

THE IMPACT OF SERVICE QUALITY ON CUSTOMER LOYALTY IN THE SRI LANKAN HOTEL SECTOR (WITH SPECIAL REFERENCE TO ABC HOTEL IN SRI LANKA)

Jude Lakshan Ukkwatte¹, Nalin Abeysekera²

¹Auston institute of management Ceylon, Sri Lanka

²Open University of Sri Lanka, Sri Lanka

¹#jude.lakshan350@gmail.com

Abstract-With the increase of tourist arrivals, the government of Sri Lanka are encouraging the hotels to enhance its star class in order to attract wealthy tourists. Therefore the existing hotels need to develop, maintain, and further enhance its quality. The exploratory research revealed that customer loyalty is important for enhancing sales. Thereby this research is based on the impact of service quality on customer loyalty with special reference to ABC hotel in Sri Lanka.

The study is conducted on the basis of three objectives. Initially, the researcher is involved in identifying the key dimensions affecting service quality in the hotel sector. Secondly, the study is directed towards exploring the concept of customer loyalty. Finally, the relationship between service quality and customer loyalty is analysed. The hypothesis of the study is that there is positive relationship between service quality and customer loyalty.

The mixed method was adopted as the research methodology to make better contradictions of the findings. The questionnaire was adapted for the quantitative analysis, where a sample of 100 customers was determined based on simple random sampling method. Additionally, the qualitative analysis was conducted through interviews. Based on the quantitative analysis, the hypothesis was tested positively. In addition, the quantitative analysis determined that responsiveness and reliability has a higher impact on service quality.

Based on the qualitative analysis, service quality creates the ultimate customer experience that the customer expects from the hotel. The interviewees recognised the importance of responsiveness and reliability as most important dimensions of service quality. Overall, high service quality creates a positive mind set within the customer towards the hotel which will enhance consumer re-purchase behaviour and willingness to spread the word of good mouth. Thus, increase in re-purchase behaviour and willingness to spread the word of good mouth increases the consumer's loyalty towards the hotel.

Key Words – Service quality, Customer Loyalty, Hotel Industry, Sri Lanka

1. INTRODUCTION

Sri Lanka is considered as the pearl of the Indian Ocean, blessed with the natural beauty which is considered as a heart touching destination for tourists. The peaceful environment and the governments' effort on developing the infrastructure by completing the Colombo-Katunayaka express highway by 2014 and the extension of the southern express highway and post-conflict reconstruction have facilitated the growth in the Sri Lankan tourism sector. The Sri Lanka Tourism development authority has set the tourist arrival target of 1.5mn for 2014. As per the statistics, the number of tourists' arrival in Sri Lanka for 2014 was recorded as 1.53mn which is an increase of 19.8 percentage compared to 1.27mn tourists arrived in 2013. Thus, it is highlighted that Sri Lanka has exceeded the tourist arrival target for 2014 (Sri Lanka Tourism Development Authority, 2014). Recent statistics shows that this number has increased to 1.79mn (Trading Economics, 2016).

Thus the government is concerned on expanding the tourism sector and has set the goal of achieving 2.5 million tourist arrivals by 2016 (Central Bank of Sri Lanka, 2014). In order to attract more tourists, the country should encompass the necessary accommodation facilities for tourists. In this scenario, the hotel industry plays a major role. Therefore the hotel industry and tourism industry are considered as complementary industries (Tourism and Travel competitiveness report, 2015). According to the industry experts it is forecasted that 52 hotels will be entering to the industry which will add to 1465 currently registered in the hotel industry during 2015. It is also recorded that room occupancy in graded hotels have increase to 74.3 percentage in 2014 compared to 71.3 percentage in 2013. The government is focused on attracting more wealthy tourists to the country in the future. The advantage of attracting more wealthy travellers is that they spend more and thereby Sri Lanka will be able to generate high foreign income (Central Bank of Sri Lanka, 2014). Therefore, the government encourages existing three star and four star hotels to improve their standards and quality and thereby increase their star class. The government is more focused in increasing the number of five star hotels within the island

in order to attract the wealthy tourists. This in turn will put more pressure on the existing five star hotels to improve and maintain their standards and quality in order to protect their market position.

ABC hotel is a leading five star hotel in Sri Lanka. With the government's pressure on hotels to increase their star class, many four star hotels are directed towards improving its quality and thereby obtain the recognition as a five star class. This will enforce heavy pressure on the existing five star hotels to consistently live up to the expectations and obtain the competitive edge. Through an exploratory research it was revealed that service quality and customer loyalty are two marketing strategies for enhancing the competitive advantage. Thus, the research issue is that to determine the importance of link between service quality and customer loyalty. Additionally, does ABC hotel needs to enhance service quality in order develop and maintain the hotel standards and win the customer's loyalty. This study is conducted in order to fill this research gap.

