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The Effects of Service Performance of Hotel Customers on Quality of Experience and Brand Loyalty in Iran

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Abstract

The main objective of this paper is to investigate the effects of service performance of hotel customers on the quality of experience and brand loyalty in Iran and also to propose a model for the hotel industry in Iran. Therefore, findings will contribute to the improvement of both hotel management and tourism industry in Iran. The present study obtained data from 302 international and local customers in four and five Star hotels in five major cities in Iran. This study will significantly contribute to the Iranian tourism market in seeking improvement towards the effectiveness of hotel customers and loyalty in Iran.

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Keywords: Hospitality industry; direct experience; brand loyalty; Iran

1. General introduction

1.1. Islamic Republic of Iran and Tourism

In Iran, tourism development can be an important vehicle for economic, social and peace development. Iran's potential in the tourism industry is non-negotiable and obvious. The diversification of climate, nature sceneries, and historic attractions are just examples that make Iran incomparable to many other countries in the world. Furthermore, tourism in Iran is characterized by a massive opportunity in terms of natural and cultural assets. At the same time, such opportunity is countered by what can be described as political uncertainty at best and hostility at

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worst. Iran could easily develop into a world-class tourist spot if political problems and regional instability diminished (Mirzaei, 2013).

Notably, tourism and hotel industry development can be one of the primary sources of income and getting rid of economic problems in many oil-rich countries. Particularly for a country where the economy is depending on oil and not having other sources of revenue. As for Iran, after the oil and non-oil exports, tourism can be the next most significant source of income, and in the future even has to surpass those two resources. Iran cannot depend on its oil resources forever. Moreover, due to the economic situation of Iran, it seems that tourism and hotel industry development in Iran is not a choice, rather it is a vital and urgent matter.

Thus, tourism also will increase foreign exchange earnings of Iran, create employment, promote development in various parts of the country, reduce income, strengthen linkages among many sectors of the national economy, and help to alleviate poverty (Faghri, 2007).

1.2. Brand names for hotel management industry

Chain hotels include a group of some hotels in the world over that are in close touch with each other about their activity and management strategy. For managing the chain hotels, the rule, specific regulations, particular and definite policy and diplomacy has been applied and these hotels has usually followed the least standards in the world over (Dolbec & Chebat, 2013).

In developed countries, from insignificant management of the hotel to major management, all of them have been standardized; and if one of the managers has been replaced or retired, there will be no disorder in the process of tasks and in any condition, a customer could predict the operation technique of hotel branches in a brand. The efficient manpower is one of the important points for the name making in the hotel management industry. The situation of manpower is well defined at reputable brands and attaining the conditions of employment, job description, disciplinary regulations, authority limits, and pedagogical principles have been completely compiled. Individuals have been trained completely and cohesive, and because of being a lawful system in these hotels, even though the manager of a hotel from a country is transferred to a hotel of the same brand in another country, there will be no change in management operations and task flows of the hotel will be remained in force in the previous order. Moreover, this is the primary definition of brand (Berezina, Cobanoglu, Miller, & Kwansa, 2012).

Brand making in the hotel management of Iran will rightly effect on the promotion of the qualitative level of services and necessary standards in hotels, and considerable income will be gained for the country. Thus, it is necessary that the diligent of the hotel management industry in the country take steps of this course while they know the world successful companies in this field and use their management experiences (Fouladivanda, Pashandi, Hooman, & Khanmohammadi, 2013).

Table 1. Iran demographics profile.

