The Correlation of Customer Satisfaction and E-Commerce: A Case study of Hospitality Industry in India

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Abstract

In the present dynamic and competitive market environment many industries are using E-commerce as an effective tool to make things easy in terms of buying, selling, transferring or exchanging products, services and information via computer networks like internet. We the researchers have put in earnest attempt to study the usage of E-commerce tools in Indian hospitality industry such as hotels in order to fulfill the consumer needs and to provide customer delight by minimizing the lead time while fulfilling their requirements. This paper throws light on various interrelations between the industry capabilities in terms of the usage of E-commerce and its tools for optimizing various resources such as technology resources, management skills, business network and competency through the E-commerce network in the industry under study. We have used various statistical tools such as regression analysis to analyze or assess the management skills to make profits through customer satisfaction with the help of E-commerce by the management team for effective decision making. However, our research is limited to some hotels in the metro cities of India.

Keywords: Digital Commerce, E-commerce, Hospitality, Hotels, Tourism etc.

Originality/value: We have done a limited research in India to know the The Correlation of Customer Satisfaction and E-Commerce: A Case study of Hospitality Industry in India and our methodology could be improved by using multiple regression analysis to get more reliable results. Our sample is limited to 217 as we have taken purposive random sampling technique in few metro cities in India as we have limited time at our disposal while conducting this research.

Introduction

In the present world-wide trends are significantly impacted by the usage of internet or mobile apps for the convenience of the consumers as well as the industry. Industry is seeking to make profits by attracting the consumers through latest net enabled smart phones as well as internet as a whole. While at the same time consumers are seeking more convenience by using internet as well as mobile apps for its ease of use, tracking, and probable discounts offered by many online portals or mobile apps. Many researchers have propounded that the Internet is said to be a collection of interconnected computer networks, provides free exchanging of information among the consumers as well as the industry. According to a study there are 400 millions of computers on more than 400,000 networks worldwide.
today are communicating with each other (Napier, Judd, Rivers, and Wagner, 2001). It means the proliferation of internet is increasing day by day across the world as it has been becoming a powerful channel for business marketing and communication (Palmer, 1999), and for new business opportunities as it is often called as "E-business" or "E-commerce" today (Schneider & Perry, 2001) as per the authors. Therefore, it is the proven fact that the Internet and E-commerce give consumers ample opportunities through the easy on-line information gathering and convenient online shopping and better comparison and to be better prepared to purchase the right product or service at the right time (Schulze, 1999) and also to compare the offers by competitors in any sector with more ease and economical. The pioneers of this philosophy would be the small and medium entrepreneurs in exploring the utility of the E-Commerce. As per a published survey, more than 90% of new-age entrepreneurs and starting businesses are using the Internet for reaching the target customers more easily and also to improve their existing business operations or to explore new business opportunities (McKendric, 1999). Hence, a successful E-business can only happen only if this business can satisfy its consumers' needs better than those traditional business approaches and provide consumers with at least one or many of the following advantages:

1. more convenient;
2. superior services;
3. better choices;
4. wider selection and
5. lower price
   (Vassos, 1996).

The Growth of E-Commerce in India

The growth of E-Commerce Industry in India Worth $13.5 Billion as in the year 2014 and predicted that it will Cross $16 Billion by 2015. The researchers of this paper done the desk research and according to the latest report by IAMAI and IMRB International, the E-Commerce industry in India reached a value of INR 81,525 crore (US$13.5 billion) in 2014. This compunds with the rapid increase in the use of smartphones and internet services has earned India a place among top 20 developing countries on the global forum, as stated by AT Kearney in its 2014 Global retail development Index (GRDI) in this industry. Consumer behavior has changed rapidly and visiting a local store to buy a mobile phone is now more of a pain and the report shows that Travel industry comprised almost 61% of the total E-Commerce market. Similarly, e-Tailing grew by 1.4 times since 2013 taking up almost 29% of the E-Commerce market share in India as in the Figure-01.
As per the above Figure-02 the research report was prepared by IAMAI in association with IMRB International. As per that report's estimation that overall, transactions worth Rs 81,525 crore happened in 2014, which is 53% more compared to 2013. The report estimates that the industry will grow at a
rate of 33% in the next 12 months, which makes the overall market to be valued at Rs 1,08,428 crore by the time 2015 ends with 53 per cent growth.

