

Customer Engagement as Determinant of Loyalty in the Nigerian Hospitality Domain

MUHAMMAD SANI GAWUNA

Department of Economics and Management Science
Nigeria Police Academy Wudil, Kano- Nigeria
School of Business Management, University Utara, Malaysia

MARIA ABDUL RAHMAN

School of Business Management, University Utara Malaysia

NORMALISA M. D. ISA

School of Business Management, University Utara Malaysia

Abstract

The environment in which hospitality businesses is operating is highly competitive due to availability of options coupled with the sophistication of customers. And the country is experiencing mass expansion of hotels. The similarities of the services provided by most hotels in Nigeria, coupled with the fall of demand due to some economic challenges forced hoteliers to device various means for survival. The strategies adopted by most hotels in the country are normally facility – based. And customer loyalty has been proven as the most efficient means of triggering loyalty by scholars specifically in the service and hospitality domain. And several constructs have been validated as factors triggering loyalty in various industries and contexts. But due to the stiffness of competition prevailing in today's complex and dynamic environment, coupled with sophistication of buyers who have wide varieties of option to choose from. Scholars are of the belief that the well - known higher order marketing constructs such as service quality, image and customer satisfaction need to be mixed with some emerging constructs such as customer engagement capable of eliciting customer loyalty. And consideration of the constructs is receiving enough attentions in some developed countries. The study is thus aimed at investigating the effect of customer engagement as a predictor of loyalty in the Nigerian hospitality

context. After an extensive review of past literature, it has been discovered that customer engagement significantly enhances organisational sales, profitability, satisfaction and by extension loyalty. Since, it is yet to be seen whether or not similar results could be obtained in the Nigerian hospitality context, it is thus recommended that empirical studies needs to be conducted in future.

Keywords: Customer engagement CE, Customer loyalty, Hospitality Nigeria

INTRODUCTION / BACKGROUND OF THE STUDY

It is well acknowledged fact that tourism and hospitality industry is impacting positively to the global economic development. In agreement with this, Richard, (2017) reaffirmed that, tourism sector is among the few fastest growing that drives the global economy. Specifically, it contributed about one – third of global service transaction, one – tenth of the global GDP, as well as one – tenth of the entire work force (Richard 2017). Being the backbone of tourism industry (Ghaith et al. 2016), as vital portion that offers tourists and other guests the befitting accommodation in their chosen destination (Manzuma-ndaaba and Harada 2014). The hotel sector is contributing immensely to the upliftment of global economy, accounting for an excess of 80% of the global tourism earnings (Peace and Onuoha 2017). In fact the sector's contribution towards enhancing global economic earning as at 2014 has reached US\$7.6 trillion (WTTC, 2016). In fact, that is why sector viewed the most vibrant sector in the tourism and hospitality domain (Talabi, 2015).

The contribution of the hotel sector towards Nigeria's economic development has also being positive. For instance, according to Muazu, Rashid, and Zainool, (2017), the hotel sector has contributed about 2% to the growth of the Nigerian GDP with the monetary value of N 1,632.8 billion in 2015. In

addition, 651, 000 jobs were created from the sector amounting to about 2% employment contribution to the country (UNWTO, 2015).

Presently, there is high expansion of hotels room in Nigeria indicating that numbers of rooms existing are in excess of guests desiring to rent them. Most hotels in Nigeria are competing over superiority of their facilities, as most of their offerings are undifferentiated (Peace and Onuoha 2017). Similarly, the current economic challenges the country is facing led to the low patronage experienced by most Nigerian hotels which subsequently resulted in the drop of their occupancy rate to as high as 35% (Chima 2016).

CE was initially aimed at explaining or determining consumers' behaviours apart from the well-established variables like satisfaction and service quality considering the dynamism of today's business environment (Hollebeek 2011). To this end, the study intends to determine whether customer engagement can predict loyalty in Nigerian hotels context.

PROBLEM STATEMENT

The hospitality market is now being considered as one of the global industries characterized with stiff competition due to availability of options, coupled with customers' sophistication occasioned by the present technological breakthrough (Kandampully, Zhang, & Bilgihan, 2015). Although scholars agreed that loyalty is among the competitive weapon that will allow organisations to thrive, succeed, and be more competitive (Kandampully & Suhartanto, 2000; (Bowen & McCain, 2015; Fayazi & Gaskari, 2016). Yet, it is suggested that the famous constructs that predict loyalty need to be complemented with an emerging constructs such as customer engagement so as to lock in their existing customers and use them to attract others (Kandampully, Zhang, & Bilgihan, 2015; Hapsari, Clemes, & Dean, 2017). Being an emerging construct in the field of

marketing, its applicability is therefore sparse. In fact, although, even with the current upsurge of customer engagement in the academic domain, Hapsari et al., (2017) reported that there is dearth of studies relating to the concept in marketing context. In particular, despite the importance of having engaged customers in the tourism and hospitality domain, yet few studies in the area exist. In particular, Chayuth, Trimetsoontorn, and Fongsuwan, (2015) solicited for the use of the context in the hotels context due to its power of triggering loyalty.

