



THE STUDY ON FACTORS INFLUENCING CUSTOMER RETENTION IN HOTEL INDUSTRY DURING COVID-19

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Abstract

The customer retention is extremely important for the hotel to take care of the old customer and attract the new customer. It is very difficult job for the hotels and for every company to retain the old customer and for that reason the hotel offers different packages with offers. Due to the Covid-19 pandemic, lockdown was declared suddenly which imposed restrictions on travel. This had a massive impact on hospitality industry. Hospitality businesses were expected to make substantial changes to their operations during the COVID-19 business environment to maintain and ensure the employees' and customers' health and safety, and enhance customers' willingness to patronize their business. The main aim of this research is to find out which factors play an important role in the customer retention in hotel industry during pandemic. The Study is exploratory in nature. The study is based on the following Parameters i.e. Customer satisfaction, physical environment, Service Quality, Food quality, lodging, Pricing. The study is based on the primary data in which sample comprised of 200 respondents collected by simple random sampling technique. To find the association and significance of the relationships with respect to demographic variables, the researcher has applied Chi square test. The study revealed that factors like Behaviour of Customer, Service representatives and Staff, Physical Environment, Accuracy of the orders & services, Facilities availed by customer during check in process and Customer Loyalty majorly affects the customer retention. Secondly the study also found a meaningful result that, there is an association between Age-group (26 - 45 years) and the Customer Loyalty. The reason for this

association can be related to the desperation to move out for a change as people were suddenly locked in their houses for a long period. Visible sanitizing efforts were expected by the authorities as well as the customers. Management had to follow more safety and rigorous cleaning procedures to cope up with the situation of pandemic for retaining customers.

Keywords: Customers Retention, Customer Satisfaction, Service Quality, Hotels, Physical Environment.

Introduction:

Customer retention refers to capability of an organization to convert customers into repeat buyers and restrain them from switching to other competitors. Due to the Covid-19 pandemic, the world's economy came to a standstill (UNWTO, 2020). The pandemic has confronted the welcome business with an unprecedented challenge. Different strategies to flatten the COVID-19 curve like community lockdowns, social distancing, stay-at-home orders, travel and quality restrictions have resulted in temporary closure of the various welcome businesses and considerably decreased the demand for businesses that were allowed to still operate (Bartik et al., 2020). Most restaurants and hotels were asked to limit their operations to solely take-away. Restrictions placed on travel and stay-at-home orders issued by the authorities resulted in sharp decline in building occupancies and revenues. However, the reopening method has slowly begun and authorities have begun to ease restrictions, for example, permit dine-in restaurants to open at a reduced capability with strict social distancing pointers, and bit by bit scale back restrictions on domestic and international travel.

While the hospitality industry is slowly coming on track, the pandemic continues to exert profound impact on hospitality business operations. Hospitality businesses are expected to make necessary changes to their operations in the COVID-19 business environment to maintain and ensure the employees' and customers' health and safety, and enhance customers' willingness to patronize their business (Gössling et al., 2020). This pandemic is also likely to have a significant impact on the research agenda of hospitality marketing and management scholars. With unprecedented challenges faced by the hospitality industry in the COVID-19 era, hospitality scholars are expected to shift their research focus to develop and come up with the best and possible solutions for the industry.

The goal of customer retention programs is to assist companies to retain as many purchasers as possible, often through customer loyalty and brand loyalty initiatives. It is important to remember that customer retention begins with the first contact a customer has with a company and continues throughout the entire lifetime of the relationship. While most companies traditionally spend extra money on customer acquisition because they view it as a fast and effective way of accelerating revenue, customer retention often is quicker and, on average, costs up to seven times but customer acquisition. Selling to customers with whom you have already got a relationship is commonly a more practical way of growing revenue

because companies don't have to attract, educate, and to convert the new ones. Companies that shift their focus to customer retention often find it to be more efficient process because they're marketing to customers who have already got expressed an interest within the products and are engaged with the brand, making it easier to make the most of their experiences with the corporate. In fact, retention may be a more sustainable business model and that's the key to sustainable growth. Those factors that majority affect the customer retention should be kept awfully perfect so that the customer may be delighted by the service provided and by the service providers themselves. The service quality is what differentiates one hotel from the other; this service is the most important thing that any customer is looking for in any hotel they visit. If the service isn't as per the expectation, they won't return again and they even may not recommend the place for others. Therefore, the hotels that are ready to provide quality services to ever demanding customers in a warm and efficient manner even during pandemic period, are the ones which are likely to get long run competitive advantage over their rivals. The customer retention is all about feelings and attitudes; it's something intangible which cannot be measured as the other tangible things. So, researchers invented two ways to live the sensation and also the degree of satisfaction of consumers towards any service or intangible products given to them. Hence, there'll be some capabilities for hotels to boost their service quality and every one the staff working there for gaining more customers and for building a robust relationship with their long run and short-term consumers.

