Factors Affecting Consumer Retention of Hotel Web Sites

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Abstract: - With the increasing number of online users world-wide firms are compelled to take advantage of the Internet technology. Its interactivity, ubiquity and accessibility qualify it as one of the most cost effective marketing tools today. As hospitality and tourism web sites are among the most popular online services in the world, hotel service providers have begun to utilize the Internet channel in promoting their services. However, with vast number of hotels' web sites customers can choose from the challenge lies in: do the hotels' web sites have features that would attract consumers to return? Thus, this research aimed to identify the factors that can influence consumer retention behaviour in hotel service industry. The primary data for this research were collected through a questionnaire survey. Results from a factor analysis reported 14 factors perceived as critical elements affording consumers repeat visits and intention to purchase. The limitations of the study and future directions of research are discussed.

Key-Words: - Customer Relationship Management, hotels, web sites, retention, Internet marketing.

1 Introduction

The emergence of Internet as a marketing channel has immensely changed the way firms compete. Today, the market reach has broadened globally and with a technology as affordable as the Internet firms may enjoy better profitability much quickly than before. Nevertheless, the promise of fast growth and wider market reach however, could be achieved if the firm able to differentiate itself vis-à-vis its competitors at the global marketplace. Meanwhile, the Internet has allowed for greater bargaining power of the customers in any business environment including the hospitality and tourism industry. For example, with least effort and cost, travellers from around the world can search, compare and pre-purchase hotel services without leaving their bedrooms. Wider selection of hotels and price comparisons posed greater pressure on the hotel service providers and the need to rethink ways to be more competitive is crucial.

One of the ways to gain a competitive edge in the Internet channel is by offering value-adding services, as and how the consumers want them. Understanding consumers' preferences of web site features that attract them to visit and factors that induce retention is critical to enable appropriate design of the marketing campaign and responses [1].

In a service sector, where efficient coordination is found, information and communication are critical, the low-cost-highly- efficient Internet technology allows value adding and even personalized services to be delivered. Primarily, competition in the hospitality and tourism industry is centred on delivering consumer value through quality services to domestic and international travellers. Apparently, in the Western countries like the Unites States of America, the trends have changed in which online consumers prefer to go directly to the web sites of the hotel service providers rather than to agencies' websites [2]. This scenario calls for serious attention from the management of hotel industry to identify the web site features that influence consumers' retention. Hence, a study to understand these relationships merits further investigation.

This research attempted to identify the web site features and services of hotels Web sites and to investigate the relationships between these salient features and customers' retention. Previous studies by Winer (2000) [3], Feinberg and Kadam (2002) [4] and Ab Hamid and McGrath (2005) [5] on E-

CRM dimensions provided the foundation for this study and were adapted to meet the research objectives.

2 Hospitality and Tourism Industry in Malaysia

2.1 Hotel sector in the hospitality and tourism industry

In Malaysia, the hospitality and tourism activities include Meeting, Incentive, Convention and Exhibition (MICE) centers, museums, recreational activities (zoos, theme parks, national parks and other recreational activities such as waterfalls, caves and cable cars) and selected sports centre activities [6]. The hotel sector is one of largest service providers in the industry.

It was reported that domestic tourism had increased 54.6 per cent from 74.7 million visitors in year 2009 to 115.5 million visitors in year 2010. The total expenditure by the domestic tourists also shown an increase from MYR 25.9 billion in year 2009 to MYR 34.7 billion in year 2010 [7]. International tourists arrival was reported at 24.6 million who have visited Malaysia which contributed MYR 56.5 billions of national income in year 2010 as compared to 23.6 million of tourists arrivals which contributed MYR 53.4 billions of receipt in year 2009 [8].

2.2 Consumer retention and Customer Relationship Management (CRM) of hotels web sites

Past studies posited that retention refers to an attitudinal response toward a product brand or service [9][10], that is, consumers have the desire to continue patronizing a site when they are satisfied with their service encounters. These feelings of commitment will lead to actual repurchase behaviour. In a technology-mediated relationship such as online purchasing, consumer retention is said to be a more important consideration than price [11]. Developing relationships with repeat consumers are more profitable since they often will bring in substantial revenues, demand less time and attention, are less sensitive to price and may spread positive messages via word-of-mouth [12]. Indeed, these points sharply etch the need for hotel service providers to better understand the factors that are more likely to increase consumer retention and result in more efficient and effective marketing strategies affording long term consumer relationships, that is also known as CRM [13].

