A CONCEPTUAL LITERATURE REVIEW ON SERVICE QUALITY AND CUSTOMER LOYALTY IN THE HOSPITALITY INDUSTRY DURING THE COVID-19 PANDEMIC

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SIGNATURE PAGE

THESIS: A CONCEPTUAL LITERATURE REVIEW ON SERVICE QUALITY AND CUSTOMER LOYALTY IN THE HOSPITALITY INDUSTRY DURING THE COVID-19 PANDEMIC

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The study is dedicated to a critical analysis of the impact of service quality on customer loyalty in the hospitality industry during the COVID-19 pandemic. The COVID-19 crisis has made a dramatic impact on the sector, making many businesses cease their operations and forcing others to adapt to the new business environment. The current study seeks to determine whether challenges associated with the pandemic changed a relationship between service quality and customer loyalty within the context of the hospitality industry. It aims to detect service quality dimensions that have a critical influence on customer loyalty within the context of the study, analyze the interaction of customer loyalty, customer satisfaction, and service quality, determine the main implications of the COVID-19 pandemic for a relationship between the variables, and formulate practical recommendations for managers of hospitality businesses concerning the ways to leverage service quality into high customer loyalty rates. The study was conducted using a systematic literature review. It was found that service quality remains a critical driver of customer loyalty despite the pandemic. At the same time, the COVID-19 crisis changed certain aspects of a relationship between these constructs because it led to the new segmentation of customers, the growing importance of emotional aspects of customer experiences, prioritization of customization and empathy in customer service, and expansion of digitization. The study discusses the significance of all these patterns and illustrates how service quality could be leveraged into increasing customer loyalty within the context of the COVID-related challenges faced by the hospitality industry. (251 words)
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CHAPTER 1
INTRODUCTION

Research Background

The rising level of competitiveness in most industries forces companies operating in the hospitality industry to look for new sources of competitive advantages. In an attempt to increase efficiency and enlarge revenues, they are looking for new instruments that could help them successfully compete with rivals (Fernandez, Martinez, & Martin, 2022). Maintenance of high customer loyalty rates is traditionally considered as one of the most desirable outcomes for hospitality firms because retention of the existing clients is approximately 5-25 times cheaper than acquisition of new customers (Reid & Bojanic, 2009). However, it is becoming hard for various firms to retain clients because of dramatic changes in the business environment and consumer behavior. Decreasing switching costs and the growing amount of information about various brands stimulate consumers to purchase products and services from many different firms based on situational factors (Boone & Kurtz, 2021). In this situation, the maintenance of high customer retention rates turns into a challenging task for companies operating in most sectors.

It is traditionally believed that a high quality of customer service might be one of those factors that translate into high customer satisfaction and, by extension, into high customer loyalty. Compelling evidence concerning the positive impact of service quality on customer loyalty could be found in many studies that focus on the hospitality industry (Nadeem & Nasir, 2017; Arias-Bolzmann, Bravo-Falcon, & Mendoza-Cabrera, 2018; Nilashi et al., 2021; Fernandez et al., 2022). Some of these researches employ the SERVQUAL framework, which approaches service quality as a set of five dimensions, including reliability, tangibility, empathy, assurance, and responsiveness (Nadeem & Nasir, 2017; Arias-Bolzmann et al., 2018). Others, at the same time, employ general assessments of service quality as a single construct without distinguishing
between its various domains (Shyju et al., 2021; Fernandez et al., 2022). There is currently no agreement among scholars concerning a degree to which service quality in the hospitality industry affects customer loyalty. It is known that an increase in service quality usually correlates with the growth of customer satisfaction rates; however, customer satisfaction does not always have a proportional influence on customer loyalty because these two variables are fundamentally different from each other (Boone & Kurtz, 2021). Despite certain controversies, the available evidence provides a compelling reason to believe that the maintenance of high customer service levels is an effective instrument for ensuring high customer loyalty.

**Problem Statement**

While the academic literature offers many insights into the relationship between service quality and customer loyalty in the hospitality industry, it remains unclear how this relationship evolved during the COVID-19 pandemic. The pandemic significantly affected the hospitality industry by causing the closure of many businesses (Gursoy & Ghi, 2020). Those companies that opened after the lifting of quarantine restrictions found themselves operating in a new environment in which they had to comply with strict requirements, making many of their services unavailable, spending additional amounts of money on sanitizing apartments, and limiting the number of guests (Shapoval et al., 2021). Along with the relatively low number of customers, such restrictions reduced the earning potential of most hospitality companies. The need to maintain high customer loyalty, thus, was especially important for them.

In light of the arguments laid out above, it seems justified to argue that a critical investigation of the antecedents of customer loyalty in the hospitality industry during the COVID-19 pandemic is a pressing research problem. An understanding of the ways in which a high level of customer service could be leveraged into ensuring sufficient consumer retention rates could have important implications for hospitality management. At the moment, little is known about the
relationship between these variables during and after the series of lockdowns. For instance, Anabila, Ameyibor, Allan, and Alomenu (2021) stated that service quality significantly affects customer loyalty in the hotel industry during the pandemic, whereas Guan, Wang, Guo, Chan, and Qi (2021) found that only certain domains of service quality influence brand loyalty in the hotel sector, whereas others have an impact only on customer satisfaction. A high level of uncertainty in relation to the problem under investigation shows that there is an evident need in synthesizing the literature on the relationship between service quality and customer loyalty in the hospitality industry during the COVID-19 pandemic in order to determine whether the new environment changed the ways in which a high level of customer service could be leveraged into customer retention.

