

CHAPTER I

INTRODUCTION

1.1 Background

Hospitality industry has emerged as one of the most intensely competitive sectors worldwide. Increasing Competition among hotels requires an improvement in the quality of services offered and an enhancement in the customer relationships developed. Currently, the business sector is experiencing significant growth in its development .in its development (Wijaya et al., 2021). Consequently, hotels must engage in ongoing surveillance across several service sectors to elevate their offerings to the utmost level of excellence. The significance of service quality in distinguishing between different service providers is well acknowledged (Ravishankar & Christopher, 2023).

This pivotal attribute has a substantial influence on a customer's initial decision-making process and their subsequent inclination to come back. In today's corporate landscape, hotels face significant constraints, including frequent fluctuations in customer preferences and the emergence of more complex demands. It is essential to determine whether the perceived service quality is a satisfactory aspect of maintaining a long-term connection. Hotels must make significant endeavours to provide excellent service to their clients (Cheraghalizadeh & Dědková, 2022).

However, in addition to the quality of service provided, it is important to build strong relationships with consumers to grow their loyalty and

encourage repeat business. When making decisions regarding hotel selection, customers often prioritize the quality of service. In this context, social media marketing serves as a valuable tool that allows customers to gather information about the different services offered by a hotel (Cheraghizadeh & Dėdkov, 2022).

The integration “of service quality and social media marketing” has the potential to increase brand awareness through the provision of additional information, strengthen brand image by allowing users to access and evaluate other people's perspectives, and increase customer happiness by facilitating a more informed decision-making process (Cheraghizadeh & Dėdkov, 2022). Furthermore, the impact of advances in information and technology on individuals' lifestyles can be seen from their buying habits (Muzakir et al., 2021). Today's customers are experiencing the benefits of social media, including improved communication skills. At the same time, companies leverage this technology to engage customers, get input from them, and evaluate services and business performance efficiently at a lower cost than previous methods (Demircioglu et al., 2021).

Yost et al. (2021) found that using social media platforms can greatly increase customer awareness and help businesses create their brand, leading to a larger customer base. Engaging with clients can enhance their comprehension of recent changes and potentially encourage them to return. Although social media plays a crucial role in enabling consumer communication and is constantly changing, there is still a dearth of comprehensive studies on this

topic. Social media publications can often be traced back to 2006. Unlike traditional marketing research, the realm of social media is characterized by its ever-evolving nature. Therefore, this field may be considered a relatively new field. Additional investigations in this area have the potential to improve understanding of social media and its influence on consumer behaviour, thereby influencing organizational outcomes (Cheraghalizadeh & Dėdkova, 2022).

Furthermore, it is crucial to acknowledge that the level of service excellence and the utilization of social media platforms have a significant impact on customer retention. Nevertheless, there is a depth of scientific research that concurrently investigates both components inside the study model and within the particular context of the hospitality industry. Previous research has been conducted in several industries (Zahara et al., 2021; Demircioglu et al., 2021), or only focusing on one of the variables, namely service quality and social media marketing (Kim & Ko, 2012; Seo & Garden, 2018). In addition, the extant social media marketing work mostly focuses on examining customer purchase intent and customer retention as the end result (Wijaya et al., 2021). Customer retention in the hospitality industry requires greater attention compared to other service sectors due to its close association with leisure and its unique set of characteristics.

Consumers express satisfaction with the services provided by a hotel. However, they may choose to stay in alternative accommodation in order to have a different experience next time. As a result, hotel clients show a high

level of concern regarding the quality of services provided, as they anticipate a satisfactory return on financial investment. As a result, these customers have a greater tendency to obtain information with regard to the services offered by hotels, rather than focusing solely on the prices associated with those services (Cheraghalizadeh & Dėdkov, 2022).

According to Mesfin (2013), service quality has gained significant recognition as an important element in business success and, ultimately, in maintaining customer satisfaction. In these special circumstances, improving the quality of care has a significant impact on the growth and progress of the healthcare industry. This is achieved through loyal customer retention and increased levels of customer satisfaction.