3 Research Method

3.1 Research Model

Winer (2001) researched the dimensions of online Customer Relationship Management (CRM) leading to consumers' retention and purported five dimensions namely: customer loyalty programmes, online community, customer service quality, rewards and customization level. Later, Feinberg and Kadam (2002) surveyed the opinions and preferences of European Internet users on the web site features which afford consumers attention and return visits. The study reported 44 features, which were then adapted and expanded in a study by Ab Hamid and McGrath (2005). Ab Hamid and McGrath (2005) examined 55 web site features and proposed an Electronic CRM (E-CRM) model comprising of 12 salient dimensions, they are: information quality, ease of navigation, consumer service quality, fulfilment, integrated marketing channels, online community, rewards, personalization level, site security, value-added services, perceived trust and price attractiveness.

Extended from the previous researches, this study introduced several factors such as the use of social media, multimedia presentation and reservation and tracking (a factor which is deemed relevant to the hotel sector). Besides, McKay (2010) suggested that hotels should utilize the social media in order to obtain feedback and to rectify service problems, and tap into events that will not only delight customers but make them loyal.

Hence, we offer the following hypothesis:

H: Salient factors of hotels web sites: information quality, ease of navigation, consumer service quality, fulfilment, integrated marketing channels, online community, rewards, security, payment options, use of social media, multimedia presentation, reservation and tracking, lower rates and service quality have significant relationships with customer retention.

The research model is shown in Figure 1, where the salient factors of hotels web sites are the *Independent Variables* while customer retention is the *Dependent Variable*.

Fig. 1: Research Model
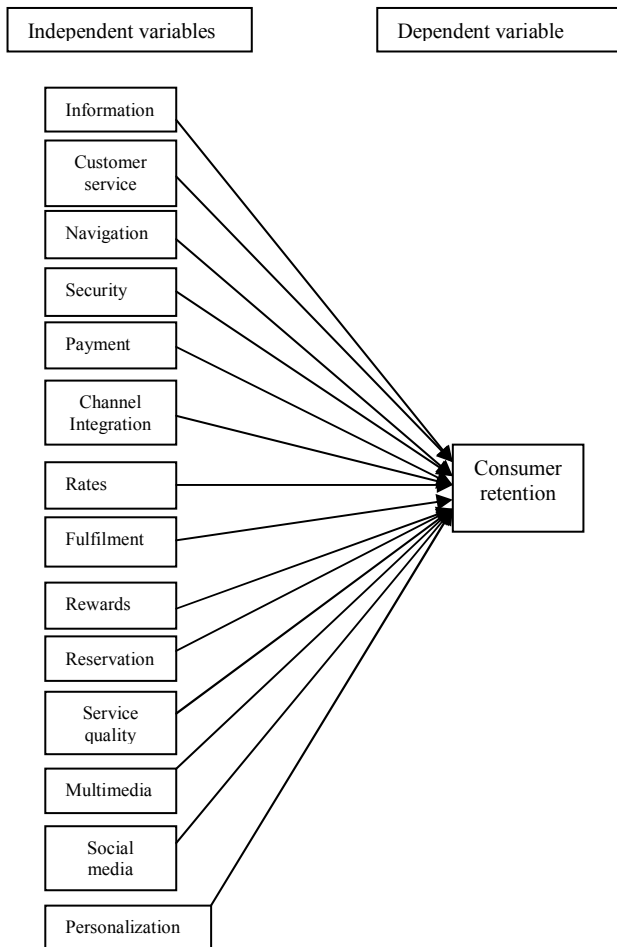
3.1 Survey Instrument

We designed the questionnaire used in this study based on the research objectives discussed. The questionnaire consisted of two parts namely Section A and B. The first part, Section A, consisted of consumers opinion about the features they perceive as important on hotels web sites which will induce repeated visits or purchases. A sub-section included nine questions on respondent responses to retention behaviour. Questions like "I will recommend the web site to my friends"; and "I trust the web site".