The study is conducted on the basis of three objectives. Initially, the research is involved in identify the key dimensions affecting service quality in the hotel sector. Secondly, the study is directed towards exploring the concept of customer loyalty. Finally, the relationship between service quality and customer loyalty is analysed.

2. LITERATURE REVIEW

2.1 Service quality

As the hotel industry is in the service sector business, service quality is a core principle for a hotel. In the service sector, service quality is considered as the organisation's life giving blood (Clow, 1993). Service quality is also considered as the most powerful competitive tool for a service business (Kandampully, 1998). Thus, in the marketing literature, service quality has being defined as the customer's perception on the difference between the levels of service provided and service received (Zeithaml and Bitner, 2003). There are different service quality measurements in the present marketing literature. The foundation was set from the introduction of technical and functional quality model.

In many studies conducted, the general service quality models that are used are SERVQUAL, SERVPERF, and Technical and Functional quality model. There is ample marketing literature and studies conducted using these models. In this study the researcher takes a different approach and reviews those models that consist of service quality dimensions that are related to the hotel sector.

Rust and Oliver (1994) found out three dimensions of service quality and thereby constructed the three factor

model of service quality. This model was constructed with the direct purpose of measuring the service quality in hotels. These three dimensions are namely; service product, service delivery, and service environment. Firstly, they emphasised that in the hotel context, the food, beverages, and all other physical products offered to the customers are also a part of the service and have to be in line with the customer's expectation. Rust and Oliver justified that service product is the primary expectation of the customer. After producing the products, the hotel has to deliver the service in an attractive manner enhancing greater customer-employee interaction. Thirdly, Rust and Oliver (1994) explained service environment in the hotel context as the physical ambiance of the hotel which imply that the hotel should encompass an environment which is pleasant and comfortable for the customer. In the same line of thought,

Brady and Cronin (2001) found out three components of the service environment as; the physical ambiance, facility design, and the social factors. Thus, later Wilkings et al. (2007) conducted a study and found out that the three factors in the model are interdependent. According to Wilkins et al. (2007), the absence of one factor despite the presence of other factors will create a negative customer perception on service quality.

A study which was conducted by Mei et al. (1999) led to initiation of the HOLSERV which was a modification of the SEVQUAL model. The HOLSERV model was constructed by making adjustments in the SERVQUAL items in order to make the model specific for the hotel sector than the general SERVQUAL model which is common for many industries. The HOLSERV was tested and justified as a reliable model to measure service quality in the hotel industry. Based on the study, Mei et al. (1999) found out that responsiveness, reliability, and tangibles are having a greater significant impact on service quality.

Mei et al. (1999) found out that responsiveness and reliability are found as key dimensions of service quality in the hotel industry. However, with the use of HOLSERV method, the researchers revealed that tangibles are also an important dimension of service quality. They further elaborated that providing customer experience is the core purpose of the hotel. Thus, it was stated that the customer's experience is highly affected by the hotel's ambiance which is a dimension of the service quality. Therefore, Mei et al. (1999) concluded that responsiveness, reliability, and tangibles are key dimensions that have a higher positive effect on service quality in the hospitality industry.

Recent study conducted by Khudri and Sultana (2015) initiated a new model for service quality that includes five dimensions. They are Personal interaction, Appearance, Reliability, Problem solving, and Policy. Personal

interaction represents the way in which the service employee approaches and interacts with the customer. Secondly, appearance refers to the way in which the service employees are dressed and the physical ambiance of the hotel. Seth *et al.* (2006) interpreted that in comparison with the SERVQUAL model, appearance is equivalent to tangibles factor. Additionally, reliability represents the same ideology as in the SERVQUAL model which implies that the service needs to be consistence.

Thus, the problem solving capability is the ability of the service employee to help customers to make effective purchase decisions that will eventually satisfy the given need of the customer. The customer generally faces the problem on satisfying the need, and problem solving skills emphasise the capability of the service employees to solve this problem by helping the customer to make the right purchase decision. Finally, a policy explains that the organisation needs to have certain predetermined procedure to service the customers and handling customer problems. Thus, based on their study, Khudri and Sultana (2015) found out that personal interaction and problem solving skills have a higher significant impact on service quality. Thereby, Khudri and Sultana (2015) concluded that while the presence of other factors, more concentration should be dedicated towards enhancing personal interaction and problem solving skills of the service employees.

Thus, according to the experts SERVQUAL method is considered as a highly reliable method in measuring service quality. Thus, the HOLSERV scale is adapted in this study as the model consists of the same five dimensions of the SERVQUAL model but specifically focussed on the hotel sector.