Review of literature:

Al-Rousan & Mohamed (2010), the study examined the factors affecting Customer Retention in Hotel Industry. The objective of this research was to investigate the most important factors that could be able to affect customer retention in hotel industry. Factors like Customer Satisfaction, Physical environment and Service quality were considered for the study. Chi Square test was performed to check the significant association between Customer Retention and the factors influencing it. Further the study concluded that there was strong and positive relationship between Customer Retention and Customer Satisfaction, Physical environment and Service quality.

Ang & Buttle (2006), the study traced the relationship between service quality and customer retention in the hotel industry. Service quality was the extent to which the service fulfils the needs or expectations of the customers or conceptualized it as the overall impression of customers. The analysis indicated that, there is a very consistent relation between customer retention and the service quality. The service quality was the most important thing that drive consumers' loyalty to hotels. The results of the research showed consistency with previous researchers.

Chandrashekar, Rotte, Tax and Grewal (2007), this study aimed to offer solutions to customer loyalty challenges at the Malaysia and Jordan by proposing and validating customer loyalty model using relationship marketing and social exchange theory. Supported

the underpinning theories, this study analyzed the direct and indirect influence of brand image, trust, convenience and emotion on customer loyalty of 5 star hotels in Malaysia and Jordan. Further, the mediating effect of customer satisfaction on the connection between exogenous latent variables and endogenous latent variable was investigated. A complete of 384 and 371 customers respectively of three famous hotels under the management of Starwood were sampled using convenience sampling method for data analysis. However, the empirical results showed partial mediation effects on the link between brand image, trust, convenience, emotion and customer loyalty in respect of Malaysian hotel customers. In Jordan hotels, satisfaction doesn't mediate the link between trust and customer loyalty but partially mediate between emotion, brand image, convenience and customer loyalty. In summary, the findings of this study will narrow the perception of the highest echelon of those hotels on the particular factors to focus so as to earn loyalty of their valued customers. This study also contributed to frontier of data by integrating the variables of relationship marketing from the perspectives of two developing countries.

Gil, Hudson & Quintana (2006), the purpose of this study was to seek out the foremost critical factors that affect the satisfaction degree of consumers in Xi'an Hotel. This paper advises the view that customer satisfaction was mainly influenced by the factors of service quality, price, product quality, brand and prestige. Then a survey of customers' satisfaction was administered and evaluated using grey correlation analysis technique. It had been revealed that 'Service Quality', 'Price', 'Product Quality', so as of importance, were the three most influential factors in determining customers' overall satisfaction levels. Finally, suggestions were developed for hotel managers.

Rungting(2004), this study was designed to assess the antecedents and consequences of customer satisfaction and retention in the hotel industry. The relationship between customer satisfaction and customer retention has been researched for many years. This study extended that research to look at the antecedent effects of customer satisfaction as well as the effect of added value and gender on customer satisfaction and customer retention, and how they relate to the intent to switch. Customer retention was operationalized in terms of loyalty and intent to switch. Customer satisfaction was operationalized in terms of hotel ambience and hospitality. A survey among hotel customers in the San Francisco Bay Area was conducted. A LISREL structural equation model with confirmatory factor analysis was developed to analyze the data. Results indicated that the latent construct customer retention was dependent on the latent construct of customer satisfaction. Added value was found to have positive effects on customer satisfaction and customer retention.

Need/ scope of study:

The purpose of the study is to determine the primary factors influencing the Customer Retention in the Hotel Industry and to help the organization to implement the right customer retention strategies. Also to develop a good employee-customer relationship.

Objective of the study:

- To study major factors influencing customer retention in Hospitality Industry during Covid-19 pandemic period.
- To determine the association between Age-group and Customer-loyalty.

