

Customer Loyalty in the Luxury Hotel Industry: A Cross Cultural Perspective

ABSTRACT

Building and maintaining loyalty lies at the heart of marketing concept and researchers have for a several decades this phenomenon. Loyalty is widely accepted and measured in terms of both its attitudinal and behavioral aspects. In addition, customer value has assumed considerable importance in relationship marketing and was studied intensively in the 1970s and 1980s. Value is generally regarded to represent a deeply held and enduring set of beliefs. Through the notion of preference, value is the result of a trade-off (e.g. between benefits and sacrifices) and an interaction (e.g. between a customer and his product/service). In the service industry, service quality is an essential strategy to boost competitive advantage. Several studies have found a positive relationship between service quality and customer loyalty. Furthermore, the positive relationship between service quality and perceived value is found in other studies. Brand trust and brand affect also appear to serve as key determinants of brand loyalty and perceived value (Chaudhuri and Holbrook, 2001 and Sirdeshmukh, Singh, and Sabol, 2002). In service firms, a strong customer relationship is very important due to the intangible, and often interpersonal nature of the service delivery process. However, to be successful in maintaining long-term relationships requires a clear understanding of motivations and other forces that entice customers to stay in a relationship. To enhance relationship marketing, it is also important to understand the cultural context and situation specific variables.

This dissertation aims to study the effects of functional performance, technical performance, brand trust and brand affect on the mediating variables; customer loyalty and perceived value. This dissertation also investigates the effects of these mediating variables on the dependent variables (price insensitivity, positive word-of-mouth and perceived brand image) in luxury hotels in Thailand. The moderating effects of collectivism and the situation specific variables (business and leisure) are assessed in relation to these antecedents and the mediating variables.

Two non-probability sampling techniques, judgmental sampling and convenience sampling were used. A total sample size of 487 respondents, who were

staying in luxury hotels in Thailand was selected. 345 respondents are classified as leisure and 142 are business customers. Structural equation model (SEM) was employed to examine the conceptual model.

The empirical findings suggest that functional performance has a stronger impact on attitudinal loyalty, behavioral loyalty and perceived value than technical performance. In addition, brand trust is positively related to attitudinal loyalty, whereas brand affect is positively related to behavioral loyalty and perceived value. Attitudinal loyalty has a strong impact on behavioral loyalty. The result suggests that as the core service becomes undifferentiated and customers pay less attention to the core service, manager in luxury hotels should pay more attention on interaction their staffs and customers. Luxury hotels then should provide benefits to their customers such as added bonuses, provide timely information to enhance value for customers, etc. The findings support positive relationships between loyalty, value and positive word-of-mouth. The results also support strong positive relationships between loyalty, value and perceived brand image. Surprisingly, the findings show that there is a strong negative relationship between attitudinal loyalty and price insensitivity. This result contradicts several previous studies that suggest loyal customers are willing to pay more for their regular brand (Reichheld, 1996). The findings however, demonstrate a positive relationship between perceived value and price insensitivity, which implies that customers will pay what they consider to be a reasonable price. The effect of collectivism is found to moderate the relationship between the models antecedents and its mediating variables.

The findings of this dissertation support our belief that functional performance and brand affect have strong impact on loyalty and value. In addition, cultural factors are also important as part of the hotel's services and marketing program to enhance customer value and loyalty. Failing to understand cultural differences can lead to problems for the management of luxury hotels.