2.2 Customer Loyalty

Developing, maintaining, and enhancing customer loyalty is considered as the thrust of an organisation's marketing activities (Dick and Basu, 1994). Customer loyalty has being defined as *"a deeply held commitment to rebuy or patronize a preferred product or service consistently in the future, causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts"* (Oliver, 1999, p: 34).

According to Ravald and Gronroos (1996), attracting new customers incur high costs for the organisation in the competitive and matured market place. Thus, they stated that organisations with higher loyal customers will incur low costs as loyal customers are committed to continuously purchase from the organisation. Thereby, they stated that customer loyalty is more profitable than recruiting new customers. In addition, according to McMullan and Gilmore (2008) in the travel and tourism business, customer loyalty is seen vitally important for

nations due to economic and destination marketing benefits.

Berman (2005) emphasises that, retaining customers is more profitable than attracting customers in the competitive environment. This is because, even though the customers are attracted, there is a higher tendency for the customer to switch to other organisations in the intense competitive market due to increased bargaining power of the buyers. Thereby, Berman (2005) stated that organisations need to develop strategies to enhance customer loyalty than simply customer attraction.

Schneider and Bowman (1999) stated that loyal customers are more profitable for an organisation. This is because, 20 percent of the loyal customers generally purchase 80 percent of the company's products, while 80 percent of the general customers are only purchasing 20 percent of the organisation's products. Thus, Oliver (1999) found out that customer loyalty is essential to gain competitive advantage in competitive market place. Oliver (1999) argued that an organisation with higher number of loyal customers will obtain a higher market share.

Zeithamal *et al.* (1996) constructed a customer loyalty framework and highlighted two key dimensions of customer loyalty; they are consumer re-purchase behaviour and willingness to spread the word of good mouth. According to Zeithamal *et al.* (1996), while consumer repurchase behaviour enhances the customer's life time value, word of good mouth enable the organisation to increase the number of customers. Kolter *et al.* (2010) stated that the best promotion strategy today is word of good mouth as 70 percent of the consumers believe in word of mouth than direct advertising and other promotional methods.

Furthermore, Hennig-Tharua (2002) found out that when a customer is willing to re-purchase from an organisation and spread the word of good mouth, there is a strong attachment developed between the customer and the organisation. Hennig-Tharua (2002) concluded that this attachment is known as customer loyalty.

2.1 The relationship between Service Quality and Customer Loyalty

Today, the competition is enlarged throughout the world map and globalization is considered as the main cause. The hotel industry is also a competitive industry as it is seen as a complementary industry with tourism. According to Schiffman *et al.* (2010), in the competitive market place, as the consumers have a variety of choice, the consumer generally creates a purchase evoke set. Evoke set refers to the set of brands that are considered as the most preferred brands for the consumer based on past experience. Thus, Dibb *et al.* (2012) justified that during

the search for the alternatives, consumers starts with the internal search and those brands that derive to the mind quickly are those brands that customer is loyal for. Thereby, Dibb et al. (2012) stated the importance of enhancing customer loyalty in order to gain the competitive edge in the market.

Garbarino and Johnson (1999) found out that service quality creates the positive customer mind-set towards the organisation which in turn creates an attachment between the customer and the organisation. As per Aaker (1991) customer loyalty is defined as the attachment between the customer and the organisation. Therefore, Garbarino and Johnson (1999) revealed that service quality has a positive relationship with customer loyalty.

A study conducted by Antony *et al.* (2004) justified that all five dimensions of the SERVQUAL model are showing a positive correlation with customer loyalty. Thereby, Antony et al. (2004) stated that service quality has positive relationship with customer loyalty in the UK hotel sector. Thus, responsiveness dimension was tested of having a higher significant relationship with customer loyalty compared to other dimensions. Antony et al. (2004) found out that the reason for high responsiveness is due to well trained and empowered work force. They argued that when the employees are empowered, they are given the adequate working space to serve the customers beyond the scheduled service level. They further stated that as a result many customers are willing to revisit the hotel and also spread the word of good mouth to others which enhances customer loyalty. Based on the findings of Berman (2005) re-purchase behaviour and willingness to spread the word of good mouth are outcomes of customer loyalty. According to Berman (2005), a loyal customer influences others to use the product or service. Therefore, Berman (2005) stated one loyal customer will bring another five or more customers to the organisation. Thereby, it is evident that service quality enhances customer loyalty due to increase re-purchase behaviour and willingness of the customer to spread the word of good mouth to others.

According to Kotler and Armstrong (2011), spreading the word of good mouth is referred as customer advocacy. They stated that brand advocacy is seen as the best cost effective branding tool for an organisation. In this line of thought, Mosahan et al. (2011) stated that customer loyalty is key for competitive advantage in banking sector. Thus, service quality is the main strategy a service business has to enhance customer loyalty. In a service oriented, quick service at a high quality is the general expectation of the customers. Thereby, Mosahan et al. (2011) justified the importance of fulfilling customer expectation in order to ensure service quality. Thus, they concluded that customer's intention to continue its transactions with

bank is increasing due to service quality. In addition, the customer's willingness to the recommend the bank to others is high due to service quality. This indicates that service quality has a positive relationship with customer loyalty in the banking sector.