Hypothesis:

H0 –There is no association between Age group and Customer Loyalty towards their brands/ hotels

H1 –There is an association between Age group and Customer Loyalty towards their brands/ hotels

Research methodology:

Current research is exploratory in nature and to collect the primary data, survey method was used (simple random sampling technique). Data was collected with the help of self-administered questionnaire containing questions regarding various factors or variables influencing the Customer Retention in the Hospitality Industry. In the present study customer retention is measured was measured with likert scale, 1: Strongly disagree, 2: disagree, 3: Neutral, 4: Agree, 5: Strongly Agree. Sample size is 200 respondents. The general demographic variables such as age, gender, location, area, income level, occupation have been considered to explore its association with Customer Retention in Hotel Industry. Data was analysed with the help of SPSS-26 and to fulfil the above-mentioned objective, to extract the factors, factor analysis and to check the association between customer loyalty and customer retention, chi-square test was used. The researcher assigned loads on the basis of communalities to each factor that affects and has impact on it (Khanna 2016). For the analysis of demographic data, descriptive statistics (mean and standard deviation) was used. Cronbach-Alpha was used to check the reliability of the data.

Data analysis:**Sample Description**

The data was collected from Feb-2020 to Oct-2020. The following sample descriptive will be value in understanding the sample characteristics. The demographic variables on which data taken was from the respondents were Gender, Age, Occupation, Location and Family Annual Income

The gender was divided as follows, male percentage of 55.0 % and a female percentage of 45.0%. The age group was divided into five subgroups beginning from less than 25 years, 26-35 years, 36-45 years, 46 to 55 years and ending with above 55 years of age. The majority of the respondents are between the 26-45 age groups which summed up to be 96%. The occupation was as follows, government employee, private sector employee, housewife, retired or other. Maximum number of the customers belongs to the service sector (90%). Income level was divided as follows, below 1 Lakh, 1– 3 Lakh, 3-5 lakh, 6 -10 lakh, above 10

lakhs. 80% of the respondents comes under 6-10 lakh income group.

Reliability Analysis:

Reliability for the questionnaire was calculated through SPSS 26. The statistics came out as :

Table 1.1 Reliability Test

Cronbach's Alpha	N of items
0.714	23

It is being considered that reliability value should be more than 0.7, and it can be seen that reliability value is higher (0.714) than the standard value (0.7), so all items in the questionnaire are reliable.

KMO Test:

Kaiser-Meyer-Olkin measure of sampling adequacy was applied to check the sample adequacy.

Table 1.2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.701
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Kaiser-Meyer-Olkin measure of sampling adequacy: Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was applied to check the sample adequacy is an index used to examine the appropriateness of factor analysis. High values between 0.5 and 1.0 indicate factor analysis is appropriate. Value below 0.5 implies that factor analysis may not be appropriate. Kaiser-Meyer-Olkin measure of sampling adequacy value for the measures were found to be 0.701 which was more than 0.5 indicating that the sample was adequate to consider the data for factor analysis.

Factor Analysis:

In this study the researcher has assigned loads to each factor that affects and has impact on the customer retention in Hotel Industry. Major five factors were extracted during the principal component analysis of the data. KMO value is 0.701 which shows the sample adequacy. The details about factors, variable names, Eigen value, variance % and loading are given in table.

Using tools like SPSS 26, Table 1.3 depicted that, maximum load is assigned to factors like Behaviour of Customer Service representatives and Staff(0.876), Physical Environment (0.850), Accuracy of the orders & services (0.843), check in process (0.817) and speed of the service (0.790), Customer loyalty (0.790). Lee and Jeong (2012) states physical environment as an important factor affecting Customer Retention and defines physical environment as an environment created by service provider including overall layout, design, decoration, and aesthetics. According to Sharmin (2012) customer satisfaction is considered as baseline of

standard and excellence of performance for many businesses.