Research Goal and Objectives

The main goal of this study is to conduct a conceptual literature review of the current literature on service quality and customer loyalty in the hospitality industry during the COVID-19 pandemic. The following research objectives will be completed in the study:

1. To identify specific dimensions of service quality that have an influence on customer loyalty;
2. To analyze the impact of service quality in the hospitality industry on customer satisfaction and customer loyalty;
3. To determine the key implications of the COVID-19 pandemic for a relationship between service quality and customer loyalty in the hospitality industry;
4. To formulate practical recommendations for managers of hospitality businesses concerning the ways to leverage a high level of customer service into high customer loyalty rates.
Structure of the Thesis

The thesis has a standard structure comprising five chapters in addition to this introduction. The second chapter offers a critical review of the literature on customer loyalty and service quality in the hospitality industry, a relationship between these two constructs, and the impact of the COVID-19 pandemic on the hospitality sector. The third chapter presents a research methodology and describes in detail methods of data collection and data analysis and reflects on ethical considerations, a chosen research paradigm, and trustworthiness of the research. Presentation of the results of the systematic literature review could be found in the fourth chapter, whereas the fifth chapter includes a detailed discussion of the main patterns identified in the study. Finally, the last chapter summarizes the study’s findings and puts forward recommendations for further research as well as practical recommendations for managers of hospitality businesses concerning the ways to leverage service quality into increased customer loyalty.
CHAPTER 2
LITERATURE REVIEW

Service Quality in the Hospitality Industry

Service quality has long been known as one of the most important constructs in the hospitality industry. Numerous studies have linked service quality to high customer satisfaction rates, the likelihood of positive word-of-mouth (WOM) recommendations, repurchase intention, customer loyalty, and other outcomes that are of critical importance for the sector (Saleem and Raja, 2014; Rather and Sharma, 2017; Aksar et al., 2019; Ofosu-Boateng and Acquaye, 2020). In the most general view, customer services could be defined as “the kind of activities between the organization and customers to improve or simplify sale and using of products… [that] involve also operations of producers provided for customers during the whole transaction” (Kanovska, 2010, p. 563). Service quality, in turn, “is an assessment of how well a delivered service conforms to the client’s expectations” (Ramya, Kowsalya, & Dharanipriya, 2019, p. 38). The quality of customer service is a peculiar indicator that emerges as a result of a comparison between customers’ perceptions of a particular service and their initial expectations. Thus, this phenomenon is to a large extent subjective.

Conceptualization of service quality is a challenging task because of the subjective nature of the construct and a plethora of intertwined meanings that might be embedded in it. Therefore, the academic literature offers numerous instruments for approaching, conceptualizing, and measuring service quality. Wu and Ko (2013) employed the multi-dimensional and hierarchical model of service quality comprising the domains of environmental, outcome, and interaction quality and the constructs of expertise, atmosphere, conduct, problem solving, facility, design, room quality, location, sociability, waiting time, and valence. Ali et al. (2021) preferred utilizing the SERVQUAL model to assess service quality in the hotel sector. In their study, the researchers
measured five dimensions of service quality in order to examine their impact on satisfaction of hotel guests. Seyitoglu and Ivanov (2020) argue that stakeholders and scholars should design customized systems to analyze quality dimensions of specific niches of the hospitality sector. Simultaneously, they believe that the COVID-19 pandemic predetermined the emergence of new important aspects of service quality, including safety and security and physical distance, which now should be necessarily embedded in any services.

The SERVQUAL model is currently among the most well-known frameworks of service quality. It seems justified to describe it in detail because in addition to the fact that it is currently the most popular tool for measuring service quality in the hospitality industry, its dimensions encompass domains of many other frameworks that are used to analyze the quality of services (Hernon & Altman, 2010). The SERVQUAL model is a credible and widely applied tool that encompasses give dimensions: empathy, responsiveness, tangibility, assurance, and reliability (Prideaux, Moscxardo, and Laws, 2006). Empathy is the provision of individualized attention and caring to clients (Rodrigues, 2013). Its significance to a large extent depends on the customers’ perceptions of how employees, such as hotel guides or waiters, behave around them and whether they seem sincerely committed to the goal of providing customers with the highest possible quality of service based on their unique needs and preferences (Prideaux et al., 2006). Responsiveness refers to the staff’s willingness to provide prompt services and assist customers with their requests (Hernon & Altman, 2010). Whereas it might seem that responsiveness is similar with empathy, the domain of responsiveness is relatively narrow and focuses exclusively on the response of employees to customers’ concerns.

Assurance is another domain of the SERVQUAL framework that has a strong influence on the perceived quality of customer service. This dimension is closely linked to the professional skills, knowledge, and experience of employees and their ability to leverage these competencies and knowledge into perceived confidence and trust in interaction with customers (Rodrigues,
2013). The dimension of reliability is one of the most objective domains of service quality because it refers to the ability of an entity to provide services at the level that was expected by customers (Prideaux et al., 2006). Finally, tangibility represents the tangible aspects of service quality and refers to facilities, equipment, technology, and other similar constructs (Hernon & Altman, 2010). Even if behavior and competence of the staff comply with the highest possible standards, evident gaps in the area of tangibility might translate into low customer satisfaction rates owing to low perceived quality of customer service.