	Iranians ethnic groups, religions and languages
Ethnic groups	Persian 61%, Azeri 16%, Kurd 10%, Lur 6%, Baloch 2%, Arab 2%, Turkmen and Turkic tribes 2%, other 1%
Religions	Muslim (official) 98% (Shia 89%, Sunni 9%), other (includes Zoroastrian, Jewish, Christian, and Baha'i) 2%
Languages	Persian (official) 53%, Azeri Turkic and Turkic dialects 18%, Kurdish 10%, Gilaki and Mazandarani 7%, Luri 6%, Balochi 2%, Arabic 2%, other 2%

Source: <http://www.indexmundi.com>, (2014)

1.3. Hotels dominated by local brands

Like most industries in Iran, hotel is not excluded. Precisely, foreign groups and international chains are own less than a 50% stake. The non-Iranian local companies would not use their international brand names in Iran due to negative attitudes towards these locally. Moreover, it is owing to some restrictions and regulations. Homa Hotel

Group, Dariush Grand Hotel, Laleh International Hotel and Abbasi Hotel continue to dominate the category, and Rotana is expected to enter into hotels in Iran for the first time in 2013 (Sadat & Zainal, 2013).

2. Review of literature

2.1. Service performance

Zeithaml (1988) similarly defined service performance as a customer's judgment about the superiority, esteem, or excellence of the brand in relative terms. In the service-dominant industry (Brodie et al., 2006), customers evaluate the perceived quality of a brand on the basis of their understanding of service delivery and performance, and integrate all of the service characteristics of their brand associations to arrive at an evaluation of quality. Thus, service performance creates direct experiences that allow hotel guests to be accustomed to brands awareness and brand meanings, thus building brand loyalty. Brady and Cronin (2001) suggested that customers from their service performance perceptions on the basis of evaluations of three levels. Customers have ultimately combined these judgments (personal interaction with suppliers, physical environment and outcome of the service encounter) in an overall service quality outlook.

2.2. Quality of experience

Pine and Gilmore (1998) view the customer experience by entertainment, education, escape, and aestheticism. These four categories differ according to the level of their absorption into and participation in the products and services on offer. Capturing the theme of experience value, Schmitt (2003) suggested that the industry adopt an experiential marketing management to manage the customer's experience of a product and a brand. He broke up experience into five types: sense, feel, think, act, and relate. Knowledge, the mind experiences enables customers to satisfy their need for aestheticism. Feel experiences refer to customers' perceptions of fun and pleasure. Think experiences satisfy customers' desire to seek opportunities to broaden their knowledge and learn new things. Act experiences reject their personal ties with the brand and company, which helps them to develop individual actions and lifestyles. A new kind of economy – the knowledge economy – is emerging in which increasing numbers of industrial practitioners realize the importance of capitalizing on the customer experience (Pine & Gilmore, 1999).

Cai and Hobson (2004) adapted and extended the knowledge economy and experiential marketing concepts to the lodging industry. They provided a four-state continuum of the lodging marketplace by equating the state of experience as the fourth economic progression along with the brand. In a similar vein, in the knowledge economy, a successful hotel brand aims to ensure active and multi-dimensional experiences for its guests so as to win a differentiated position in their minds. On their websites, Langham Hotels are promoted as creating new hospitality experiences that exude graceful and timeless elegance and blend a sense of the past with the contemporary. The Marco Polo Hotels' website states that guests are warmly welcomed to their home and offered an authentic hospitality experience.

In today's knowledge economy, there is an economic transformation from service toward experience (Pine & Gilmore, 1999). The studies of experience in the tourism and hospitality industry have mainly been based on five models, the primary model is the exploration of tourist typologies, including the package of sociological and psychological needs that tourists desire to fulfill through traveling. For instance, Cohen (1979) discussed five types of tourism: recreation, diversionary, experiential, experimental and existential. Tourists who desire recreational and diversionary experiences are likely to seek out opportunities for pleasure and entertainment, whereas tourists of the latter three types prefer to learn about different cultures or acquire new skills (Uriely & Belhassen, 2005).

