Factors Affecting on Customer Loyalty in Hotels service in Thanh Hoa, Vietnam

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Abstract Vietnam is a country that is rich and diverse in tourism resource at many different regions. Along with the transformation of the economy into the service sector under the guideline of the Government, researches in this field on customer loyalty, which reveal important reasons for going back to use service from customers should be done at different areas. The paper's purposes are to systematize the theoretical basis on customers' loyalty, from those determine the factors affecting the customer's loyalty using hotel services in Thanh Hoa province, where has full of potentials for developing tourism industry of the country. By using qualitative and quantitative research, relations and level of impact between influencial factors have been illustrated, which are sources of basic orientation for improving the quality of hotel services, customer satisfaction and customer loyalty in hotels at Thanh Hoa. Specifically, the results showed that Tangible and Intangible elements, Perceived Value, Brand Image, Customer Relationship Management, Satisfaction and customers' demographic profile both have a positive impact on Customer Loyalty, of which satisfaction has strongest effect, followed by Intangible and Tagible elements, Brand Image, Perceived Value, and finally CRM.

Keywords: *factors, customer loyalty, satisfaction, hotels, Thanh Hoa*

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1. Introduction

It is undeniable that loyalty is a core element of the customer relationship management system [1]. For any business, loyal customers are ambassadors. Comparing to new customers, existing customers are less interested in price fluctuations. Brands, products, and services can inspire loyalty, meaning that loyalty will keep them interested in the product, buy and recommend it to others [2]. The loyalty of customers will affect existing customers and prospective customers and help to increase positive feedback on the products and services of the business. They are valuable "assets" that the business does not cost much to find new customers.

In the field of tourism industry, with the aims of being the first choice and priority to the customers to use the service, a lot of the efforts from the hotels have been made to maintain customer loyalty in the period of competition these days. With this interesting fact, the research on the field of customer loyalty for hotel services nowadays is abundant; especially the identification of factors that affect customer loyalty when using hotel services is becoming very diverse among researchers based on their different perspectives, in different countries and regions. Both hotels and researchers are implicitly aware that understanding customer preferences in choosing hotel services determines customer loyalty [3].

However, in Vietnam, the research evaluates the influence of the factors to customer loyalty in the hotel sector is quite few. According to a preliminary survey of researcher, at present, there were only few authors interested in research in this field but has also been stopped in the assessment of customer satisfaction [4,5,6] based on the SERVQUAL elements for the development of a new research model. Meanwhile, customer satisfaction is unlikely to guarantee the return of a customer as loyalty is affected by more than that. The study by Mai Ngoc Khuong and his colleagues focused on the influence of factors on customer satisfaction and loyalty at Luxury Hotels in Ho Chi Minh City, however it was lacked of an assessment of the impact of perceived service quality, perceived value, which are essential factors in the field of tourism services. On the other hand, researches were limited by time, place, sample size and study language, which were different from Japanese, Korean, and Chinese, etc. A country that is rich and diverse in tourism resource at many different regions as Vietnam, along with the transformation of the economy into the service sector under the guideline of the Vietnam Government, the results of these researches can hardly be generalized to different areas as well as quickly become inconsistent in the new context. As such, new researches are needed for the other regions, where Thanh Hoa is one of the most resource-rich provinces in the North. Therefore, this study was conducted with two main purposes: (1) identify factors affecting the loyalty

of customers using hotel services in Thanh Hoa; (2) evaluate the influencial levels of factors on customer loyalty.

2. Theory Background and Research Model

2.1. Customer Loyalty

Customer loyalty is the absolute commitment that the customer will continue to buy or to be interested in a particular product or service in the future and continue to use the same brand or branch although they are affected by advertising strategies and may change attitudes [7]. Customer loyalty is important because it affects the long-term growth of profitability [8]. Reinatz and Kumar [9] assert that loyal customers are the best customers, because they rarely save money but often pay more than other customers, advertise for product/ service effectively by verbal mean.

