg et al., 2012; Verhoef et al., 2009). In this study, we looked the service settings in the hotel operations from customer perspective to gain an insight of the customer experience construct and its effect on key consumer behavioural outcomes. Here, we discuss the findings, and implications for the theory and practice.

Findings of our study confirm the positive and significant influence of all four customer experience quality (EXQ) dimensions on consumer behavioural outcomes. It validates that customer evaluation is not only based on service encounters, but also includes every touch point with an organization. Examination of each customer experience quality dimension's effect on the consumer behavioural outcomes, show that moments-of-truth and product experience have almost equal significance. However, outcome focus shows least effect on customer satisfaction. The most influential dimension is peace-of-mind, which shows strong effect on customer satisfaction. Results highlights a significant impact of customer satisfaction on loyalty and word-of-mouth, which means that providing pleasurable experiences to the customer at hotel makes a customer satisfied as well as generate positive-word-of-mouth for the organization. The indirect effect of customer satisfaction on word-of-mouth through loyalty shows strong positive relationship. Thus, a satisfied customer though the pleasurable and well managed experiences generally generates positive word-of-mouth about the organization. Customer experience measure is a much better construct that comprise both direct and indirect interactions of a customer with the service organization. For instance, a customer can show satisfaction with the hotel operations, which does not imply that his/her overall experience was satisfactory. Overall experience comprises every touch point, from searching of the room to checking out. For instance, customer experience also assesses the guest-to-guest interaction, which includes their behaviour for each other. Therefore, measuring customer experience with the service organization provides better scope to measure consumer behaviour.

The understanding of these experience dimensions can be helpful to managers in crafting and executing strategies that have the most positive effect on consumers' behaviour. Consequently, this will allow organizations to manage customer experience properly that ultimately results into customer satisfaction, loyalty and positive word-of-mouth. Furthermore, this study establishes a direct linkage between firms marketing inputs and their consumer behavioural outcomes.

Limitations and directions for future research

This study has few limitations also. First, this study is based on questionnaire answered by hotel visitor, author suggest a qualitative approach should be implied in order to capture the more clear meaning of customer experience construct. Second, this study comprise the data from doth domestic and foreign visitors to hotel. It can be possible that foreign country visitors have different meaning of experience than domestic customer, so it should be separately

examined in further researches. It can be possible that impact of experiences on satisfaction and loyalty vary customer wise, some may give more important and some show less concern to experiences, so customer types should be categorized.

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Appendix 1: Measurement items for the study

Construct and measurement items	Source
Customer experience quality (EXQ)	
Peace of mind	
PE1 I am confident in hotel’s expertise.	
PE2 The whole process with hotel was easy.	
PE3 Hotel will look after me for a long time.	
PE4 I stay with hotel because of my past dealings.	
PE5 I have dealt with hotel before so getting what I needed was really easy.	
PE6 Hotel staffs give(s) independent advice.	
Moments-of-truth	
M1 Hotel was flexible in dealing with me and looked out for my needs.	
M2 Hotel keeps me up to date.	
M3 This is a safe and reputable hotel.	
M4 The staff at hotel have good skills.	
M5 Hotel deal(t) with me correctly when things go (went) wrong.	Klaus and Maklan (2012)
Outcome focus	
O1 Staying with hotel makes the process much easier.	
O2 Hotel gives me what I need swiftly.	
O3 I prefer hotel over an alternative provider.	
O4 The people at hotel can relate to my situation.	
Product experience	
PR1 I need to choose between different options at hotel.	
PR2 I need to receive offers from more than just hotel.	
PR3 I need to compare different options from hotel.	
PR4 I have one designated contact at hotel.	
Customer Satisfaction	
S1 My feelings towards hotel are very positive.	
S2 I feel good about coming to hotel for the offerings I am looking for.	Dagger et al. (2007)
S3 Overall I am satisfied with hotel and the service they provide.	
S4 I feel satisfied that hotel produce the best results that can be achieved for me.	
S5 The extent to which hotel has produced the best possible outcome for me is satisfying.	
Brand Loyalty	
L1 I will be loyal to “ Brand ” in the future	
L2 I will keep on being a customer of “Brand” for the next 5 years.	Nyvseen et al. (2013)
L3 I will recommend “ Brand ” to others	
Word-of-mouth	
W1 Mentioned to others that you do business with hotel.	
W2 Made sure that others knew that you do business with hotel.	
W3 Spoke positively about hotel employee(s) to others.	Brown et al. (2005).
W4 Recommended hotel to family members.	
W5 Spoke positively of hotel to others.	
W6 Recommended hotel to acquaintances.	
W7 Recommended hotel to close personal friends.	

Appendix 2: Sample characteristics

Characteristics	Category	Number of respondents
Age group	Less than 21	16 (4.90%)
	21-30	92 (28.22%)
	31-40	115 (35.27%)
	41-50	50 (15.33%)
	51-60	35 (10.73%)
	More than 60	18 (5.52%)
Gender	Male	221 (67.79%)
	Female	105 (32.20%)
Educational Background	Less than secondary (10th standard)	16 (4.90%)
	Secondary (10th standard)	33 (10.12%)
	Senior secondary (12th standard)	52 (15.95%)
	Graduate	113 (34.66%)
	Post-graduate	94 (28.83%)
	Phd	18 (5.52%)
Income level	Less than Rs. 1,00,000	90 (27.60%)
	Rs. 1,00,000 - Rs. 2,00,000	165 (50.61%)
	Rs. 2,00,000 - Rs. 4,00,000	40 (12.26%)
	Rs. 4,00,000 - Rs. 6,00,000	20 (6.13%)
	More than Rs. 6,00,000	11 (3.37%)

Note: Figures in parentheses show the percentages to the total number of respondents