CUSTOMER SATISFACTION, PROFITABILITY, AND FIRM VALUE IN THE HOSPITALITY AND TOURISM INDUSTRY: AN APPLICATION OF AMERICAN CUSTOMER SATISFACTION INDEX (ACSI)

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ABSTRACT

This study investigates the effect of customer satisfaction on a firm’s financial performance (i.e., profitability and a firm’s value) in the hospitality and tourism industry. Considering the unique differences (e.g., functional element and performance-delivery element) from other industries, this study assumes that the level of customer satisfaction in the hospitality and tourism industry will be different from the manufacturing industry and the impact of customer satisfaction on financial performance will be more substantial in the hospitality and tourism industry. Based upon this presumption, this study empirically examines whether the American Customer Satisfaction Index (ACSI) influences a company’s financial performance in the hospitality and tourism industry (i.e., hotels, restaurants, and airlines), and compares the level and impact of ACSI with the manufacturing industry. The findings suggest that in the hospitality and tourism industry, the impact of customer satisfaction is only reflected in the return on equity (ROE) which is a proxy of a firm’s profitability. This study found that was not the case in the manufacturing industry. Conclusions, implications, and limitations are discussed.