2.3. Brand loyalty

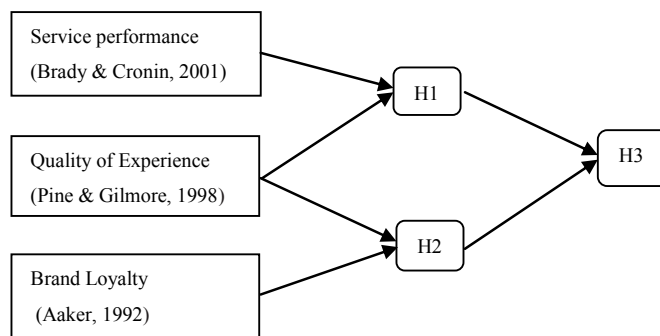
Brand loyalty has been suggested to be a determining factor of consumer-based brand equity, a strategic asset for companies. Among the concepts used to describe a strong brand, brand loyalty is perhaps the one that has received the most attention by academics and practitioners. For that reason, there are several definitions and measures of brand loyalty; some focus on the attitudes and mindsets and others concentrate on the behavioral aspect of brand

loyalty. Brand loyalty is a valuable asset for every brand. Research has indicated that the cost of recruiting new customers is very high due to advertising, personal selling, establishing new accounts, and customer training (Hosseini & Zainal, 2014).

Brand loyalty has been suggested to be a determining factor of consumer-based brand equity, and a strategic asset for companies (Gil, Andres & Salinas, 2007). Among the concepts used to describe a strong brand, brand loyalty is perhaps the one that has received the most attention by academics and practitioners (Tsao & Chen, 2005). For that reason, there are several definitions and measures of brand loyalty; some focus on the attitudes and mindsets and others concentrate on the behavioral aspect of brand loyalty (Gee, Coates & Nicholson, 2008). In this study, brand loyalty “is a deeply held commitment to buy or patronize a preferred brand. Accordingly, research on brand loyalty and its antecedents is still of interest to many researchers (Gounaris & Stathakopoulos, 2004; Tsao & Chen, 2005).

3. Research framework

In this study, there are three hypotheses which were developed to define the path and direction of the current study, as well as to give a proper conclusion. Figure 1 shows the summary of hypothesis used in this study.



3.1. Service performance and associative features of the brand

Service performance exerts a significant effect on the associative features of the brand. The better and higher organization or company’s function than the competitors, the more positive and appropriate image of services will be shaped in the mind of customers. The performance of services offered at hotels can be an active factor in attracting customers and their satisfaction with the services. Hotels are offering services, and providing regular and suitable services can contribute to the increased positive image among the customers. On the other hand, the increased association will make clients and visitors of the hotel repeat their shopping process that will lead to the increased re-shopping intention of individuals. Organizations and hotels can improve and promote the functional quality of offering of services. One way leading to improved service performance is, first, preparation of application programs and prospects in this area. Therefore, improved programs will result in managers’ awareness of the current status of offering services and systems. Codifying evaluative techniques is also one work requirement in this regard. After codifying and evaluating programs, using management systems of communication with customers can also be a positive important step in increasing service performance, since the existence of these systems results in the increased feedback and extracting information from customers. In turn, it will familiarize the managers and marketers with the organization’s strong and weak points in order to take action to solve these problems and improve quality and service performance in the future (Tajzadehnamin, Allahyari, & Tajzadehnamin 2010).

H1: There is a positive and significant relationship between service performance and quality of experience.

3.2. *Quality of experience and significant effect on building loyal customers*

Quality of experience will have a significant effect on building loyal customers. In fact, the quality of services provided by servicing companies will be an important and useful factor in differentiating companies. Nowadays, enhancing competition in the product and service areas is completely observed around the world. The presence of high competitions in service industries, especially hotel keeping made it difficult for these organizations to preserve customers; therefore, in order to attract loyal customers, the companies need to provide the clients and travelers with the suitable service quality. As such, certainly, will be a useful, an active, a practical step in increased client satisfaction and attracting them in the re-buying process (Alameh & Noktehdan 2011).

H2: Quality of experience has a positive and meaningful effect on brand loyalty.