Section B contained demographic information such as respondent age group and income level. These questions included respondents access location, number of years using the Internet, types of Internet activities and time spent in a week on the Internet. A 5-point labelled Likert type scale was used with anchor from 1= "Most important" to 5= "Not important at all".

3.2 Sampling and data collection

The sample for this study came from Internet users who have experience in surfing hotels web sites. Using a judgment sampling each respondent was cordially invited by the researchers to participate in the survey - the participation by the respondents was voluntary. Upon obtaining respondent's consent, he/she was asked to personally complete the questionnaire.

Self-administered questionnaires were distributed to 150 respondents from March to April 2011. These respondents were drawn from various corporate, government and educational institutions in Klang Valley, metropolitan area in Malaysia. Secondary data for this study were sourced mainly from newspapers, journals, publications, magazines, and books accessed via the Internet.

3.3 Data analysis

Descriptive analysis was used to report the profile of research respondents while exploratory factor analysis was conducted to identify the salient factors preferred by the online consumers. Multiple regression was applied to examine the relationships between the salient factors and customer retention.

4 Results

4.1 Respondent Profile

Out of the 167 participants responded to the questionnaire, only 134 questionnaires (80%) were found usable for analysis.

The respondents of this study were almost evenly split by gender (57 per cent male and 43 per cent female). Most of the respondents were 21 to 30 years of age (77 per cent), followed by the age groups of below 20 years and 31 to 40 at 10 per cent and 7 per cent, respectively. These three groups contributed approximately 87 per cent of the overall total in terms of age. 70 per cent of the respondents had spent at least 15 years in education and held a bachelor's degree. Most of the respondents were working adults (86 per cent) and earned between MYR 24 000 - 48 000 per annum (69 per cent).The statistical programme namely IBM SPSS Statistics 19.0 was used for the data analysis. The descriptive statistics are summarized in Table 1.

Table 1: Summary of respondent profile (sample size = 134)

Respondents Characteristics	Sub-Profile	Percentage
Gender	Male	56.7
	Female	43.3
Age	Below 20	10.4
	21-30	76.9
	31-40	6.7
	41-50	5.2
	Above 50	0.7
Education level	O Level/Diploma	23

	Bachelor's degree	70
	Master's degree	6
	Doctorate	1
Position / Current Status	Student	12
	Non Executive	2
	Executive	84
	Pensioner	2
Monthly income	less than MYR 2 000	14.3
	MYR 2001 - 4000	69.2
	MYR 4001 - 6000	7.5
	MYR 6001 and above	9.0
Nationality	Malaysian	48.5
	Non-Malaysian	51.5

4.2 Factor Analysis – Salient factors of hotels web sites

A principal component analysis (PCA) was performed on the data set to reduce a large number of observed variables into a smaller number of factors measuring different constructs. 69 items were used to operationalize the independent variables. Four factors with loadings less than 0.5 were discarded. Based on the Eigenvalue of more than 1.0, a Varimax rotation yielded 14 salient factors that are perceived as important in attracting online consumers to visit. These factors are: ease of navigation; information quality; customer service efficiency; payment options; personalization level; rewards; channel integration; use of social media; security and privacy policy; multimedia features; reservation and tracking; lower rates; fulfilment of service and quality services.

The Cronbach's Alpha coefficients of the scales used for variables under study were acceptable (>0.6) which indicated that they have met reasonable standards of internal consistency and reliability [14]. Table 2 shows the 14 salient factors and the alpha value of each factor.