**Customer Loyalty in the Hospitality Industry**

The phenomenon of customer loyalty is one of the most important constructs in marketing research. The literature describes it as “a deeply held commitment to rebuy or patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior” (Kandampully, Zhang, & Bilgihan, 2014, p. 381). Therefore, customer loyalty could be regarded from a certain perspective as a peculiar measure of customers’ resilience in terms of their relation to a specific brand. In most situations, customer loyalty is conceptualized in academic research through the lenses of two indicators: the likelihood of positive WOM recommendations and repurchase intention (Nguyen, Nguyen, & Tan, 2020). WOM recommendations, which are known as one of the most effective marketing channels, are directly connected with the intention of customers to share the stories of their positive consumer experiences with friends, relatives, and acquaintances, thus encouraging these people to try products and services of the brand (Prideaux et al., 2006). Repurchase intention, in turn, is the willingness of a customer to buy products or services from the same company in the future (Nguyen et al., 2020). Both these constructs are critical for organizations operating in most industries.
The phenomenon of customer loyalty is complex and encompasses a variety of layers. Kandampully, Keating, Kim, Mattila, and Solnet (2014) argue that customer loyalty could be used as an instrumental tool for determining such layers of customer loyalty as customer acquisition, customer development, customer bonding, customer commitment, customer support, brand advocacy, and emotional loyalty. Following the initial experience of convenient and fulfillment, consumers recognize the perceived value of particular products and companies that provide them and consider possible switching costs; finally, perceived high quality of products and services leads to satisfaction, which, in turn, translates into attachment, trust, and affective commitment (Kandampully et al., 2014). The resilience of customers increases as they move higher along these layers. In particular, quality of products and services as well as customer satisfaction play an important role in the dimensions of customer commitment and support, but consumers who have reached the level of emotional loyalty are driven by affective commitment rather than rational considerations concerning product features (Kandampully et al., 2014). Brands should use different strategies to target these divergent consumer groups.

The academic literature offers a substantial number of insights into the phenomenon of customer loyalty in the hospitality industry. The research by Liat and Chiau (2015) found that corporate image, customer satisfaction, perceived value, and service quality are the four most important drivers of high customer loyalty in the hotel industry. De Leaniz and Rodriguez-del-Bosque (2014) revealed that corporate social responsibility affects customer trust, identification with the company, and commitment, which, in turn, all have a direct impact on customer loyalty of hotel guests. Rizan, Febrilia, Wibowo, and Pratiwi (2020) discovered that customer satisfaction, service quality, and perceived value influence customer loyalty in the sector under investigation. Results of all the three studies reviewed above are similar, indicating that service quality and customer satisfaction as well as consumers’ opinions on a particular organization in terms of its image, perceived value of products, or some other constructs strongly affect customer loyalty.
Image is an essential characteristic of a hospitality firm that has an impact on customer loyalty. The research by Nikou, Selamat, Tusoff, and Khiabani (2017) found that hotel image is a critical factor in the hotel sector. Their case study focusing on four-star hotels in Kuala Lumpur shows that the image of a hotel positively affects both customer loyalty and customer satisfaction; furthermore, it also mediates a relationship between customer satisfaction and customer loyalty. Lai (2019) discovered that hotel image is likely to have a positive impact on customer reputation; in turn, the reputation of a hotel in Macau usually correlates with visitor loyalty rates. It is important to emphasize that image is a variable that does not depend on the interaction of an organization with a particular customer and is a combination of various factors, such as the history of previous firm-consumer interactions, WOM recommendations, online reviews, and many other issues.

Customer satisfaction, which is also a widely known antecedent of customer loyalty in the hospitality industry, is, in contrast, a result of customer experiences. Customer satisfaction refers to a plethora of subjective and objective parameters that are relevant from the perspective of customer experience (Prideaux et al., 2006). There is a consensus among scholars that this variable strongly depends on the constructs of perceived value, perceived service quality, and perceived quality (Guillen & Rubio, 2019). The perceived quality of a product or a service is a result of a comparison between the customers’ expectations and the final quality of a product. It is important to point out that even if a particular company operating in the hospitality industry provides services rather than tangible products, one should distinguish between the quality of a service for which the customer paid and service quality that pertains to various aspects of firm-consumer interactions, such as assurance, reliability, tangibility, responsiveness, and empathy (Guillen & Rubio, 2019). Finally, perceived value is a highly subjective variable that refers to consumers’ opinions on whether a particular product or service is worth the money that was used to purchase it.
Impact of Service Quality on Customer Loyalty in the Hospitality Industry

The fact that service quality strongly affects customer loyalty is a truism in the academic literature. Simultaneously, it should be noted that a relationship between these variables is not direct, as it is mediated by a plethora of different constructs. Customer trust, hotel image, commitment, customer engagement, customer satisfaction, and many other issues could be considered as intermediary variables in this case; furthermore, customer satisfaction might moderate the impact of various constructs, including service quality, on brand loyalty (Saleem and Raja, 2014; Rather and Sharma, 2017; Aksar et al., 2019; Ofosu-Boateng and Acquaye, 2020). Whereas many opinions exist on the ways in which the variables are interrelated, there is no premise to doubt that an increase in the perceived quality of customer service is highly likely to result in an increase in customer loyalty.