The Concept of Customer Satisfaction

![Customer Satisfaction](https://www.linkedin.com/pulse/customer-satisfaction-its-importance-6-reasons-santosh-kumar-dhanewar)

A conceptual study through our desk research, we have found that the Customer satisfaction is a marketing term that measures how products or services supplied by a company meet or surpass a customer’s expectation. We also understand that the customer satisfaction is important because it provides marketers and business owners with a metric that they can use to manage and improve their businesses. In that desk research we found that in a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses.

Here are the top six reasons why customer satisfaction is so important:

1. It’s a leading indicator of consumer repurchase intentions and loyalty
2. It’s a point of differentiation
3. It reduces customer churn
4. It increases customer lifetime value
5. It reduces negative word of mouth
6. It’s cheaper to retain customers than acquire new ones

Source: https://www.linkedin.com/pulse/customer-satisfaction-its-importance-6-reasons-santosh-kumar-dhanewar

Review of Literature

According to many authors customer satisfaction is a term frequently used in marketing. Therefore, customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation. One of the author of this research paper have defined customer satisfaction as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services or ratings exceeds specified satisfaction goals (Kameswara Rao Poranki,2014). According to Westerlund, 2000, the usage of internet information delivery and online document printing has provided the strength for the current stream of e-commerce as it can overcome many traditional business obstacles and operational barriers by delivering access to global market and providing new leverage compared to that of large powerful suppliers. Interestingly, another author (Sue Abdinnour-Helm,2000) opined that the time-based competition through better customer service has been re-emerging as a major tool of delivering high-quality services to the potential and present customers through a total operation cycle including planning, design, processing, marketing, and
distribution. The more comprehensive definition of customer satisfaction according to (Anderson and Narus, 1990) is the customer satisfaction is a positive affective state resulting from the appraisal of all aspects of a firm’s working relationship with its customers is more prominent. Another author of the opinion that the emphasis on customer relations created a paradigm shift from transactional marketing
to relationship marketing (Grönroos, C. 1994) also many studies have treated satisfaction as the essential or key principle for the retention of customers, and customer satisfaction has moved to the head of relationship marketing approaches in today's marketplace. The tendency towards a cumulative view of satisfaction, measuring the general level of satisfaction based on all experiences with the firm (Garbarino, E. and M.S. Johnson) has been explained by this author. There is a growing need for increasing customer satisfaction but service firms, have invested substantial resources for increasing customer satisfaction (Wilson, A. 2002) as per this author's research. Another author is of the opinion that the customer satisfaction plays an important role in service marketing because it is a good predictor of subsequent behavior or continuance intention (Oliver, R.L. 1980). This in turn give raise to understand that the customer satisfaction is exactly how the customer satisfaction offered by the product or service by the industry. Some more authors opined that the customer satisfaction has a close relationship with personal beliefs (Greyskens et al., 1996). Zins (2001), also explains that loyalty can be developed through high level of customer satisfaction. But the impacts of customer satisfaction on customer loyalty are complex and significant. There is a growing need among the marketers that, customer satisfaction is only one reason, and is not an important reason why the customers will switch to other service or product (Fisher (2001). Strikingly, some authors criticized this concept of customer satisfaction as customer satisfactions are the main culprits in determining customer loyalty (Anderson and Lehmann, 1994). According to more recent authors the customer satisfaction and loyalty use of E-commerce website are affected by the belief and the perceived value which has been established by the company mutually (Anderson and Srinivasan, 2003) with the customers. E-commerce websites is a key factor in maintaining customer loyalty and customer satisfaction as per this author (Cyr.D, 2008). As Hotel industry or Hospitality industry are highly competitive business therefore the market is affected by competitors according to (P.Kotler and G.Amstrong,2004). It was a proven fact that either the hotel industry or hospitality industry that quickly adopt improved Information Technology systems are less likely to lose potential customers to other hotels that offer better facilities as this industry are relatively new are much more interested than older hotels in adopting new technologies, such as E-checkout (A.Akbaba,2006) which is more interesting and convenient to customers. The more the intensity of competition amongst hotels within the same location can affect the decision of those hotels to either adopt or ignore new technologies (C. P. Barros and P. U. C. Dieke,2008) which are direct competitors in this industry.
Therefore, the business strategies or competitive strategies are to maintain their competitiveness in order to avoid being replaced (Kshetri,2007) either in the hotel Industry or in the hospitality industry (N. M. Mndzebele,2012) is a very competitive one. Generally, if the hotels do not access information on time and customers are improve their operational efficiency which can be done by upgrading and updating to new technologies as the competitiveness of an industry and the method by which a Firm competes has a considerable effect on the firms Information Technology performance.