2.2. Influencial Factors

The determinants of customer loyalty have attracted many authors in the world from recent years. Oliver's measurement model [7] has shown that consumers can be loyal in perception or attitudes at first and then turn to new emotion and finally is behavior. Also in Oliver's (1999) study, according to the attitude approach, loyalty consists of three parts: perception, emotion and instinct. Bodet [10], has verified the relationship between customer satisfaction and loyalty based on four factors including specific satisfaction, overall satisfaction, attitudinal loyalty and repurchase behavior. Liang [11] in the research about customer loyalty for Luxury hotel in the US concluded that "satisfaction" was the most influence factor, followed by "trust". The measurement of attitudinal loyalty regarded "membership program" is third most valued while "perceived quality" results for the fourth most valued factor. The least valued factors for attitudinal and behavioral loyalty were "perceived value". In the research of relationship between Hotel Ratings, Service Quality, Customer Satisfaction and Loyalty at Ethiopian Hotels concluded that there are significant relationships between these concepts; but there was no basic to find out the direct relationship between hotel ratings and customer loyalty. Even though, the relationship between service quality and loyalty is not direct [12,13]. Taylor and his partner [14] argued that satisfaction, service quality and value, resistance to change, trust, brand affect and brand equity as predictors of customers' loyalty perception. The researchers considered customer loyalty as a function of attitudinal and behavioral loyalty. The research of Mai Ngoc Khuong and his partners in [15] in Vietnam showed that factors of empathy and assurance, tangibility and hotel image directly and indirectly affected customers' loyalty. Also according to the results of this study, satisfaction directly affected customers' loyalty, meanwhile price indirectly and negatively affected the loyalty.

The manifestations of loyalty through research by Rauyruen and Miller [16] are: commitment, trust and positive word of mouth. Akaba [17] evaluated the influence of socio-demographic factors on customer loyalty in hotel industry. The results has confirmed that relationship with important influencial factors such as age, gender, marital status, occupation, education, income, length of stay, frequency and purpose of visit.

Through the studies, with each approach and viewpoint of the researchers, many factors have been shown to have a direct or indirect impact on customer satisfaction and loyalty using hotel services. Generally, lots of authors have studied about common factors such as:

Perceived Quality: the model with five elements of SERVQUAL initially applied flexibly to hotel service in different locations. In any situation, there is a fact that most hotel service relied on the tangible and intangible instruments. The tangible and intangible instruments are highly incorporated, so it has a significant influence on the service quality's assessment by customers [18,19].

Perceived Value: feeling of worthwhile or not worthwhile, satisfied or not on the price of hotel services will determine whether customers want to return or not [6,20].

Brand Image: Consumers' identification with a hotel service engenders positively to evaluation of the hotel brand from customers and, consequently, increase satisfaction and brand loyalty [21].

Customer Relationship Management (CRM): is an enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability [22,23,24].
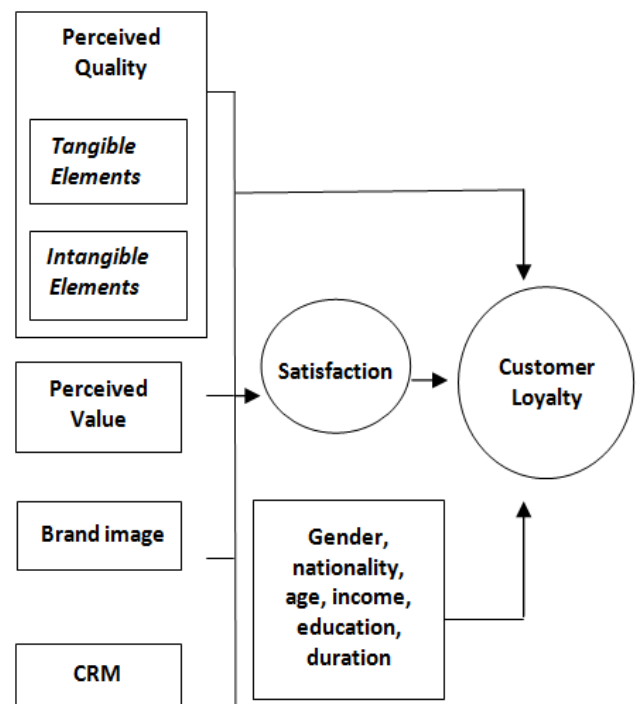

