Antecedents and consequences of relationship quality in hotel industry

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Abstract

This study investigated the antecedents and consequences of relationship quality. This study will help hotel managers to develop and implement effective relationship marketing strategies. Effective usage of relationship marketing strategies will be able to improve hotel performance such as share of purchases, relationship continuity, and word of mouth. To analyze data collected from 12 five-star hotels in Seoul, the linear structural relationship (LISREL) model was used to identify structural characteristics of relationship management between service providers and guests. The empirical results of this study were threefold. First, greater service providers’ relational and customer orientation resulted in higher relationship quality. Second, better service providers’ attributes resulted in higher relationship quality. Third, higher relationship quality resulted in higher share of purchases and better relationship continuity and share of purchases. © 2002 Elsevier Science Ltd. All rights reserved.

Keywords: Customer orientation; Relationship quality; Relationship continuity

1. Introduction

Customer relationships have received considerable attention from both academicians and practitioners. The increasing emphasis of relationship marketing is based on the assumptions that building committed customer relationships results in guest satisfaction, loyalty, positive word of mouth, business referrals, references, and publicity. Intense competition for market share in today’s market requires managers...
to attend to customer retention and the hows or whys of a patron returning and continuing to repurchase (Pritchard and Howard, 1997).

Relationship marketing encompasses transaction marketing and aims to build long-term, trusting, mutually beneficial relationships with valued customers. It has been demonstrated that it is far less expensive to retain a customer than to acquire a new one. As a customers’ relationship with the company lengthens, companies can increase profits by almost 100% by retaining just 5% more of their customers (Reichheld and Sasser, 1990). The longer a customer stays in the relationship with a hotel, the more profitable to the hotels. Therefore, when marketing expenses are allocated more on retaining customers under the relationship marketing strategy, this is likely to make marketing more efficient (Sheth and Parvatiyar, 1995).

Relationship quality refers to customer perceptions and evaluations of individual service employees’ communication and behavior, such as respect, courtesy, warmth, empathy, and helpfulness. This involves inducing feelings and emotional states through customer–employee interactions. Subjects of numerous previous studies in relationship marketing focused on service organizations such as banking, insurance, retailing, hospital, professional associations, and hotel (Palmer, 1995; Crosby and Stephens, 1987; Reynolds and Beatty, 1999; Peltier, 1998; Gruen et al., 2000; Kim et al., 2001). While a vast amount of relationship marketing literature exists, few studies have been done on testing the cause–effect model of relationship quality in the hotel industry.

The objective of this study is to investigate the antecedents affecting relationship quality between hotel employees and customers and the consequences influenced by relationship quality. It is expected that the higher a hotel’s relationship marketing efforts such as customer orientation, relational orientation, mutual disclosure, and service providers’ attributes, the higher the relationship quality between hotel service providers and guests. As the relationship quality increases, it is likely to have a significant influence on the hotel guests’ behavior demonstrated through enhanced share of purchases, increased relationship continuity, and word of mouth.

2. Literature review

2.1. Definition of relationship marketing

Berry (1983) coined the term, relationship marketing, in the service marketing literature. Relationship marketing was defined as attracting, maintaining, and enhancing customer relationships in multi-service organizations. The key factor in assessing the potential for relationship retailing was the degree of personal interaction, service, and selling involved in the retailer/customer encounter or moment of truth (Berry and Gresham, 1986). Gronroos (1990) stated that relationship marketing established, maintained and enhanced and commercialized relationships with customers and other partners, at a profit, so that the objectives of the parties involved were met. This was achieved by a mutual exchange and
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