Table 1.3. Factor Analysis table for factors affecting Customer Retention

Factors	Variables Converged	Eigen values		Communalities(h ²)
		Total	% Variances	
Factor 1	Accuracy of the order	4.291	23.836	.843
	Check in process	2.834	15.745	.817
	Speed of the service	1.780	9.888	.790
	Behaviour of staffs	1.317	7.319	.765
	Taste of the food	1.147	6.370	.745
	Price charged for the service	1.014	5.634	.729
Factor 2	Convenience	0.797	4.426	.790
	Satisfaction from service received	0.689	3.830	.763
	Quality of product/services	0.620	3.446	.637
Factor 3	Customer Loyalty	0.468	2.602	.790
	Understanding level of executives	0.418	2.321	.786
	Overall Satisfaction Level	0.401	2.226	.698
Factor 4	Behaviour of Customer Service representative	0.326	1.811	.876
	Physical Environment	0.281	1.559	.850
Factor 5	Frequency of visiting hotel	0.248	1.377	.881

Even after the unlock of lockdowns have begin, the customers in general still do not feel comfortable to dine in at a restaurant, travel to a destination and stay at a hotel. Due to high operational costs, the breakeven point in the hospitality industry is relatively high. The survival of many hospitality businesses during the lockdown period was heavily dependent on annual maintenance charges or membership fees.

Further, Hotel industry felt that, to tackle the COVID-19 environment and enhance their business, they have to follow strict protocols set by the government.

Table 1.4. Association between Age Group and Customer Loyalty

	Value	DF	Asymp.Sig.(2 tailed)
Pearson Chi- Square	12.111	8	0.017

The value computed of Chi-Square is 12.11 and its p value is 0.017 which is significant at 5% level of significance, Since the p value is less than 0.05, so the alternative hypothesis is accepted and the null hypothesis is rejected which means there is association between different age groups and customer loyalty. So, we conclude that, Customer loyalty differs

according to the different age groups. 96% of the respondents belonging to the age group of 26-45 years showed loyalty to a particular brand. Researchers have demonstrated that the benefits of loyal customers are enormous. Loyal customers increase the overall profitability of service providers such as hotels (Reichheld, 1996).

The reason which can be assigned behind this relationship is that, during pandemic, most of the offices had given work from home flexibility to their employees and even the schools were also online. So, there was no need to apply for any leave and adjust school schedule. Virtual classrooms and work from home culture led to the acceleration towards hotel industry/resorts.

Secondly, due to the lockdown, people were frustrated and desperate for a change which forced them to move out from their doorstep.

Conclusion and limitations:

In this research, the researcher aims to explore the factors that would affect the retention of consumers within the hotel industry. By Factor analysis the researcher has attempted to explore the relation between Customer Retention with respect to different variables like Customer Satisfaction, loyalty, physical environment. Service, quality and many other factors affecting and influencing the customer retention in Hotel industry. By appropriately utilizing and giving extra attention and focus on the closely related factors the management can make effective changes, so that the hotels will be then able to retain their customers over a specified period of time.

With the help, the researcher was able to find that, there is an association between age group and customer loyalty. The respondents of age group of 26-45 years feel themselves loyal to a particular brand/hotel. The reason could be, due to the lockdown, people were frustrated and desperate for a change which forced them to move out from their doorstep. As per Pareto principle the 80% of the revenue of the business comes from 20% of customers. The age-group 26- 45 can be considered as those 20% customers. If the hotel concentrates on serving these 20% customers in a best way possible, will lead to customer retention of 80% of its customers.

There were few limitations in the study like -the sample size is restricted only to 200 respondents. The most prominent is the data collection since most respondents sometimes feel reluctant to provide information to the questions within the questionnaire. The current situation of pandemic has taught all the organizations of all sectors a big lesson, especially in terms of running the operations in a more efficient way. All the industries including hospitality have adopted digitization across all the properties and this has helped them to be more positive in this period and perform better.

Managerial Implications:

The study has some important managerial implications which are useful to the hotel industry to enhance their business in the current scenario. Teaching the staff in the hotel is must in

order to train them to tackle different types of customers. To amplify the financial performance, in the current scenario, different cost cutting methods and profitability improvement actions should be used by the management of hotels. To tackle the current situation of pandemic, strict protocols set by the government and demand for relaxation in taxation. Visible sanitizing efforts (such as hand sanitizers at the entry, staff wearing masks and gloves), implementing social distancing, limiting the number of customers served, more rigorous and frequent cleaning of frequently exposed surfaces in common areas, and employee training of health and safety protocols are the most important safety precautions which customers expect from a restaurant and a hotel industry.

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