Figure 1. Research model

The research model included variables of Perceived Quality (including both Tangible and Intangible Elements), Perceived Value, Brand Image, Customer Relationship Management (CRM), Satisfaction and Demographic

factors affect to the Loyalty of customers using hotel services in Thanh Hoa province. Satisfaction in the first relation is considered as a dependent factor but in the second relation, it is considered as an independent factor, affecting to hotels' customers loyalty (Figure 1).

3. Research Method

The research used both quantitative and qualitative research methods. Qualitatve data was collected from researches, papers, reports of hotels and deparments. Quantitative research was conducted through the sampling survey of 500 customers with 380 valid respondents of 13 hotels which were rated as 3-5 stars hotels in Thanh Hoa province, located in 3 districts: Thanh Hoa City (6 hotels), Sam Son City (6 hotels) and Tinh Gia (1 hotel). The researcher chooses to study about hotels with 3-5 stars because medium and luxury hotels are the common choice of both domestic and international tourists due to the appropriate service quality. According to statistics of Vietnam National Administration of Tourism, the majority of international visitors to Vietnam choose hotels with 3-4 star or more and domestic guests prefer 3-star hotels because their services just can meet the tourists' basic needs in conditions of improved material and spiritual life. The survey of this subject is done in two forms: direct questionnaires, which is the main form of survey and e-mail surveys via the email address of the respondents supplied by the hotels. Quantitative research aims to quantify the relationship between factors through the application of statistical analysis tools.

4. Results and Discussion

4.1. Description Analysis

The highest average value is the hotels' tangible element (3.57) and the lowest value is Brand Image (3.33) and Intangible elements (3.37). About the tangible facilities of hotels, customers appreciate the availability and the full range of equipments and additional services, due to the reason that the hotels from 3 to 5 stars in Thanh Hoa province are almost new, which were built in the last five years, especially 7 out of 13 hotels were built in 2015 (the year of national tourism in Thanh Hoa province). In term of Intangible elements, customers only evaluate these factors at the medium level. Of which, statements 'Customers are always fully provided with information about the services of the hotel' (3.25); 'Hotel staffs are well knowledgeable in the service that the hotel offers' (3.31) and 'The staff of the hotel gives the customer confidence' (3.34) are not highly appropriciated by customers. About the *Perceived value* elements, customer reviews relatively good about the Hotel services prices, which are competitive and correspond to the quality of service provided by the hotels. Elements Brand Image and Customer Relationship Management of hotels are not rated well by customers. This shows that 3 to 5-star hotels in Thanh Hoa, need to make more efforts to bring brand image closer to customers. However, in general, customers are satisfied with the services that 3 to 5 star

hotels in Thanh Hoa are providing (3.5) and customer loyalty is rated at relatively good (3.48).

4.2. Exploratory Factor Analysis-EFA

After the first EFA, TAG6 and BRA4 variables were excluded because the Factor loadings are too small (less than 0.3). The study conducted the second EFA for 29 items except for TAG6 and BRA4 variables; the KMO test results of the second Rotation are as follows:

Table 1. KMO and Bartlett's Test results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.816
Bartlett's Test of Sphericity	Approx. Chi-Square	4786.120
	df	406
	Sig.	.000

After the analysis of EFA, the model is not different from the proposed model; but only two observable variables were not reliable enough to be excluded from the research model, they are TAG6 and BRA4. There are no new factor groups.