3.3. *Quality of experience mediates the relationship between service performance and brand loyalty*

According to the results of researchers in the service organizations, the quality of services is of the most active, factor in the enhanced satisfaction level of customers, and subsequently, customer loyalty. In the recent years, different economic agents, from the small new-established firms through multinational ones, have distinguished the importance of loyalty to customers. They all have well-understood that preserving the present customers brings about more profitability than attracting new customers; as a result, marketing units have given up investing money and time in useless advertising and focused their attention on the client preservation and maintenance techniques (Ranjbaran 2010).

H3: Quality of experience mediates the active and meaningful relationship between service performance (direct experience), and brand loyalty.

4. Research methodology

In this research, the data collection procedure and the demographic profile of the respondents are explained as the followings. It is followed by the questionnaire used in this study (refer Appendix A).

The questionnaire used in this study was adapted from several studies. The 'Direct experience' items were adapted from [10] while 'Brand loyalty' and 'Quality of Experience' were adapted from [10] and [15]. The three variables uses 7-point Likert scale ranging from 1=extremely disagree and 7=extremely agree. This study also covers the reliability of the instrument and the method of statistical analysis.

5. Data Collection and Demographic Profile

This study surveyed both local and international tourists in four and five-star hotels, in five major cities in Iran. In tourist destination satisfaction studies, it is usually difficult to estimate the total number of tourists. Therefore, this study used the disproportionate sampling method to determine the minimum sample size since the number of local tourists outnumbered the international travelers since there are more local travelers as compared to international travelers. In total, there are 18 five-star hotels and 32 four-star hotels in the major cities of Iran such as Tehran, Mashhad, Esfahan, Tabriz, and Shiraz, which amount to 50 hotels. Several criteria were considered in selecting the hotels in these major cities of Iran. It is based on the experience of customers who stayed in the 4 and 5-stars hotels. From the 430 questionnaires distributed to the tourists, 368 were returned which amounted to a response rate of 85.6%. From the 368 questionnaires, only 302 were used for the analysis after the data was screened.

According to the demographic profile of the respondents, it was seen that the majority was male (65.9%). Most of the respondents are aged between 31 to 40 years, followed by 41 to 50 years(31.4%). Respondents who are aged higher than 61 years constituted the least of the sample. Furthermore, moving to the educational background, the majority of the respondents holds a Bachelor degree (39.5%) and only 8% had a Ph.D. degree. The profile also shows that the majority of them were married (61.7%). Hence, a typical respondent would be a married man aged between 31 to 40 years holding a Bachelor Degree.

Table 2. List of hotels in the main cities of Iran.

City	No of 5-star hotels	No of 4-star hotels	Total
Tehran	5	10	15
Mashhad	7	8	15
Esfahan	2	7	9
Tabriz	2	1	3
Shiraz	2	6	8
Total	18	32	50

Source: <http://hoteldari.com>, (2015)

Table 3. Description of respondents.

Description	Item	Frequency	Percentage
Female	Gender	101	34.1
Male		195	65.9
20 to 30 year	Age	60	20.7
31 to 40 year		95	32.8
41 to 50 year		91	31.4
51 to 60 year		35	12.1
Upper 61 year		9	3.1
Secondary/High School	Education	76	25.2
Bachelor Degree		119	39.5
Master		82	27.2
Ph.D.		24	8.0
Single	Marital Statuses	80	28.9
Married		171	61.7
Divorced/Separated/Widow		26	9.4

5.1. Reliability

The internal consistency of the three variables was tested by the Cronbach's Alpha values. It was observed that, for the three variables, the Cronbach's Alpha values were above the threshold ($\alpha = 0.70$) From Table 3, it could be deduced that 'Direct experience', 'Quality of experience' and 'Brand loyalty' is reliable.

Table 4. Internal consistencies of the three variables.

Variables	Items	Cronbach's Alpha values
Direct Experience	10	0.961
Quality of Experience	15	0.962
Brand Loyalty	10	0.927

5.2. Results

In this section, the mediation analysis was carried out with SPSS 19.0, and the results are presented in Table 4. The mediation analysis used the unstandardized regression coefficients rather than correlation coefficients to measure the effectiveness of the Independent Variable (IV) on the Dependent Variable (DV).