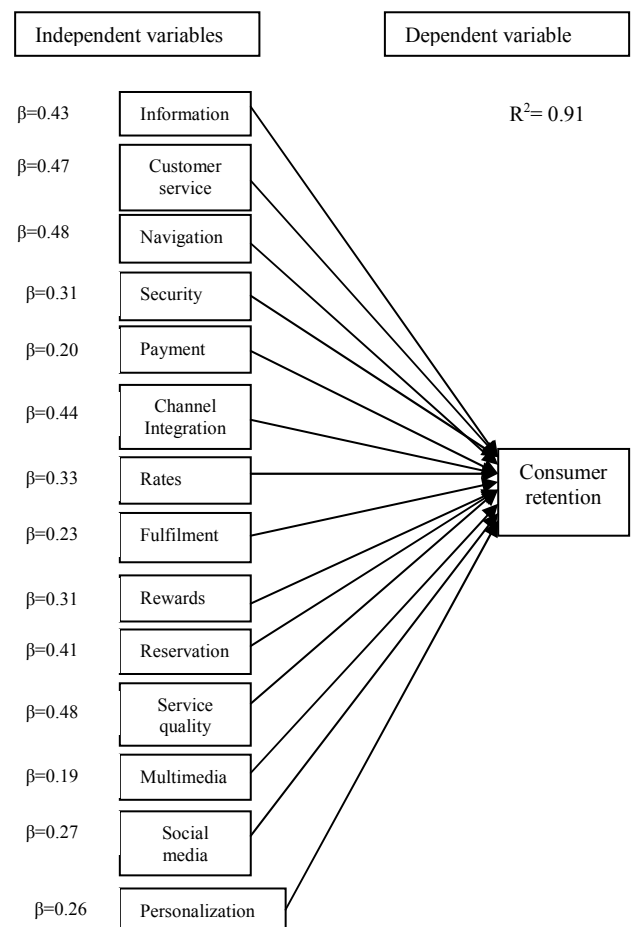Table 2: Salient factors of hotels web sites and the Cronbach's Alpha values

Factors/Dimensions	Cronbach's Alpha Value
Information quality	0.64
Quality services	0.68
Ease of navigation	0.79
Consumer service efficiency	0.72
Payment options	0.64
Security and privacy policy	0.62
Multimedia features	0.69
Personalization level	0.66
Rewards	0.86
Channel integration	0.65
Reservation and tracking	0.79
Use of social media	0.87
Lower rates	0.77
Fulfilment of service	0.85
Retention	0.82

4.3 Relationships between salient factors of hotel web sites and consumer retention.

We run the Pearson correlation to ascertain the relationships between the independent variables and found that relationships between all variables existed and were acceptable.

Next, to meet the study objective, we applied multiple regression analysis on the data set. The results indicated the model fitted the data well and provided support to the research hypothesis. It is evident from the R-square value of 0.91 which implies that customer retention is 91% explained by the 14 salient factors. In other words, changes in the salient factors (independent variables) will significantly influence customer retention (dependent variable). Further, the beta coefficients (values far from zero) of all independent variables were reported as significant at $p=0.000$. Figure 2 illustrates the findings of the research model.

Fig.2: Summary of Results - Research Model

5 Discussion and Conclusion

This study revealed that there are 14 salient factors which affect consumer retention of hotels web sites. Among the factors that hotel service providers should be concerned about is the *use of social media*. Apparently, social media is gaining popularity and the trends are showing more literate and younger consumers have begun to respond to marketing tools namely, Blogs and Facebook as two of the important factors leading to intention to re-visit. The power of word-of-mouth created by Facebook, for example, provides a cost effective means to reach out to the like-minded group of potential customers. In addition, *multimedia tools* such as virtual room tour, brief video presentation and background music can be useful to impress upon potential travellers and provide better description of the hotel environment. *Reservation and tracking* feature is another factor that may attract consumers to return and increase the likelihood to purchase since it provides convenience to consumers i.e. by a few clicks consumers are able to view, select and pre-purchase the service. Hotel service providers should be well advised that other factors such as customer service responsiveness and reliability, security assurance, fulfilment of promises, rewards and so on are equally important in ensuring consumers delightful experience surfing the web sites leading to intention to return.

This study is subjected to several limitations. Firstly, due to time constraint, the data collected focused mainly in a metropolitan setting in Malaysia. Further studies should be carried out to gauge web surfers' behavior and preferences from various parts of Malaysia i.e. from urban and rural areas as well as in larger sample size.

Secondly, our study assessed consumers' opinion on browsing the hotels web sites in general. Further studies should be carried out to ascertain the salient factors affecting consumer retention in other service sectors such as the banking, health and education sectors. The level of perceived risk may differ from one industry to another; for example, online banking activities may be perceived as involving higher risks as opposed to online reservation for hotel rooms, consumers' perception of salient factors and retention behavior may as well produce different findings. Therefore, studies to understand the behavior in other service sectors are worthwhile.

6 Acknowledgement

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