Table 2. Matrix of factors

Rotated Factor Matrix[a]							
	Factor						
	1	2	3	4	5	6	7
INTAG4	,850						
INTAG2	,783						
INTAG5	,758						
INTAG3	,689						
INTAG1	,593						
INTAG6	,577						
TAG2		,853					
TAG4		,746					
TAG3		,719					
TAG1		,584					
TAG5		,581					
CRM2			,848				
CRM1			,792				
CRM3			,591				
CRM5			,583				
CRM4			,503				
LOY3				,730			
LOY2				,721			
LOY1				,667			
LOY4				,557			
SATIS1					,788		
SATIS3					,749		
SATIS2					,609		
BRA2						,753	
BRA1						,724	
BRA3						,645	
VALUE2							,787
VALUE1							,641
VALUE3							,618

After EFA, the result of Reliability Test shows that the scales both have a reasonalbe strong Cronbach's Alpha coefficient and the Corrected item-Total correlation of items are all more than 0.3. Thus, the proposed items

measure the same concepts and the scales are realiable for using in the next steps.

4.3. Confirmatory Factor Analysis (CFA)

The result indicates that correlation coefficients are less than 1, covariance tests and correlations between paired variables are statistically significant (p-value <0.05), except for variable "CRM4", which have Standardized Estimate smaller than 0.05 so that variable CRM4 was excluded from the CFA testing; the research conducted the CFA testing for the second time. The second result of CFA test reveals that Chi-square = 587.646; df = 328 (p = 0.000 <0.05); CFI = 0.941, TLI = 0.932, GFI = 0.903 (both are higher than 0.9) and RMSEA= 0.046 < 0.08. Correlation coefficients are less than 1, covariance tests and correlations between paired variables are statistically significant (p-value <0.05, Table 3). Therefore, it is possible to conclude that the model is compatible with market data.

4.4. Structural Equation Modeling (SEM)

The research uses structural equation model to assess relevance of the model and reevaluate relationships in the model (Figure 2).