Many studies specifically focusing on the hospitality industry confirmed the existence of a positive relationship between the variables. The research by Rather and Sharma (2017) revealed that customer satisfaction, which to a large extent depends on the perceived quality of services, might boost both customer commitment and loyalty in the hotel industry. The authors recommend hotels to develop a long-lasting relationship with visitors by ensuring their satisfaction with services each time they arrive and utilize a plethora of loyalty programs and additional services to develop their commitment, which, in turn, might eventually translate into brand loyalty. In the study conducted by Aksar, Kayani, and Ali (2019), both food quality and service quality turned out to be relevant antecedents of customer satisfaction, which mediated their impact on customer loyalty in the hotel industry of Pakistan. Ofosu-Boateng and Acquaye (2020) determined that both customer satisfaction and service quality had a critical impact on customer loyalty in the Ghanaian hospitality industry. In accordance with these scholars, service quality must be consistently high to induce a desirable effect on customer loyalty. The research by Saleem and Raja (2014) took an unusual approach to examine the significance of customer loyalty in the
hospitality industry by examining brand image as a dependent rather than independent variable. Their proposed framework suggests that service quality affects customer satisfaction, customer loyalty, and brand image, customer loyalty boosts brand image, and both service quality and customer satisfaction positively affect brand image via the moderating variable of customer loyalty (Saleem and Raja, 2014). A high quality of customer service, therefore, is a critical construct that affects customer loyalty both directly and indirectly.

Compelling evidence of the positive impact of service quality on customer loyalty could be also found in many other studies focusing on the hospitality sector. Nadeem and Nasir (2017), who examined a relationship between these variables within the context of the hospitality industry of Pakistan, found that all the constituents of the SERVQUAL framework are relevant for managing customer loyalty in this sector. Arias-Bolzmann et al. (2018) agree that service quality is a critical factor in the tourist industry that has a certain impact on loyalty, but they also note that price-value issues are significantly more important than service quality from the perspective of visitor retention. In a recent study, Anabila et al. (2021) found that service quality could enhance customer loyalty of Ghanaian hotels’ guests via such constructs as customer satisfaction and customer delight. It could be inferred from the context of the study that the researchers utilize the term “customer delight” to denote the highest possible level of customer satisfaction; therefore, this research could be considered as another study proving that customer loyalty is mediated by the variable of customer satisfaction.

**Impact of the COVID-19 Pandemic on the Hospitality Industry**

The pandemic reduced revenues and profits of many businesses, making other businesses close their operations. In the United Kingdom, consumer spending on eating places and restaurants fell to only around 2% of the pre-pandemic levels in April 2020, whereas drinking
places recovered only around 60% of their revenues by the end of May 2021 (UK Office for National Statistics, 2021). In April 2020, the number of tourist arrivals in Hawaii was 99.5% lower than in April 2019, which could be considered a catastrophic situation for the state that generates 21% of its revenues from tourism (Coleman, 2020). Hotels in the United States lost approximately $46 billion in room revenue in 2020, and many of them suffered such significant financial losses that triggered bankruptcy (AHLA, 2020). Such critical challenges forced hospitality businesses either to cease their operations or to adopt new strategies to the new business environment.

The most evident aspect of the pandemic’s impact on the sector is connected with the introduction of new measures to comply with safety standards. Making mandatory mask orders for employees and customers, sanitizing all the facilities and items on a regular basis, limiting the number of customers, and reducing the number of physical encounters with customers are those changes that have been widely embraced by the majority of companies (Gursoy & Chi, 2020). At the same time, the exact impact of the COVID-19 pandemic on hospitality firms differs across various countries. Shapoval et al. (2021) applied Hofstede’s cultural dimensions tool to determine whether cultural dimensions of Sweden, the United States, and Israel mattered in analyzing the state of their hospitality sectors during the pandemic and came to a conclusion that national cultures had played a major role in driving the operations and recovery of hospitality firms in 2020 and 2021. In particular, U.S. hospitality firms managed to leverage the nation’s ambitious and achievement-oriented culture into finding creative niches and instruments allowing the industry to survive through the crisis, while many Swedish tourist companies displayed low flexibility in responding to the pandemic.

The available evidence provides a premise to believe that many firms operating in the sector have undergone significant transformations to remain competitive. One of the most evident aspects of these changes is digitization and technological development. The need to maintain
physical distance with customers and minimize the number of physical encounters led to the embracement of virtual reality and AI tools, implementation of hotel management systems, and integration of other technologies that might increase operational efficiency, raise customer satisfaction, and enrich customer experiences (Demir, Dalgic, & Ergen, 2021). Whereas many of these technologies were already present in the sector before the pandemic, their utilization is now widely considered not just as a source of competitive advantages for businesses but also as an instrument of survival in a highly competitive environment with low demand.

An emphasis on domestic travel is another critical trend related to the pandemic. The introduction of strict travel restrictions prevented many tourists from visiting foreign countries, making even those hospitality firms that usually focused on foreign visitors consider attracting local clientele. Even though the lifting of travel restrictions is expected to lead to the recovery of international tourist arrivals in the near future, it seems justified to presume that a strong emphasis on local customers will remain a constituent of business strategies of many hospitality firms (Demir et al., 2021). Another feature of the sector that might remain topical even after the pandemic’s end is the importance of additional features and services. During the pandemic, new amenities, such as small kitchens, served as important instruments for adjusting the hotel staying experience of visitors to the COVID-19 reality (Krishnan, Mann, Seitzman, & Wittkamp, 2020). Many of these amenities might be enthusiastically perceived by customers even after the lifting of all the quarantine restrictions.

Considering that the hospitality industry is one of those sectors that have been critically affected by the COVID-19 pandemic, it seems natural to assume that all the aspects of customer experiences have been affected by the crisis. In particular, the available evidence provides a compelling reason to believe that the construct of customer loyalty in the industry has not been immune to the pandemic’s effects. It could be inferred from the study by Gursoy and Chi (2020) that the fall in demand and critical barriers to the sector dramatically increased the significance of
customer loyalty for most firms. The researchers emphasize that hospitality businesses have taken radical measures in their operations in order “to enhance customers’ willingness to patronize their business” (p. 528). The growing importance of customization might be one of those factors that are also directly connected with the trend described above (Krishnan et al., 2020). An attempt to tailor customer experience to the unique needs and preferences of a particular client could be explained by the desire to ensure the highest possible level of his or her customer satisfaction and, as a result, increase the likelihood of a positive WOM recommendation or a repurchase (Demir et al., 2021). Such a strategy might be especially promising considering that many hospitality businesses shifted to local clients during the pandemic, who are more likely than foreign customers to become return clients of a hospitality business.