Similarly, this issue is related to a decrease in the number of retained clients. Some of them do not have official written strategy documents, service ethics guidelines, and service delivery manuals. Even individuals who have a well-designed strategy may have difficulty in executing the plan. In addition, the absence of service ethics adversely affects the delivery of service quality and endangers the overall welfare of the company in maintaining its service standards.

According to Abraham, (2015), the management of customer-related problems in Ethiopia lacks a scientific approach. Some hotels, especially those on a global scale, continue to implement conventional customer service practices. In many hotels in Ethiopia, there are also problems such as penalizing high prices due to low quality, unavailability of desired products or lack of

suitable alternatives, poor communication with customers, and lack of respect for customers. In addition, it should be noted that some cleaning staff may be less physically mature. The hospitality industry also has significant problems that impact the business environment, resulting in a large gap between service providers and service recipients. These observations were made by researchers.

According to Abraham's (2015) research on service quality and customer satisfaction in the hospitality business, particularly focusing on three-star hotels in Addis Ababa, Ethiopia, it was found that in today's competitive business environment, managing a company effectively means prioritizing customer satisfaction, retention, and loyalty. This can be achieved by recognizing the significant influence of service quality and implementing a service quality model that aligns with the five aspects of quality. Despite the lack of prioritization of customer needs, desires, and expectations by hotel service providers, the aim of this study was to examine the effect of service quality dimensions on customer retention in the hotel industry.

Managing a business in today's competitive climate involves effective satisfaction, retention, and development of loyal customers. "This can be achieved by" recognizing the significant influence of service quality, as assessed through the service quality model, which is aligned with five aspects of quality. Although hotel service providers do not prioritize customer needs, wants, and expectations, the "purpose of this study is to examine the effect of service quality dimensions on customer" retention in the hospitality industry. The concept of delinquency refers to the gap that exists between the recipient

of that service and the provider of that service. This gap can be caused by a variety of factors, including a lack of awareness of contemporary methods of delivering quality services, as well as other unidentified elements that contribute to the formation of this gap.

Research by Mesfin (2013) and Abrham (2015) examined service quality and customer satisfaction within the hotel sector. Mesfin focused on the case of 5-star hotels and their foreign customers, while Abrham's research specifically targeted 3-star hotels. Both studies include the Addis Ababa analysis, and Buzye's (2010) study also examined 5-star hotels in Ethiopia. Previous research has also been conducted in several industries (Demircioglu et al., 2021; Zahara et al., 2021), or only focusing on one of the variables, namely service quality and social media marketing (Kim & Ko, 2012; Seo & Park, 2018). In addition, the extant social media marketing work mostly focuses on examining customer purchase intent and customer retention as the end result (Wijaya et al., 2021). Customer retention in the hospitality industry requires greater attention compared to other service sectors due to its close association with leisure and its unique set of characteristics. In addition, research conducted by Cheraghalizadeh & Dėdková, (2022), with research findings shows that service quality and social media marketing increase customer satisfaction, brand awareness, and brand image. Moreover, customer satisfaction, brand awareness, and brand image are also precursors of customer retention. The findings also confirm that these three factors (customer satisfaction, brand awareness, and brand image) play a mediating role

including Service quality and revisit intent, as well as between social media marketing and revisit intent.

Despite the considerable emphasis on the competitiveness of the hospitality industry and the importance of ongoing monitoring to improve service standards, there is a lack of comprehensive research that examines the combined influence of service quality and social media marketing on customer retention in the hotel sector, specifically in the Ethiopian context. Prior studies have recognized the significance of service quality in fostering customer satisfaction. However, there needs to be a more comprehensive exploration of the connection between social media marketing and its impact on brand recognition, brand image, and customer contentment. Furthermore, current research focuses primarily on individual elements, such as service quality or social media marketing, without considering the combined impact. In addition, the existing study does not adequately investigate how customer happiness, brand awareness, and brand image mediate the connection between service quality, social media marketing, and customer retention. Hence, this study seeks to fill these voids by thoroughly investigating the correlation between service quality and social media marketing in the hotel sector while also comprehending the mediation mechanisms that enhance customer retention. We chose the Haile Resort Hotel in Ethiopia as the unique and relevant venue for the study.