Table 3. Factors' covariances

			Estimate	S.E.	C.R.	P
INTAG	<-->	TAG	,113	,046	2,474	,013
INTAG	<-->	CRM	,117	,050	2,361	,018
INTAG	<-->	LOY	,264	,047	5,620	***
INTAG	<-->	SATIS	,268	,046	5,853	***
INTAG	<-->	BRA	,109	,044	2,468	,014
INTAG	<-->	VALUE	,179	,046	3,878	***
TAG	<-->	CRM	,169	,050	3,407	***
TAG	<-->	LOY	,256	,046	5,545	***
TAG	<-->	SATIS	,247	,045	5,535	***
TAG	<-->	BRA	,112	,044	2,575	,010
TAG	<-->	VALUE	,140	,045	3,114	,002
CRM	<-->	LOY	,237	,049	4,805	***
CRM	<-->	SATIS	,212	,048	4,438	***
CRM	<-->	BRA	,109	,047	2,302	,021
CRM	<-->	VALUE	,134	,049	2,740	,006
LOY	<-->	SATIS	,301	,046	6,599	***
LOY	<-->	BRA	,207	,044	4,678	***
LOY	<-->	VALUE	,229	,046	5,026	***
SATIS	<-->	BRA	,187	,043	4,373	***
SATIS	<-->	VALUE	,200	,044	4,583	***
BRA	<-->	VALUE	,183	,045	4,088	***
e2	<-->	e5	-,156	,028	-5,556	***
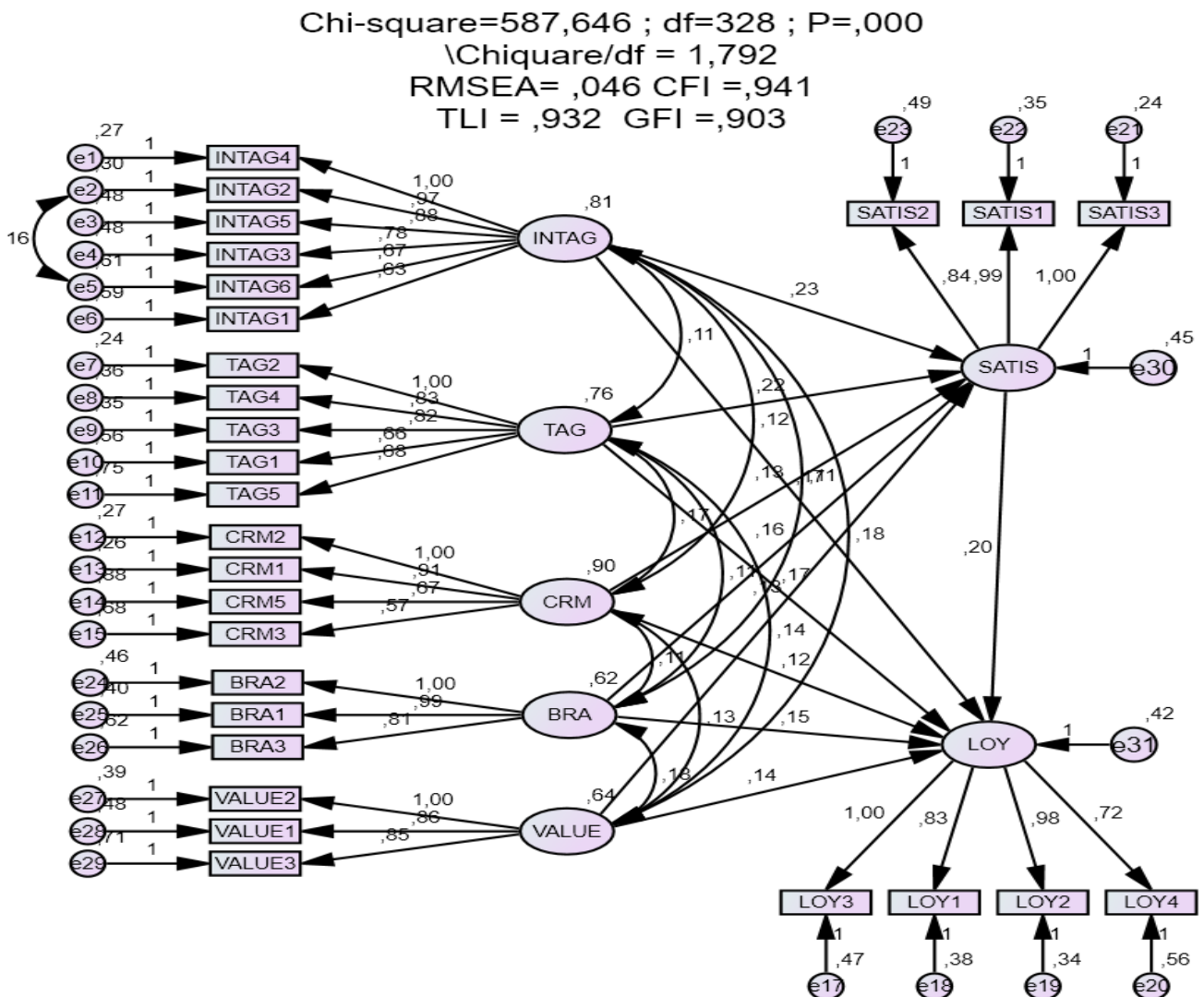
Figure 2. Structural Equation Model of the research

Table 4. Results of hypothesis test

			Estimate	S.E.	C.R.	P	Result
SATIS	<---	TAG	.217	.052	4.189	***	Accepted
LOY	<---	TAG	.162	.053	3.227	.001	Accepted
SATIS	<---	INTAG	.233	.049	4.740	***	Accepted
LOY	<---	INTAG	.166	.051	3.273	.001	Accepted
SATIS	<---	VALUE	.127	.063	2.016	.044	Accepted
LOY	<---	VALUE	.141	.063	2.234	.025	Accepted
SATIS	<---	BRA	.161	.062	2.605	.009	Accepted
LOY	<---	BRA	.162	.053	3.227	.001	Accepted
SATIS	<---	CRM	.125	.047	2.684	.007	Accepted
LOY	<---	CRM	.123	.047	2.618	.009	Accepted
LOY	<---	SATIS	.204	.067	3.038	.002	Accepted