It currently remains unclear whether the pandemic has made a substantial impact on a relationship between service quality and customer loyalty. Results of some recent studies show that a link between these variables has hardly changed (Anabila et al., 2021; Guan et al., 2021). At the same time, one might also assume that the fact that the notion of service quality incorporated additional domains of safety could have altered its impact on customer loyalty. Similarly, changes in customer loyalty discussed above could have also affected its dependence on service quality and other independent variables. There is currently no consistent framework that would explain all the aspects of the influence of service quality on customer loyalty.

CHAPTER 3

RESEARCH METHODOLOGY

Research Paradigm

The choice of an appropriate research philosophy is an important issue that has a dramatic impact on the final completion of a research project. Traditionally, scholars distinguish between research philosophies of pragmatism, interpretivism, realism, and positivism (Creswell
Positivism is known as a research paradigm that requires objectivity and does not tolerate any biases, something that is hard to achieve in a management study (Novikov & Novikov, 2013). Positivism is barely useful in those situations when researchers are trying to analyze the reasons behind certain phenomena and reflect on those issues that have not been confirmed yet by quantitative data. The current study seeks to examine an under researched problem, which is inevitably connected with certain bias risks; accordingly, positivism could not have been utilized in the research.

Similarly, interpretivism also could not have been used. Saunders et al. (2020) describe interpretivism as a research philosophy that heavily relies on subjective opinions and perceptions and is driven by an intention to integrate human interest in a study. Flexibility of interpretivism makes it an effective paradigm for exploring those issues that have not been approached in academic research before (Collins, 2010). However, it should be also pointed out that this philosophy is mainly used to delve into social constructions, whereas establishment of factual knowledge is hardly within its scope (Novikov & Novikov, 2013). Realism was more suitable for the study. As a philosophy stating that reality exists independently from the human mind and providing instrumental tools to eliminate biases from the data, critical realism is widely used in social sciences and business studies (Collins, 2010). Despite the potential benefits of realism, it was decided to utilize pragmatism in this research owing to the flexibility of this paradigm and its ability to consider the perspectives of various stakeholders and examine data collected from various sources (Novikov & Novikov, 2013). The use of pragmatism was expected to help maximize the amount of data collected in the study and help analyze information from various sources in a way that helps complete all the research objectives.

A descriptive research design was chosen for guiding data collection and data analysis processes in the study. An explanatory research design, which is often used to examine a relationship between variables, is primarily utilized in those studies when researchers specifically
focus on measuring a degree to which changes in independent variable or several independent variables trigger alteration of a dependent construct (Saunders et al., 2020). Such a goal could be achieved using various statistical tests, which was not within the scope of the research. At the same time, an exploratory study, in contrast, focuses on research areas with a high level of uncertainty and seeks to produce initial layers of knowledge about some phenomena or events that have not been critically examined in the past (Creswell & Creswell, 2018). A relationship between service quality and customer loyalty in the hospitality industry has been investigated in detail in the academic literature; accordingly, an exploratory design would be hardly helpful. A descriptive design is known as an effective framework for analyzing all the relevant aspects of particular research phenomena using primary or secondary data. In this situation, the choice of a descriptive design was natural.

Data Collection

The study uses a qualitative research methodology. A decision to choose a qualitative rather than quantitative methodology is based on the attempt to gain a deep understanding of the ways in which the pandemic affected a relationship between service quality and customer loyalty in the hospitality industry instead of quantifying these variables and applying some statistical tests to measure a relationship between them. The method of a systematic literature review was chosen for this research. Linnenluecke, Marrone, and Singh (2019) define it as a “review that adopts a replicable, scientific and transparent process, in other words a detailed technology, that aims to minimize bias through exhaustive literature searches of published and unpublished studies and by providing an audit trail of the reviewer’s decisions, procedures and conclusions” (p. 177). This method was utilized in the research to collect the maximum amount of data on the problem under investigation.
The systematic review was conducted in a logical, comprehensive and planned manner. A search strategy was devised with the assistance of a librarian, and it was bused in the preliminary search for the studies to be included in this review. A total of 3 databases were selected for the retrieval of appropriate and relevant peer-reviewed publications and original research. The preliminary literature search was performed in bibliographic databases; JSTOR, Scopos and Science direct for publication made in 2022. Search terms was developed using various themes, such as; “service quality and customer loyalty in the hospitality industry”, “customer service and customer loyalty in the hospitality industry”, “service quality and brand loyalty in the hospitality industry”. The search term for each theme was used to develop the search strategy for the systematic review. While developing the search strategy, Boolean term ‘AND’ was used to connect various theme together. Further, quotation mark “” was used to search for a phrase (2 or more words) and truncation * was used to include alternative ending of word in the search. Table 1 indicates the literature search strategy used while table 2 provides the inclusion and exclusion criteria used.