3. METHODOLOGY

3.1 Conceptual framework

This study is conducted with the core purpose of determining the relationship between service quality and customer loyalty. Based on the literature review, the researcher suggests that service quality has a positive relationship with customer loyalty. The literature revealed that when the service quality is high, the customers will be motivated to re-visit the hotel and further spread the word of good mouth to others which increases customer loyalty (Mosahan et al., 2010). Based on this the conceptual framework and the hypothesis of this study is constructed.

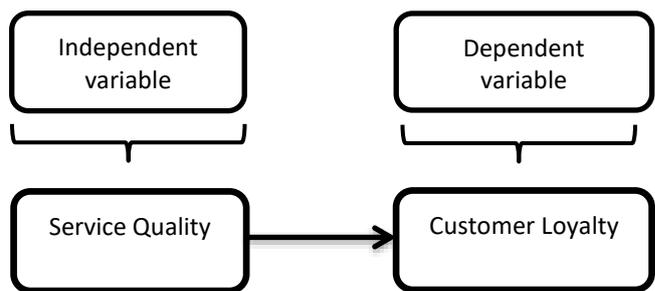


Figure 1: Conceptual framework

Source: Author developed from the literature

Hypothesis: There is a positive relationship between service quality and customer loyalty.

3.2 Sampling procedure

The current study measures service quality and customer loyalty from the perspective of the consumers. This is because the success of the marketing efforts depends on the consumer's perception on the hotel. According to Voon (2006), in the service business context, the strategic construct needs to be developed from the consumer's perspective. Therefore service quality and customer loyalty is measured from the consumer's perspective as the outputs of these activities are evaluated by the consumer's perception. Thereby the population of this study is the consumers of ABC hotel.

However, it was difficult to identify the exact number of consumers in the hotel due to indefinite population which erased the possibility of calculating the sample using the 20 percentage rule. Thereby, the researcher determined a sample size of 100 consumers based on simple random sampling method. Furthermore, the sample is determined as 10 consumers for the interviews. The study will get the

consent of 10 consumers of ABC hotel based on the convenience method.

3.3 Research Onion

Moving on to the research methodology, the researcher used the research onion model as shown in Figure 2.

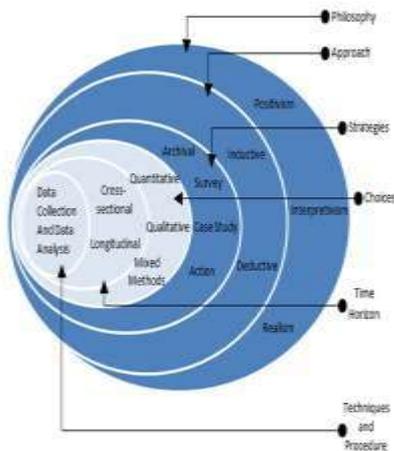


Figure 2: Research Onion

Source: Saunders *et al.* (2009)

The chosen philosophy will enable the researcher to develop the research strategy and the methods used as a part of the strategy. The current study is using the positivism approach as the study is directed towards data analysis through numbers and statistics. Thus, the research will not use the realism and interpretivism method as realism and interpretivism are not focused on statistics and numbers.

Secondly, the researcher aims to determine the impact of service quality and customer loyalty (Cooper and Schindler, 2011). Here, the concepts of service quality and customer loyalty are existing concepts in the marketing literature. Thus, the researcher will be collecting and analysing the data in order to prove the relationship between these variables.

The survey method is implemented as the research strategy for the current study. This involves the collection of data through a questionnaire and interview. In the survey the researcher will distribute the questionnaire to and interview the consumers of ABC HOTEL and in order to gain deeper insights of information about the hotel.

The current study has adopted the mixed method as the researcher will be implementing both quantitative and qualitative research methods. According to Ukkwatte and Abeysekera (2015), while quantitative analysis reveals statistical relationship, qualitative research will offer deep reasons to understand the root causes for the relationship. Thus, the researcher implements cross sectional time

horizon as this study focuses on answering the research questions at only one point in time by collecting data from the selected sample units of the population. Finally, seven point Lickert scale questionnaire and structure interviews are used for data collection.

4. DATA ANALYSIS AND INTERPRETATION

4.1 Quantitative analysis

The quantitative analysis consists of the analysis of the questionnaire responses through the SPSS Statistics (ver.21) software. Initially a reliability test will measure the internal consistency of the data. Secondly, linear regression is analysed to determine the effect of the HOLSERVE dimensions on service quality to identify the dimensions that have a higher impact for service quality in ABC Hotel. Finally, the linear regression is used to analyse the relationship between service quality and customer loyalty.