Similarly, the need to investigate the effect of CE towards generating customer loyalty is even more demanded in Nigeria considering the fact that the services rendered by most hotels are more or less similar (Gbenga and Osotimehin 2015), as a result of the intense competition existing in the industry making it difficult for the guests to distinguish significant differences among competing offerings (Banki et al. 2016).

Today, scholars make a clarion call for the forthcoming studies to include other emerging constructs like; customer engagement as predictors of loyalty in the present competitive and global market (Rather & Sharma, 2016 ; Pansari & Kumar, 2017). Although most of the past scholarly studies on customer engagement are within the online context, So, King, and Sparks, (2014) insist that the it can equally be done in the offline settings. Specifically, Peace and Onuoha, (2017) suggested the usage of customer engagement construct as a factor capable of triggering loyalty in hotels.

Therefore, considering the extent and stiffness of competition existing in the hospitality context, and the beliefs numerous scholars have that one of the best way for survival is through embracing the concept of customer loyalty (Kandampully, Zhang &Tingting, 2015; Kim & Kim, 2016). It thus becomes imperative for the hotel industry, especially those operating in Nigerian context to fully embrace the concept.

LITERATURE REVIEW

Al-Rousan and Mohamed, (2010); asset that loyalty is said to exist when customer patronise a product repeatedly or recommend it to others without anticipating outright benefits, and such repeated usages is capable of generating quantifiable financial outcome to the organisations. They went further to emphasize that among the economic benefits of loyalty are improvements in retention and an upsurge in the share of a company. Thus, customer loyalty means a customer would return or continue to use the same product or other products of the same organization, make business referrals, and intentionally or even unintentionally providing powerful word-of-mouth referrals and publicity. Loyal customers are therefore those who are not easily be swayed by price inducement from competitors, and usually purchase above those who are not loyal (Rather and Sharma 2017). In effect, customer loyalty is considered as the future of hospitality industry (Tanford, Shoemaker, and Dinca 2016).

THE CONCEPT OF CUSTOMER ENGAGEMENT

The concept of CE is grounded from the theories underpinning relationship marketing and other services related interactions (Brodie et al. 2011b). Although the concept has been used by various scholars for quite a long period in other related disciplines such as; political science, psychology, organisational behaviour and sociology, the concept is an emerging construct in the marketing domain (Hapsari, Clemes, and Dean 2017). Specifically, it has been given various names across different disciplines for example, ‘civic engagement’ in sociology, ‘social engagement’ in psychology, ‘student engagement’ in educational psychology, the ‘engagement of nation states’ in the context of political science, and ‘employee engagement’ or ‘stake holder

engagement’ in the management field or Organisational behaviour context.

The concept is thus attracting further attention from researchers and practitioners considering the dynamism and coupled with increased interaction prevailing in today’s marketing environment. This could be due to its pivotal role towards ensuring enhanced customer experience, value and loyalty (Hapsari, Clemes, & Dean, 2016; Brodie, Hollebeek, Jurić, & Ilić, 2011). In effect, the concept, increased firms’ corporate performance through enhanced sales volume and the profitability positions of various organisations through positive word of word referrals and recommendations (Brodie et al. 2011a). At the same time, the concept is playing major role towards enhancing customer experience and their value (Brodie et al. 2011a). Thakur, (2016) assert that individuals becomes loyal with firms’ offerings by experiencing organisational products. And this according to So, King, Sparks, and Wang, (2016) is being determined from the motivation customers get when they interact a focal object, be it, medium, brand or the services offered.

Various definitions of CE have been offered by scholars. For example, according to Brodie, Hollebeek, Jurić, and Ilić, (2011 p 261) “Customer engagement (CE) is a psychological state that occurs by virtue of interactive, cocreative customer experiences with a focal agent/object (e.g., a brand) in focal service relationships. The Marketing Science Institute 2014) defined CE as the level of customers’ attachment to a brand beyond purchase occasioned by motivational drivers including; word of mouth, blogging, contact with fellow customers or other similar activities (So, King, Sparks, & Wang, 2016). Vivek, Beatty, Dalela, and Morgan, (2014) assert that CE goes beyond the immediate purchases of firm’s offerings by the current or prospective customers; it equally involves continuous interaction and connectedness to the organisational offerings. This emphasized that CE involves current as well as potential

customers. It thus reflects the intensity of consumers' participation and attachment with a particular brand.