Table 1: Literature search strategy

<table>
<thead>
<tr>
<th>Themes</th>
<th>Search number</th>
<th>Search terms</th>
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<tbody>
<tr>
<td>Service quality and customer loyalty in the</td>
<td>S1</td>
<td>“service quality” AND</td>
</tr>
<tr>
<td>Hospitality industry</td>
<td></td>
<td>“customer loyalty” AND</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Hotel industry *” OR</td>
</tr>
</tbody>
</table>
Customer service and customer loyalty in the hospitality industry | S2 | “Customer service” AND “customer loyalty” AND (“hotel industry*” OR “Hospitality industry”)

Service quality and brand loyalty in the hospitality industry | S3 | “service quality” AND “Brand loyalty” AND “Hotel industry*” OR “Hospitality industry”

Final search | S4 | S1 AND S2 AND S3

**Table 2: Inclusion and exclusion criteria**

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<th>Criterion</th>
<th>Inclusion Criteria</th>
<th>Exclusion Criteria</th>
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<tbody>
<tr>
<td>Type of sources</td>
<td>Peer-reviewed articles from academic journals, Ph.D. and Bachelor’s and Master’s theses, all</td>
<td>Blogs, articles in online magazines,</td>
</tr>
</tbody>
</table>

18
Considering that high credibility of sources is a critical factor in ensuring success of a systematic literature review, the researcher chose to include exclusively peer-reviewed articles and Ph.D. and Doctoral dissertations in the scope of the study. A decision to consider sources that were published in 2022 was dictated by an intention to cover recent trends related to customer loyalty and service quality in the hospitality industry. Finally, there was no reason to believe that only sources with a certain research methodology could provide valuable insights into the impact of customer services on brand loyalty; thus, studies with all the research methods were deemed eligible.

The systematic literature review was carried out using a series of consequent steps. In the beginning, the researcher used the keywords specified above to retrieve all the potentially eligible sources from different databases. The next stage of the study entailed screening the sources’ titles and abstracts in order to exclude irrelevant studies from the scope of the review. Many sources turned out to focus on some other industries or discuss issues that were not in any way connected to service quality and customer loyalty. Accordingly, they were identified and excluded by the researcher. Considering that the study was carried out using several databases, it was necessary to remove duplicates. However, after a thorough examination of all the remaining sources, it turned out that all the duplicates had already been removed on the previous stages. The last phase of the review implied thoroughly screening full texts and conclusions of all the sources in order to make

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<th>Doctoral dissertations</th>
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<td>2022</td>
<td>2021 or earlier</td>
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<tr>
<td>Methodology</td>
<td>Qualitative, quantitative, mixed</td>
<td>-</td>
</tr>
<tr>
<td>Focus</td>
<td>Hospitality industry</td>
<td>Any other sector</td>
</tr>
</tbody>
</table>
sure that only credible sources that had relevant findings could be included in the final scope of the review. The author used personal judgment to detect those sources that did not meet the criteria of credibility. More than 30 sources were excluded during this phase because of various issues in their texts, such as inconsistent information about research methods or a poor research design.

**Data Analysis**

After applying all the procedures specified above, the author left 14 sources that fully met all the criteria. The texts of these 14 sources were thoroughly analyzed and processed with the help of thematic analysis. In the most general view, thematic analysis is a popular research method that allows creating specific codes based on textual data and then using these codes to construct themes and sub-themes (Guest, MacQueen, & Namey, 2012). Codes were assigned manually to all the phrases in the discussion and conclusion sections of sources that were relevant to the research objectives of this study. A decision to assign codes and create themes and sub-themes manually could be explained by the fact that the amount of textual data in this study was relatively low; accordingly, there was no need in using complex software like ATLAS.ti or MAXQDA. After applying thematic analysis, the author obtained 5 themes and 15 sub-themes. Whereas not all of them are critical from the perspective of the problem under investigation, all of them shed some light on the phenomena of service quality and customer loyalty in the hospitality industry. A full list of themes and sub-themes could be found in Table 2.

**Ethical Considerations**

The current research did not address any major ethical dilemmas that would deserve a detailed discussion in this section. Considering that the study used exclusively secondary data, the researcher did not interact with any respondents. Because of this reason, those requirements that are usually critical in a typical qualitative research approach, such as anonymity of respondents or
their informed consent (Saunders et al. 2020), were not relevant to this study. Simultaneously, it should be noted that the author complied with all the general requirements, such as objectivity of data analysis, integrity, and compliance with copyright law.

CHAPTER 4
RESULTS

Results of the study provide a significant number of insights into the problem under investigation. The table below includes all the themes and sub-themes identified in the research.

Table 3: Themes and Sub-Themes

<table>
<thead>
<tr>
<th>Themes</th>
<th>Sub-Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive impact of service quality on customer</td>
<td>Customer satisfaction, brand identification,</td>
</tr>
</tbody>
</table>
loyalty through an intermediary variable | perceived value
---|---
Impact of various service quality dimensions on customer loyalty | Tangibles, assurance, responsiveness, reliability, empathy
Covid-related trends | Digitization, contactless encounters, cleanliness
Creativity | Service innovation
Relative significance of other factors on customer loyalty besides service quality | Price fairness, value, corporate social responsibility

**Positive impact of service quality on customer loyalty through an intermediary variable**

Results of the systematic literature review illustrate that service quality still has a dramatic impact on customer loyalty. Direct evidence for the positive influence of various dimensions of service quality on customer loyalty in the hospitality industry could be found in the studies by Anvarovna (2022), Biswas and Verma (2022), and Kanyama et al. (2022). Even though there is no consistency between the studies’ findings, most of them point at the critical role of tangibility and empathy in driving customer loyalty. A conclusion concerning the significance of tangibles could be also retrieved from Al Muala, Alsheikh, and Alnasr (2022), Biswas and Verma (2022), Ahmed, Fan, and Billah (2022), and Radwan and Radwan (2022). For instance, Ahmed et al. (2022), who studied the phenomenon of service performances in the hotel industry of New Zealand, demonstrated that rooms, comfort, facilities, buildings, and food, which all could be regarded as tangibles under the SERVQUAL framework, used to be the key determinants of service quality in the country. On the other hand, a significant amount of attention was paid to emotional aspects of service quality (Al Muala, Alsheikh, & Alnasr, 2022;
Kanyama et al., 2022; Prentice, Dominique-Ferreira, Ferreira, & Wang, 2022; Sun, Sanad, Rehman, & Usman, 2022). For instance, the research by Prentice et al. (2022) revealed that personal encounters between hotel employees and hotel guests had been a much more important driver of customer loyalty among visitors of geriatric hotels in Portugal than impersonal encounters.