4.1.1 Reliability test

Table 1: Reliability test of Service Quality

Concept	Cronbach Alpha
Tangibility	0.857
Reliability	0.834
Responsiveness	0.878
Assurance	0.890
Empathy	0.815
Overall service quality	0.822

Source:Survey data (2016)

Table 2:Reliability test of Service Quality

Concept	Cronbach Alpha
Re-purchase behaviour	0.771
Word of good mouth	0.806
Overall customer loyalty	0.787

Source:Survey data (2016)

According to Walsh (1995), the internal consistency of data is ensured only when the Cronbach Alpha is greater than 0.7. With this line of thought, it is evident that as per the reliability results illustrated in Table 1 and Table 2, all variables are having a Cronbach Alpha greater than 0.7. This justifies the reliability of this study.

4.1.2 Linear Regression

Table 3: The coefficients analysis of the impact of HOLSERV dimensions on service quality.

Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients	T	F	Sig.
	B	Std. Error				
Tangibility	.408	.058	.580	7.014	49.202	.000
Responsiveness	.543	.045	.773	11.990	143.761	.000
Assurance	.481	.048	.710	9.919	98.383	.000
Empathy	.285	.056	.459	5.093	25.941	.000
Reliability	.455	.041	.748	11.099	123.197	.000

a. Independent Variable: Service
Source: Survey data (2016)

According to the results shown in Table 3, it is evident that responsiveness has the highest effect on service quality. Responsiveness has the highest beta value and it implies that when responsiveness increases by 1, then service quality increases by 0.773. The second dimension that has a high effect on service quality is determined as reliability. Therefore, according to the Beta value, as reliability dimension increases by 1, service quality increases by 0.748. Thus, empathy is considered as the dimension that has the least effect on service quality compared to other dimensions. This is because, the beta value is low compared to other dimensions. However, the bottom line is that all five dimensions have a positive impact on service quality and they are significant at 99 percentage confidence interval.

Table 4: The relationship between service quality and customer loyalty

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.752 ^a	.565	.561	.44195887

Source: Survey data (2016)

According to Table 4, Adjusted R Square emphasizes on how much the total variance of the mediating variable is explained by the independent variable. As per the analysis, the Adjusted R square is derived as 56.1 percentage. Thereby it is evident that 56.1 percentage of the total variance of customer loyalty is explained by service quality. This indicates that service quality has a positive impact on customer loyalty.

Table 5: The coefficients analysis of the relationship between service quality and customer loyalty

Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients	T	F	Sig.
	B	Std. Error				
(Constant)	1.499	.246		6.094		.000
Service Quality	.663	.059	.752	11.226	126.026	.000

b. Dependent Variable: Customer Loyalty
Source: Survey data (2016)

Table 5 highlights the coefficients analysis and thereby emphasis the relationship between service quality and customer loyalty. Initially, the standard error highlights the percentage of the error and it is given as 5.9 percentage which is less than 10 percentage. Basically, the Beta explains the degree of the relationship between the two variables. Secondly, the Beta is calculated as 0.752. This implies that when service quality increases by 1, it will result the customer loyalty to increase by 0.752. This indicates that there is positive relationship between service quality and customer loyalty. In addition, the significance of this relationship is expressed as 0.000. Theoretically, a relationship between two variables is significant when the two-tailed significance is below 0.05. Thus, two-tail significance of 0.000 indicates that the relationship between service quality and service quality is significant as 99 percentage of confidence interval.

4.2 Qualitative analysis

Based on the qualitative analysis, it was revealed that ultimately consumer expects the hotel to create a positive customer experience. The interviewed consumers highlighted that this experience is created based on the degree of service quality. It was found out that interviewed consumers perceive service quality as the main weapon a hotel has to create customer value. Respondents noted that customers will rank those hotels

with service quality in the top of the most preferred brands when making a purchasing decision. Thus it was found out that customer's loyalty will increase when the hotel offers the service that fulfils the customer's expected service. In the competitive market place, the consumers will not be willing to spend their money for a poor service while the similar amount of money can be spent on obtaining the expecting value. In addition, the consumers tend to spread the word of bad mouth to others when the service quality is poor.

Thus, was evident that the hotel needs to serve the customers and fulfil their expectations that will create the experiences which they can share with others through word of mouth and also strengthen their re-purchase behaviour towards the hotel. Thereby the study found out that customers are willing to re-visit and further spread the word of good mouth and recommend those hotels as a result of service quality. In general, increase in willingness to re-visit and spread the word of good mouth enhances customer loyalty. Therefore, it is evident that service quality strengthens customer loyalty.