Results
According to this research the reliability analysis as in the (Table-01) is the extent to which any reliable or consistent measure and Alpha reliability is typically used to determine consistency of the E-commerce business network. In this research the adequate level of internal consistency as they meet the recommended standard 0.60 while E-commerce technology resources, E-commerce management skills, E-commerce competency and E-commerce information network indicates between 0.93 and 0.98 but the cronbach alpha reliability is 0.99 in the above variables.
As per the (Table-02) the means and SD are as below:
  a) E-commerce technology resources are (M=03.205 and SD=0.506)
  b) E-commerce management skills (M=03.274 and SD=0.928)
  c) E-commerce business network (M=03.477and SD=0.658)
d) E-commerce competency (M=03.00 and SD=0.236)
e) E-commerce information network(M=03.149 and SD=0.459)

As per the Table-03, the Pearson Correlation were conducted to measure the relationship between various variables like the organization capabilities with the following:

a) E-commerce information network
b) E-commerce competency
c) E-commerce business network
d) E-commerce management skills
e) E-commerce technology resources

Hence, the Table-03 clearly shows that there is a significant positive relationship between the organizations capabilities with the above and the (p < 0.01).

Conclusion

Finally, the researchers have found that there is a significant relationship between E-commerce information network, E-commerce competency, E-commerce business network, E-commerce management skills and E-commerce technology resources. However, the E-commerce technology resources, E-commerce management skills, E-commerce business network, E-commerce competency and E-commerce information network has expressed great influence on organization capabilities. The researchers of this paper would conclude that E-commerce management skills appeared to be the most dominant variable in influencing organization capabilities. We therefore recommend that the decision makers of hotel or hospitality industry in India needed to focus on efforts to enhance the usage of E-commerce to improve organization capabilities to achieve capability as per the latest developments in advanced countries. We found that in our research we have certain limitations in terms of the scope of the study or its methodology and therefore, we recommend the future researchers to enhance the scope and to go for conducting multiple regression analysis also to have more reliable results in this industry.

ANNEXURE

Table-01: Testing of reliability (N=217)

<table>
<thead>
<tr>
<th>S.No</th>
<th>Parameters</th>
<th>Items</th>
<th>Statistical Cronbach Alpha</th>
</tr>
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<td>1.</td>
<td>Managerial Skills with the usage of E-commerce</td>
<td>07</td>
<td>0.975</td>
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<tr>
<td>2.</td>
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<td>02</td>
<td>0.982</td>
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<td>3.</td>
<td>Business Network with the usage of E-commerce</td>
<td>04</td>
<td>0.987</td>
</tr>
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<td>4.</td>
<td>Competency measures through the usage of E-commerce</td>
<td>03</td>
<td>0.974</td>
</tr>
<tr>
<td>5.</td>
<td>Measurement of Industries capabilities</td>
<td>17</td>
<td>0.729</td>
</tr>
<tr>
<td>6.</td>
<td>Technology Resources with the usage of E-commerce</td>
<td>08</td>
<td>0.928</td>
</tr>
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</table>
Table-02: Analysis of the Mean

<table>
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<tr>
<th>S.No</th>
<th>Parameters</th>
<th>Mean</th>
<th>Standard Deviation</th>
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<td>2.</td>
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<td>5.</td>
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<td>0.307</td>
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<td>6.</td>
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<td>03.205</td>
<td>0.506</td>
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Table-03: Relationship between Variables (Dependent&Independent)

<table>
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<th>S.No</th>
<th>Variable</th>
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<td></td>
<td>1</td>
</tr>
<tr>
<td>1.</td>
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<td>2.</td>
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</tr>
<tr>
<td>3.</td>
<td>Business Network with the usage of E-commerce</td>
<td>0.135</td>
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<tr>
<td>4.</td>
<td>Competency measures through the usage of E-commerce</td>
<td>0.427</td>
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<td>5.</td>
<td>Measurement of Industries capabilities</td>
<td>-0.5</td>
</tr>
<tr>
<td>6.</td>
<td>Technology Resources with the usage of E-commerce</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: Significant at ** P<0.01

References


IMRB-Cube 2014, All India Estimates, December,2014


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