The study illustrates that the existence of a positive impact of service quality on customer loyalty in today’s hospitality industry is a truism in contemporary academic literature. Many studies included in the scope of this review discuss the constructs of service quality, customer satisfaction, and customer loyalty as three interrelated variables, pointing out that service quality often affects customer loyalty both directly and through the mediation of customer satisfaction (Al Muala et al., 2022; Biswas and Verma, 2022; Bradley and Wang, 2022; Ahmed et al., 2022a; Kanyama et al., 2022; Silas, Gadi and Bagobiri, 2022). Some studies, however, use other intermediary variables to explain how service quality influences customer loyalty. For instance, Silas et al. (2022) illustrates that the perceived quality of customer services has a critical impact both on brand loyalty and on brand identification in the Nigerian hospitality industry, arguing that service quality often influences customer loyalty through the mediation of customer brand identification.

**Impact of various service quality dimensions on customer loyalty**

Whereas all the studies included in the scope of the review state that service quality is a relevant variable from the perspective of customer loyalty in the hospitality sector, some of them note that such issues as perceived value, price fairness, and other issues are more significant in driving positive WOM recommendations and driving repurchase intentions (Ahmed et al., 2022; Radwan & Radwan, 2022; Sun et al., 2022). Some other studies, simultaneously, note that service innovation is becoming an increasingly important part of service quality and an increasingly
significant driver of customer loyalty (Lee, Liu, & Tseng, 2022; Tafida, 2022). This construct is hard to examine within the context of SERVQUAL, as it might touch on several dimensions at the same time.

**Covid-related trends**

Digitization is the last important theme that was discovered in this research. Many studies note that digitization is one of those recent trends that have already reshaped the hospitality industry and are expected to continue reshaping it even more in the near future (Ahmed, Fan, and Billah; Lee, Liu, and Tseng, Li and Huang, 2022; Sun et al., 2022). The research by Li and Huang (2022), for instance, provides valuable insights into the perceptions of contactless services during the pandemic. In accordance with these scholars, new requirements caused by the pandemic forced hotels to adopt contactless technologies. Customers with high levels of pandemic-related anxiety positively respond to this innovation, while visitors who are positioned as “sociable” report lower customer satisfaction rates after using the technology. The researchers conclude that contactless services might increase customer loyalty primarily among those hotel guests who have high levels of pandemic-related anxiety.

**CHAPTER 5**

**DISCUSSION**

Results of the study illustrate that a relationship between service quality and customer loyalty remains a truism in the academic literature. Both those sources that discuss pre-pandemic trends and those that specifically focused on patterns that only appeared during the COVID-19 crisis report that an increase in the level of perceived service quality is highly likely to trigger a significant increase in customer loyalty. Both pre-pandemic and post-pandemic sources show that customer satisfaction often serves as a variable that mediates a relationship between service quality and customer loyalty (Al Muala et al., 2022; Biswas & Verma et al., 2022; Bradley &
Wang, 2022; Ahmed et al., 2022a; Kanyama et al., 2022; Silas et al., 2022). Service quality affects customer loyalty both directly and indirectly. In addition to customer satisfaction, the role of a mediation variable could be also played by brand identification (Silas et al., 2022), image of a hospitality firm (Biswas et al., 2022), and brand trust (Sun et al., 2022). None of these findings could be considered novel because the critical role of these variables in boosting customer loyalty in the hospitality industry and mediating a relationship between service quality and brand loyalty was also documented in many other studies (De Leaniz & Rodriguez-del-Bosque, 2014; Kandampully et al., 2014; Liat & Chiau, 2015; Nikou et al., 2017; Arias-Bolzmann et al., 2018; Anabila et al., 2021; Rizan et al., 2022). The current research, therefore, is aligned with the previous knowledge of customer satisfaction, service quality, and customer loyalty in the hospitality industry.

The study shows that various dimensions of service quality positively affect customer loyalty. Interestingly, the variables of tangibility (Al Muala et al., 2022; Biswas et al., 2022; Radwan & Radwan, 2022) and empathy (Kanyama et al., 2022; Prentice et al., 2022) seem to be the most important from the perspective of the problem under investigation. It seems justified to state that the growing importance of empathy could be explained as a part of the “customization” trend in the hospitality industry that was discussed in the second chapter (Gursoy & Chi, 2020). The growing demand on services and products of hospitality businesses forced them to look for new instruments to generate revenues, trying to adapt to the unique requirements and needs of customers in an attempt to boost their brand loyalty (Coleman, 2020; Gursoy & Chi, 2020; Shapoval et al., 2021). Customization, therefore, apparently became a promising instrument for gaining a new competitive advantage for hospitality firms.