Furthermore, the interviewees consider employee-customer involvement as a key characteristic of service quality. The interviews found out that consumer expect prompt feedback and responses from the employees. This represents the responsiveness dimension of service quality. In addition, the interviewed consumers stated that the quality of service needs to be consistent. One interviewee stated that service quality is not credible if the service is great today and bad on another day. Ultimately, the hotel market is competitive and consumers search for the alternatives that provide the best value. If the service is not reliable, that creates a negative service experience. Therefore, based on both quantitative and qualitative analysis, it is evident that responsiveness and reliability are having a higher effect on service quality.

5. PROPOSED MODEL OF THE FINDINGS

The quantitative analysis justified a positive relationship between service quality and customer loyalty. Thus, the qualitative analysis enabled the research to dig deep in to insights and reasons to justify the relationship between service quality and customer loyalty. Initially, the service quality is achieved through five dimensions which are tangibility, responsiveness, assurance, empathy, and reliability. From both quantitative and qualitative analysis, it is evident that hotels need to focus heavily on responsiveness and reliability. Thus, bottom line is that the hotel needs to align these dimensions in line with customer expectations. Responsiveness dimension will enable the hotel employees to identify the customer expectations through strong employee-customer interaction. Thus, in the situation where the actual service fulfils the expected service, service quality is ensured. As a

result of service quality, the consumers will have be motivated to re-purchase from the hotel and thus positive service quality will motivate the consumers to spread the word of good mouth. Point to note is that 70 percentage of modern day consumers make the purchasing decision based the recommendations of other consumers (Kotler et al., 2010). Ultimately, consumer re-purchase behaviour will motivate the consumer to purchase from the hotel when the particular purchasing needs arises. This will enhance the customer life time value and indicates customer is loyal. Most importantly, when the consumer is willing to spread the word of good mouth to others, the consumer will be consciously or unconsciously get involved in customer advocacy. Thus, re-purchase behaviour and spread of the good mouth creates a strong customer attachment with the hotel. This attachment is referred to as customer loyalty. The proposed model of the findings shown in Figure 3 visually demonstrates the findings that were discussed in the study.

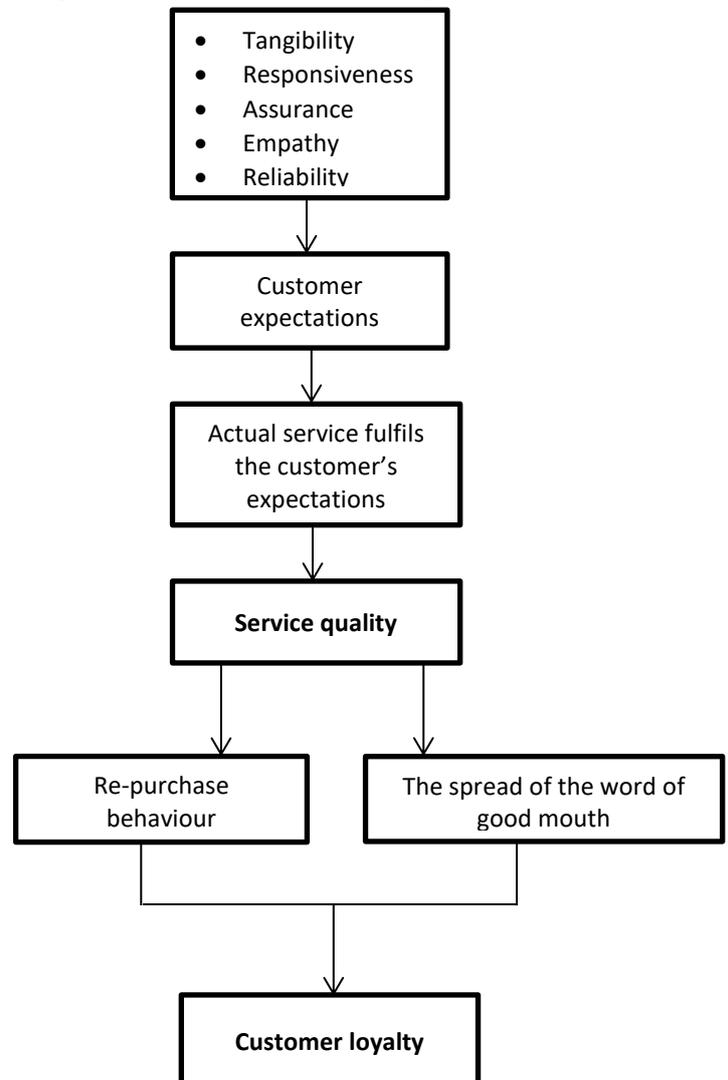


Figure 3: The impact of service quality on customer loyalty

Source: Author developed from the research findings

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 CONCLUSIONS

This study is based on the impact of service quality on customer loyalty in the Sri Lankan hotel sector with special reference to ABC hotel. From the exploratory research it was determined that customer loyalty is important to obtain the competitive edge. Thus, the problem undertaken was to analyse the role of service quality in customer loyalty.