6. Regression coefficient

The significance of the regression coefficients of the hypothesized predictors was examined to determine support for the hypotheses. The table shows the results of regression analyses.

Table 5. Results of regression coefficient.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	Hypothesis Result
	B	Std. Error	Beta			
Constant	.269	.358		.753	.000	
Service Performance	.513	.428	.511	1.664	.000	H1: Accepted
Brand Association	.653	.570	.592	2.325	.000	H2: Accepted
Quality of Experience	.706	.536	.589	2.482	.054	H3: Accepted

Table 5 shows the results of the regression analyzes for the effects of variables Quality of Experience, Brand Association, Service Performance on Brand Loyalty. Beta coefficients for the components, respectively 511/0, 592/0 and 589/0, which shows, for example, the standard deviation of a variable Service Performance Standard deviation change in Brand Loyalty is 511/0. Other results are indicated in the table.

7. Conclusion

Research is needed to determine whether the hotel brand management strategies discussed have different effects on the development of brand equity. Different hotel segments may engender disparate results in this aspect. This study considers service performance, quality of experience, and brand loyalty to be the brand equity components in the service-dominant hotel industry. Research on the impact of service performance and quality of experience is reviewed, and their role in the development of brand equity is discussed. Direct experience of service performance in the hotel industry is deemed to consist of three primary components, i.e. interaction with hotel employees and customers, service environment, and service outcomes. The direct and indirect experiences together contribute to the

establishment of brand image and brand loyalty. This study examines the relative importance of service performance and quality of experience in building of brand image and ultimately the brand loyalty.

8. Limitation

There are some limitations in the research related to social and human sciences, which in other sciences it may not significant. The limitations of every practical research cannot be controlled and could threaten internal validity of the results (Fodness & Murray, 1998). Limitations of this study can be outlined as the following:

8.1. Limitation in generalizing the results to other societies

The results of this study can only be generalizable to the society in which the intended study group has been chosen from. Given that the researcher has merely investigated Iranian hotel customers. In other words, the study population is limited to that context; therefore, we should be cautious about generalizing the results of the other organizations and centers.

8.2. Limitation due to the type of instrument and validity of research instruments

In this study, to evaluate research variables, questionnaires were used. These questionnaires were as measuring opinions; therefore, caution needs to be taken in interpreting the obtained results due to the limitation resulting from questionnaires' validity. In this study owing to the use the questionnaire, individuals' attitudes were examined not reality.

8.3. Limitation due to the way the subjects answered the questions

Loyalty and honesty of participants in selecting the items; i.e., the way they provided answers, is one of the limitations affecting the results. This situation may result from participants' anxiety about unveiling their opinions and revealing their secrets or due to some cultural characteristics of Eastern countries, including illogical exaggerations and downplays merely originating from communications and sensations.

8.4. Limitation due to the effect of intervening variables

Since the researcher was not able to control other useful variables, the study faces from some limitations resulting from the conditions for implementing the study.

Like other studies, in this study there were some problems related to the lack of time, high costs, and lack of research equipment. Not entirely making sense of the concepts of management information system by some staff followed by the lack of understanding of some questions.

9. Suggestions for further research

The current study would like to make several suggestions for future research. Firstly, it is important to identify effective factors on the customer loyalty based on the multi-factor decision-making approach. The underlined reason is identifying active factors on the customer loyalty based on the multi-factor decision-making approach, so by identifying the active factors and necessary information that could assist the hospitality industry in Iran specifically the hotels in the future in creating a shared or agreed guideline for the development of better loyalty among the local and international travelers.

Secondly, this study would encourage a study on identifying the relationship between customers' perceived value and perceived cost with customer loyalty. To date, the effect of service performance dimensions on brand loyalty has not been investigated in Iran hospitality industry. From a practical or managerial perspective, this study will be able to assist hotel managers to give serious thoughts of addressing and developing marketing strategies.

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