Additional services and safety measures seem to be two other issues that have become more important for influencing customer loyalty in the hospitality industry with the start of the pandemic. Before 2020, many hospitality businesses experimented with additional services and
amenities to stand out from the crowd, trying to increase various dimensions of service quality (Krishnan et al., 2020). Nowadays, however, these features might be even more important since they are aligned with the customization trend pointed above and changes in customers’ expectations. Apparently, the pandemic resulted in the new segmentation of the market based on customers’ attitudes towards pandemic-related restrictions (Kanyama et al., 2022). Accordingly, hospitality businesses could move in the direction of quickly returning to previous strategies to maintain positive customer experiences or, in contrast, maintain strict safety requirements to satisfy those clients who are reluctant to increase the number of physical encounters and be exposed to the risk of catching the Coronavirus.

One of the most important findings of this research pertains to the importance of technology in the hospitality sector. While technology used to be a part of tangibles before the pandemic and an additional instrument of supplementing customer experiences (Krishnan et al., 2020), its significance has substantially increased recently. Nowadays, both hospitality businesses and their clients are embracing various facets of digitization both to minimize health risks and to improve customer experiences (Ahmed et al., 2022b; Lee et al., 2022; Li & Huang, 2022; Sun et al., 2022). The expansion of service innovation, which is a pertinent expectation of many hotel guests, also encompasses important aspects of technology (Lee et al., 2022; Tafida, 2022). Thus, further integration of technology into the hospitality sector to enrich customer experience seems to be a promising strategy for improving customer loyalty.
CHAPTER 6

CONCLUSION

The study was dedicated to a critical analysis of the impact of service quality on customer loyalty during the COVID-19 pandemic. It was found that the conceptualization of service quality in the hospitality industry is similar with the way in which the variable is conceptualized in other sectors. The SERVQUAL framework is the most popular framework for identifying specific dimensions of service quality in the industry. Whereas all the domains have a certain influence on customer loyalty, it was found that tangibles and service quality are the most important ones among them. Such a conclusion could be partially explained by effects of the pandemic. In particular, it seems justified to presume that many customers seek emotional experiences and empathy as a way of distancing themselves from social isolation.
The research discovered that service quality has a critical influence both on customer satisfaction and customer loyalty. Both pre-pandemic and post-pandemic sources indicate that service quality directly influences customer satisfaction and affects customer loyalty through the mediation of customer satisfaction. In addition to customer satisfaction, other mediation variables found in this study include identification with the brand, trust, and perceived value. The study did not find any significant differences between the ways in which service quality, customer satisfaction, and customer loyalty interacted with each other.

The research revealed that the COVID-19 pandemic has made a dramatic impact on the hospitality industry. First, the pandemic led to the segmentation of customers based on their attitudes to pandemic-related restrictions and response strategies. Second, it changed the nature of company-customer interactions in many fields by encouraging the development of contactless interactions and stimulating the integration of new technologies that reduce human interaction. Digitization is now one of the prevailing trends in the sector. Third, the pandemic dramatically increased the importance of customization, as many hospitality businesses are trying to adjust their offer to consumers in an attempt to maximize clients’ likelihood of repurchase intentions and WOM recommendations. The importance of customer loyalty, in this situation, dramatically increased for many companies, especially considering that some of them partially shifted to domestic customers instead of foreign clients. Fourth, some customers are highly interested in additional services, new amenities, service innovations, and other novel features that could enrich their experience. Fifth, despite the fact that service quality significantly influences customer loyalty, many other antecedents of this construct, such as price fairness, were found to be crucial as well. Finally, the study revealed that many customers are interested in having emotional experience when purchasing products or services from hospitality firms, which predetermines the critical importance of empathy in customer services.
The findings of this study show that even though hospitality businesses might still benefit from using their old strategies, they should take advantage of opportunities brought about by the pandemic and utilize new sources of competitive advantages that have been proving their usefulness in the hospitality sector since 2020. In particular, they might carry out a segmentation of the target audience based on the consumers’ willingness or unwillingness to comply with strict sanitary and safety restrictions and adjust their product offers respectively. They are also recommended to expand digitization in customer service, carry out a detailed analysis of the market to customize products and services to the unique needs and preferences of particular consumers, and maintain the highest possible level of service quality across all the five dimensions. At the same time, it seems that the dimension of empathy has turned into the most important driver of customer loyalty; therefore, managers of hospitality firms should put an emphasis on improving empathy of the staff, while also making sure that tangibles, which also were found to be a relevant pillar of customer loyalty, fully meet clients’ needs.

**Limitations and Recommendations for Further Research**

The study has several limitations. First, the scope of the systematic literature review includes articles that focused on timelines before, during, and after the COVID-19 pandemic. Therefore, some of them considered patterns during different periods, which made it hard to compare their conclusions with each other. Second, articles examined in the research employed fundamentally different conceptualizations of customer service. While some of them used the SERVQUAL framework, others discussed only specific aspects of customer service, such as emotional aspects or perceived service innovation. Third, the pandemic has not ended by the beginning of 2022; therefore, it is possible that some long-term implications of the COVID-19 crisis for the hospitality industry have not manifested themselves yet.
Several recommendations for further research could be formulated based on the findings of the study. First, scientists are recommended to revisit the problem under investigation in a year in order to address the third limitation of the study and determine whether there are any long-term effects of the pandemic that had been missed in this study. Second, scholars could consider focusing on some specific indicators of customer loyalty, such as the likelihood of WOM recommendations, to ensure consistency in terms of reporting data on the impact of service quality on customer loyalty. Finally, it might also be a promising idea to conduct primary research that would focus on the specific facets of a relationship between service quality and customer loyalty based on the case study of some particular hotel or other hospitality business. A focus on a specific case study could help investigate specific patterns pertaining to a relationship between the variables.
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