There are three objectives of the study. Initially, the researcher aimed to obtain theoretical knowledge on the concepts of service quality and customer loyalty. Afterwards, the final objective was to analyse the relationship between service quality and customer loyalty. Both quantitative and qualitative research methods were used where the questionnaire and interviews were utilised for data collection. Based on the quantitative analysis, it was revealed that responsiveness and reliability has the highest impact on service quality respectively in the ABC hotel context. Thus, linear regression positively tested the hypothesis of the study and revealed that service quality has a positive relationship with customer loyalty.

Through the interviews, it was determined that service quality is the ultimate expectation of the customers. Thus, interviewed consumers pointed out the importance of responsiveness and reliability to ensure service quality. Thus, service quality will occur when the actual service fulfils the expected service. This positive experience will motivate the consumers to re-purchase from the hotel and to spread the word of good mouth that enhances customer loyalty.

6.2 RECOMMENDATIONS

Initially, the researcher recommends ABC hotel to invest on offering service quality oriented training to the employees and make them understand the importance of fulfilling customer expectations. Secondly, it is important to monitor the service after training. Therefore, the researcher recommends ABC hotel to send mystery consumers who can eventually evaluate the degree of service quality of the hotel. Mystery consumers can determine whether the employees are implementing the training into real practice. Interviewed consumers viewed customer feedback as valuable part of the service. Therefore, it is important to obtain customer feedback through feedback forms. Thus, customer feedback forms needs to be prepared that attract the attention of the customer to provide unbiased responses. For instance, a section can be headlined with "Have we made you happy". This section can evaluate whether actual service has met the expected. Another section can be stated as "How can

we make your next visit memorable". This may psychologically create a positive customer mindset towards the hotel. Thus, in order to enhance customer loyalty, it is important to offer loyalty cards. Loyalty cards can be used to award points for every transaction made with the hotel and every 12 months rewards must be given. For example, every 12 months the customer can make a transaction with ABC hotel for the value of points obtained.

ACKNOWLEDGEMENT

We take this opportunity to thank and extend our sincere gratitude to the General Manager and the Head of Academics of Auston Institute of Management, Mr. Gaminijayasooriya who devoted his valuable time and offered me guidance and advice on conducting the study. We would also like to extend our sincere gratitude to Mrs. GayaniVithanage and Mr. DasunUchitha, the Librarians of Auston Institute of Management Ceylon Ltd, for being helpful and providing necessary information and direction whenever needed. We would also like to thank all members of the academic and non-academic staff of Auston Institute of Management Ceylon Ltd for their seamless support. Furthermore, the greatest gratitude is given to the senior management and the staff of ABC hotel who gave the permission and the support to conduct this study.

REFERENCES

- Aaker, D.A. (1991) *Managing Brand Equity*. New York: The Free Press.
- Antony, J., Antony, F. J. and Ghosh, S. (2004) Evaluating service quality in a UK hotel chain: a case study, *International Journal of Contemporary Hospitality Management*, 16 (6), pp.380 – 384. [Online]. Available from: <http://0-www.emeraldinsight.com.lispac.lsbu.ac.uk/doi/pdfplus/10.1108/09596110410550833> [Accessed 15th December 2015].
- Berman, B. (2005) How to Delight Your Customers, *California Management Review* 48 (1), pp. 129-145. [Online]. Available from: <http://appli7.hec.fr/emba/notes/upload/HowToDelightYourCustomers.pdf>[Accessed 5th January 2015].
- Brady, M.K. and Cronin, J.J. Jr (2001) "Some new thoughts on conceptualizing perceived service quality: a hierarchical approach", *Journal of Marketing*, 65 (3), pp. 34-49.
- Central Bank of Sri Lanka (2014) Annual report, [Online]. Available from http://www.cbsl.gov.lk/pics_n_docs/10_pub_docs/efr/annual_report/AR2014/English/6_Chapter_02.pdf[Accessed 12th November 2015]