The results of SEM (Figure 2) indicated that Chi-square = 587.646; df = 328 (p = 0.000 < 0.05); CFI = 0.941, TLI = 0.932, GFI = 0.903 (> 0.9 and RMSEA = 0.046 < 0.08). Therefore, it is possible to conclude that the model achieves compatibility with market data. Hypotheses of relationships are all accepted (p-value < 0.05) (Table 4); The results mean that the elements Tangible, Intangible, Perceived value, Brand image, Customer Relationship Management have a positive impact on Satisfation and Customer Loyalty, in which the strongest influence on Loyalty is Satisfation (Coefficient is 0.204), followed by Intangible elements (0.166), Tag (0.162), Brand Image (0.162), Perceived Value (0.141), and finally CRM (0.123).

The differences in term of demographic variables after testing T-test and Anova also revealed that foreigners, higher education customers and over 7 day-staying customers tend to be more loyal to the hotels than the others, which is consistent with previous studies of Kim et al. [25]; Serenko et al. [26]; Akaba [17].

4.5. Discussion

The study used the Structural Equation Modeling to assess the relevance of the research model and to test relationships of the model. The results of the SEM analysis show that Tangible and Intangible elements of Service Quality, Perceived value, Brand image, Customer Relationship Management have a positive impact on Satisfation and Customer Loyalty, in which the strongest influence on Customer Loyalty is Satisfation (Coefficient is 0.204), followed by Intangible elements (0.166), Tangible elements (0.162), Brand image (0.162), Perceived Value (0.141), and finally Customer Relationship Management (0.123). The results of this study are consistent with previous research findings in the service sector, particularly hotel services: tangible and intangible elements of service quality, value, brand image, customer relations and customer satisfaction are mutually connected [11,14,27,28,29,30]. At the same time, satisfaction is the most important factor influencing customers' loyalty, meaning that satisfied customers will tend to use the service again more than customers who are not satisfied [6,31,32].

5. Conclusion

The research has systematized the theoretical basis for the factors affecting the service quality, customer satisfaction and loyalty when using the service provided by the business. Based on the related studies in the field of hotel services, this research has proposed and illustrated six factors that affect the loyalty of customers using the hotel services from 3 to 5 stars in Thanh Hoa province. Particularly, the confirmation of the Customer Ralationship Management factor has a positive impact on the Loyalty is a clear evidence that the hotel business in Thanh Hoa should focus on attracting previous customers returning to use the service by the customers relation strategies. In addition, the study found that foreign customers, high education level and over-7-day duration customers tend to be more loyal to the hotels than the other, which help to suggest important solutions for hotels' adminitratives in Thanh Hoa province for this market share.

Although the research has obtained important results about the influence of factors to the loyalty of customers using hotel services in Thanh Hoa, due to many subjective and objective reasons, the research cannot avoid some limitations. Firstly, the research sample of this topic compared to the number of hotels in Thanh Hoa is not high. On the other hand, research has only stopped at assessing the impact of factors in three to five star hotels at a destination, which has many differences compared to other localities such as natural conditions, economic conditions, population and society; As a result, the results of the study are hardly generalized for other localities of the country. Therefore, further studies should be performed on a more diversified type of hotels or on a larger sample scale within the larger spatial study, enhancing the overall scope of the subject. Lastly, in the following research models, researchers can integrate other internal factors (such as hotels' strategy) or external factors (such as local economic development and local tourism policies) to test more hypotheses with more factors affecting customer loyalty.

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