Having realised the need for organisations to have more engaged customers, scholars are now advocating for the need embrace 'engagement marketing' which if properly implemented and effectively implemented can turn advocate customers to be 'pseudo – marketers' to the firms' offerings. It thus represents the efforts that direct, motivate, as well as empower and measure customers' willingness to perform some marketing duties, apart from the normal transaction ties. And this will be beneficial to the firms as it increase their reach and also reduces the costs for acquiring new customers. It further improves product innovation. In addition, effective engagement marketing, in addition, Kumar, (2013) posited that it will also aid the organistions to properly monitor the behaviour of their customers. Because it gives a holistic picture of the customers and provide the means to measure customer value as well. Furthermore, it enhances customer satisfaction, loyalty and by extension, organisational performance (Ranjan and Read 2016) in (Harmeling et al. 2017).

According to Harmeling, Moffett, Arnold, and Carlson, (2017), customers are considered to be 'pseudo marketers' in view of their significant role to reach other potential customers which is highly beneficial to the firms as this reduces much of their operational cost. For example, having realised the importance of customer engagement, a renowned American company named Anheuser-Busch is anticipated to spend an amount in excess of 200 billion USD every year with effect from 2017 on engagement marketing expenditure.

DIMENSIONS OF CE

Scholars conceptualised the concept of CE as unidimensional or multidimensional construct. For example the Marketing Science Institute (2014) perceived CE as a concept with one

dimension specifically, as the behaviours of customers beyond normal purchases, meaning that they defined CE from the behavioural angle (So, King, Sparks, & Wang, 2016). Their assertion is equally in agreement with van Doorn et al., (2010) who maintained that CE is unidimensionally conceptualised and should be viewed from behavioral perspective, where the contact between consumers and their organisations go beyond purchases and was occasioned by some motivational drivers.

On the other hand, others such as So, King, Sparks, and Wang, (2014), Brodie et al., (2011b) and Vivek, (2009) are of the belief that CE should be a two-dimensional construct comprising of behavioural as well as the psychological dimensions. According to them, CE goes beyond the behaviours of the customers only. For instance other motives will trigger customers to be engaged which according to Brodie, Ilic, Juric, and Hollebeek, (2013) include reduction of perceived risks or searching for information regarding a brand.

The qualitative research of Vivek, Beatty, and Morgan, (2012) conceptualised CE with three dimensions, consisting of behavioural, social along with emotional components. Vivek et al., (2014) conceptualized CE using three dimensional parts of conscious attention, social connection as well as enthused participation with 10-items scale. The Marketing Science Institute (2014) viewed CE from behavioural aspect, revealing that the concept reflects the behaviours of the customers towards organisational offerings beyond current transaction (So, King, Sparks, & Wang, 2016). Patterson, Yu, and de Ruyter (2006) in (Asperen, Rooij, and Dijkmans 2018) identified four components of CE. They are; absorption, dedication, vigour and interaction. Absorption signifies how concentrated customers are with respect to their brand or organisation. In other words, the level of individuals' intensity to the focal engagement object, it thus signifies the cognitive dimension of CE. Dedication represents peoples' belong to a particular organisation which is the emotional dimension of the construct.

Vigour on the hand indicates the mental resilience and their level of energy when making contact with their focal engagement object. Interaction on the other hand denotes to the communications existing between the customers and the focal engagement object. According to them, the vigour and interaction reflects the behavioural dimension of CE

Recently, So et al., (2012, 2014) had five dimensions of CE. They are Identification, Attention, Enthusiasm, Absorption and Interaction. Identification is concerned with the degree to which consumers belong to a particular brand. Attention signifies the extent at which consumers focus and associate themselves with the brand. Enthusiasm on the other hand reflects the passion as well as the interest consumers exhibited about a brand. While, absorption signifies how the pleasurable conditions that lead to consumers' happiness and engrossment when associating with a brand. And finally, interaction expresses the levels of consumers' participation with their chosen brand.

CONCLUSION AND RECOMMENDATION

Since the literature suggests that CE has the power to influence long-term reputation and recognition as well as the financial performances of the organisations which will in turn determine loyalty. As engaged customers are those with cognitive contentment with a given brand. Further, consumers' actual behaviour is assumed to be emanating from rational along with emotional behaviours which also predict loyalty. It equally has the tendency of influencing others toward recommending organisational offerings to others. As almost all the studies reviewed were conducted in non-African environment ranging from Europe, Asia and America, and the findings might not be generalized due to the cultural difference and other peculiarities. It is thus recommended that empirical investigation on the impact of customer engagement on loyalty

in Nigerian context, specifically the hotels sector is highly solicited.

Acknowledgements:

I acknowledge the financial support offered to me by Nigerian Tertiary Education Trust Fund through my employer; Nigeria Police Academy Wudil Kano to pursue my Ph.D. career.

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