- Clow, K, E. (1993) Building a competitive advantage for service firms, *International Journal of Service Marketing*, 7 (1), pp. 22-32.
- Cooper, D.R. and Schindler, P.S. (2011) *Business Research Methods*, New York: McGraw Hill.
- Dibb, S. Simkin, L. Pride, W.M, Ferrell, O.C. (2012) *Marketing Concepts and Strategies*. Sixth Edition. England: Cengage Learning EMEA.
- Garbarino, E. and Johnson, M. S. (1999) The Different Roles of Satisfaction, Trust, and Commitment in Customer Relationships, *Journal of Marketing*, 63 (2), pp. 70-87.
- Hennig-Thurau, T. Gwinner, K.P. and Gremler, D.D (2002) Understanding relationship marketing outcomes: an integration of relational benefits and relationship quality. *Journal of Service Research*. 4(3) pp 230-247. [Online]. Available from: http://www.gremler.net/personal/research/2002_Relational_Benefits_JSJR.pdf [Accessed 17th November 2014].
- Kandampully, J. (1998) Service quality to service loyalty: a relationship which goes beyond customer services, *Total Quality Management & Business Excellence*, 9 (6), pp. 431-443.
- Khudri, M.M. Sultana, S. (2015)"Determinants of service quality and impact of service quality and consumer characteristics on channel selection", *British Food Journal*, 117 (8) pp. 2078 – 2097.
- Kotler, P. Kartajaya, H. and Setiawan, I. (2010) *Marketing 3.0*. USA: Wilay Publication.
- Kotler, P. and Armstrong, G. (2011) *Principles of Marketing*. 14th Edition. England: Prentice Hall.
- Mei, A. W. O., Dean, A. M. and White, C. J. (1999) Analysing service quality in the hospitality industry, managing service quality, *An International Journal*, 9 (2), pp.136 – 14. [Online]. Available from: <http://0-www.emeraldinsight.com.lispac.lsbu.ac.uk/doi/pdfplus/10.1108/09604529910257920>[Accessed 25th November 2015].
- Mohsan, F., Nawaz, M. M., Khan, S. M., Shaukat, Z. and Aslam, N. (2011) Impact of customer satisfaction on customer loyalty and intentions to switch: evidence from banking sector of Pakistan, *International Journal of Business and Social Science*, 3 (2), pp. 1982-1991.
- Oliver, R. L. (1999) "Whence consumer loyalty?", *The Journal of Marketing*, pp. 33-44. [Online]. Available from :<http://www.uta.edu/faculty/ritchard/MARK%205342/Articles/Oliver%201999.pdf> [Accessed 17th December 2015].
- Rust, R. T. and Oliver, R. L. (1994) Service quality. Insights and managerial implications, *Annals of Tourism Research*, 21 (4), pp. 745-755.
- Saunders, M., Lewis, P. and Thornhill, A. (2009) *Research methods for business students*, 5th Edition. England: Pearson Publication.[Online]. Available from:
- http://www.indexmundi.com/sri_lanka/demographics_profile.html[Accessed 5th February 2016].
- Schiffman, L.G. Kanuk, L.L. and Kumar, S.R. (2010) *Consumer behavior*. 10th Ed. India: Pearson.
- Schneider, B. and Bowen, D.E. B. (1999) Understanding Customer Delight and Outrage, *Sloan Management Review* ,41 (1), pp. 35-45. [Online]. Available from: <http://www.customerdelight.nu/content/04-artikelen/02-artikel-b/delight.schneider.pdf> [Accessed 5th December 2015].
- Sri Lanka Tourism Development Authority (2014) *Tourism research and statistics*. [Online]. Available from: <http://www.slttda.lk/statistics> [Accessed 1st November 2015].
- Trading Economics (2016) *Sri Lanka Tourists Arrival*. [Online]. Available: <http://www.tradingeconomics.com/sri-lanka/tourist-arrivals> [Accessed 20th May 2016].
- The Travel & Tourism Competitiveness Report (2015) *Growth through Shocks*, World Economic Forum, [Online]. Available from: http://www3.weforum.org/docs/TT15/WEF_Global_Travel&Tourism_Report_2015.pdf [Accessed 15th November 2015].
- Ukkwatte, J.L. and Abesekera, N. (2015) The Impact of Relationship Marketing on Brand Equity with Special Reference to Cinnamon Red hotel in Sri Lanka, 8th *International research conference*, Kotalawala Defense University Sri Lanka, 28-29 August, pp. 152-160.
- Voon, B. H. (2006) Linking a service-driven market orientation to service quality, *Managing Service Quality: An International Journal*, 16 (6), pp. 595 – 619. [Online]. Available from: <http://0-www.emeraldinsight.com.lispac.lsbu.ac.uk/doi/pdfplus/10.1108/09604520610711927> [12th January 2016].
- Walsh, W.B. (1995) *Test and assessment, 4th edition*. New Jersey: Prentice Hall.
- Wilkins, H., Merrilees, B. and Herington, C. (2007) Towards an understanding of total service quality in hotels, *International Journal of Hospitality Management*, 26(4), pp. 840-853.
- Zeithaml, V. A., Berry, L.L. and Parasuraman, A. (1996) The behavioural consequences of service quality, *Journal of Marketing Management*, 60 , pp. 31-46.
- Zeithaml, V.A. and Bitner, M. J. (2000) *Services marketing: integrating customer focus across the firm*, 2nd Edition, New York: McGraw-Hill.