Therefore, based on the previous background explanation, this study seeks to address these shortcomings and seeks to ascertain the impact of service

quality and social media on customer retention. In this study, researchers aimed to evaluate the effect of service quality and social media marketing on customer retention in hotels, and evaluate how customer satisfaction, brand awareness, and brand image mediate these relationships. Thus the title considered by the researcher is, **"The Influence of Service Quality and Social Media Marketing on Customer Retention: A study at Haile Resort Hotels in Ethiopia"**

1.2 Problem Statement

The hospitality business acknowledges the significance of service quality, social media marketing, and client retention. Nevertheless, there is a notable deficiency in understanding the collective influence of these issues, specifically in relation to the Ethiopian hotel industry. Previous studies have highlighted the importance of service quality in improving customer satisfaction, but they have frequently neglected to include the impact of social media marketing on brand awareness, brand image, and total customer contentment. Furthermore, previous research has primarily concentrated on individual components, neglecting to explore the possible combined effects of service quality and social media marketing.

Current research lacks comprehensive exploration of the mediating roles of customer satisfaction, brand awareness, and brand image in the relationship between service quality, social media marketing, and customer retention. This study investigates the relationship between service quality and social media marketing, as well as their combined effect on customer retention at the Haile Resort Hotel in Ethiopia.


Based on the above background, the research formulation can be formulated, as follows:

1. Does service quality affect customer retention of Hotel Haile Resort in Republic of Ethiopia?
2. Does social media marketing affect Hotel Haile Resort customer retention?
3. Does brand image “influence the relationship between service quality and customer retention” at Haile Resort Hotels?
4. Does brand awareness positively mediate the relationship between service quality and customer retention at Hotel Haile Resort?
5. Does customer satisfaction positively mediate the relationship between service quality and customer retention at Hotel Haile Resort?
6. Does brand image influence the relationship between social media marketing and customer retention at Haile Resort Hotels?
7. Does brand awareness influence the relationship between social media marketing and customer retention at Hotel Haile Resort?
8. Does customer satisfaction mediate the relationship between social media marketing and customer retention at Hotel Haile Resort?

1.3 ”Purpose of The Study”

The purpose of this study is to investigate several key aspects related to the Haile Resort Hotel in the Republic of Ethiopia:

1. To examine the influence”of Service quality on customer retention” at Haile Resort Hotel in Ethiopia.

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2. To examine the influence of social media marketing on customer retention at Haile Resort Hotels in Ethiopia.
 3. To examine the mediation of brand image between service quality and customer retention at Haile Resort Hotels in Ethiopia.
 4. To examine the mediation of brand awareness between service quality and customer retention at Hotel Haile Resort in Ethiopia.
 5. To examine the mediation of customer satisfaction between service quality and customer retention at Hotel Haile Resort in Ethiopia.
 6. To examine the mediation of brand image mediate between social media marketing and customer retention at Haile Resort Hotels in Ethiopia.
 7. To examine the mediation of brand awareness between social media marketing and customer retention at Hotel Haile Resort in Ethiopia.
 8. To examine the mediation of customer satisfaction between social media marketing and customer retention at Hotel Haile Resort in Ethiopia.

1.4 Research Benefits

1.4.1 Theoretically

1. This This study can help us better understand how service quality and social media marketing affect customer retention in the hotel industry. It can make new contributions to social exchange theory and service management.
2. This study discusses the mediating role of customer satisfaction, brand awareness, and brand image in the relationship between the

variables studied. This can introduce important mediation concepts in further research.

1.4.2 Practically

1. The study's findings can provide practical advice to hoteliers on the importance of focusing on service quality and social media marketing to increase customer retention. Hotels can use these findings to optimize their business strategies.
2. Understanding the relationship between customer happiness, brand awareness, and brand image affect customer retention, hotels can improve their efforts in meeting customer needs, building strong brands, and creating positive experiences.
3. This research can help hotels in designing more effective social media marketing strategies. They can use these findings to understand the role of social media in building brand awareness and brand image.
4. The results of this study can help hotels allocate their resources more wisely, especially in terms of investment in services and social media. This can help them achieve better results and increase profits.