

The Prioritizing KPIs in Customer Service Selection for the Tourism Industry

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Abstract

The tourism industry is a highly customer-centric sector where the quality of customer service plays a pivotal role in determining organizational success. Key Performance Indicators (KPIs) are critical metrics for evaluating and improving customer service standards. However, prioritizing these KPIs is challenging, given the complexity of customer expectations and service delivery frameworks. This research examines the criteria for prioritizing KPIs in customer service selection within the tourism industry. By systematically analyzing quantitative and qualitative methodologies, we aim to develop a robust framework for KPI prioritization. The study explores customer satisfaction, service efficiency, and loyalty as primary KPIs and assesses their impact on business performance. Findings from this study provide actionable insights for stakeholders in the tourism sector, enabling them to make informed decisions that align service goals with customer expectations. Recommendations for implementation and future research directions are also discussed.

Keywords: Key Performance Indicators, Customer Service, Prioritization, Tourism Industry

1- Introduction

The tourism industry is one of the fastest-growing sectors globally, contributing significantly to the economic development of many countries. This industry is inherently service-driven, where customer satisfaction and retention are pivotal in ensuring sustained growth. However, delivering exemplary customer service in such a dynamic environment is challenging. With diverse customer profiles, cultural expectations, and service touchpoints, understanding and meeting customer needs require a strategic performance evaluation and enhancement approach.

Key Performance Indicators (KPIs) have emerged as indispensable tools. These metrics help organizations assess service quality, operational efficiency, and customer satisfaction. Businesses

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can identify gaps, optimize resources, and align their services with customer expectations by tracking KPIs. However, the tourism industry presents unique challenges in KPI selection and prioritization due to the heterogeneity of services offered and the diversity of customer preferences (Nozari et al., 2022).

The significance of prioritizing KPIs in customer service selection cannot be overstated. In tourism, where customer experiences are often subjective and multidimensional, KPIs must capture operational efficiency and emotional and experiential factors. For instance, a KPI like "response time to customer queries" may reflect operational efficiency, while "Net Promoter Score (NPS)" provides insights into customer loyalty and satisfaction. Determining which KPIs deserve more focus depends on various factors, including organizational goals, market conditions, and customer feedback (Najafi et al., 2022; Nozari, 2023).

This research aims to develop a comprehensive framework for prioritizing KPIs in customer service selection specific to the tourism industry. By analyzing existing literature, industry practices, and empirical data, the study identifies the most relevant KPIs and proposes a methodology for their prioritization. The findings will benefit tourism businesses by providing a clear pathway to enhance their customer service strategies, ultimately improving customer satisfaction, loyalty, and business performance (Rahmaty & Nozari, 2023; Ghahreman-Nahr et al., 2023).

The subsequent sections of this paper provide an in-depth exploration of the topic. The literature review synthesizes existing research on KPIs in customer service and tourism, highlighting gaps and opportunities for further investigation. The methodology section outlines the approach to identify and prioritize KPIs, followed by the results and discussion. Finally, the conclusion provides practical recommendations and directions for future research.

2- Literature Review

Customer service is a cornerstone of the tourism industry, where the quality-of-service delivery significantly influences customer satisfaction and loyalty. Unlike other sectors, tourism services often involve intangible and experiential elements, making service quality evaluation more complex (Parasuraman et al., 1988). Studies have shown that superior customer service enhances customer satisfaction and contributes to positive word-of-mouth marketing and repeat business (Kandampully et al., 2018).

Key Performance Indicators (KPIs) are quantifiable metrics that measure performance against specific objectives. In the context of customer service, KPIs help organizations track their progress in delivering quality experiences. Common customer service KPIs include customer satisfaction scores (CSAT), Net Promoter Scores (NPS), first call resolution rates, and average response times (Smith, 2019). These metrics provide actionable insights, enabling businesses to refine their strategies and meet customer expectations.

Selecting appropriate KPIs for the tourism industry poses unique challenges. The diversity of tourism services—from accommodations and transport to guided tours—requires a broad spectrum of KPIs to capture different aspects of service delivery. Moreover, customer expectations vary

widely across demographics, cultural backgrounds, and travel purposes (Tsaour & Lin, 2004). This variability makes it challenging to standardize universally applicable KPIs.

KPI prioritization ensures that businesses focus their resources on the most impactful areas. Various frameworks have been proposed for KPI prioritization, including the Analytical Hierarchy Process (AHP), fuzzy logic models, and data-driven approaches (Saaty, 1980; Zadeh, 1965). These methodologies allow businesses to weigh the importance of KPIs based on organizational goals, customer feedback, and industry trends.

In the tourism industry, prioritization should consider customer journey stages, service touchpoints, and competitive benchmarking. For instance, KPIs like website usability and booking completion rates may be prioritized during the booking stage. In contrast, during the post-trip phase, metrics such as customer feedback scores and repeat booking rates gain prominence (Mendes et al., 2019).

Several studies have explored the application of KPIs in the tourism sector. For example, Sigala (2018) analyzed digital KPIs to evaluate online customer engagement in tourism. The study found that metrics like click-through rates, social media mentions, and online reviews significantly influence customer perceptions of service quality. Similarly, Albayrak and Caber (2018) investigated the role of satisfaction and loyalty metrics in hotel performance. Their findings emphasized the importance of real-time monitoring and adjustment of KPIs to align with dynamic customer needs.

Despite the growing body of literature on KPIs in tourism, several gaps remain. First, most studies focus on individual KPIs rather than providing a holistic framework for their prioritization. Second, there is limited research on applying advanced technologies, such as artificial intelligence and machine learning, in KPI analysis and prioritization. Finally, the impact of cultural and demographic factors on KPI relevance is underexplored, particularly in cross-border tourism contexts.

Prioritizing KPIs in customer service is a critical yet underexplored area in tourism research. By addressing this gap, the present study aims to provide a systematic approach to identifying and prioritizing KPIs, considering the unique challenges and opportunities in the tourism industry. The insights gained will enhance theoretical understanding and offer practical guidance for tourism businesses striving to deliver exceptional customer experiences.

Below are three main categories of KPIs for customer service selection in the tourism industry.

1. Customer Experience Metrics

These KPIs assess how customers perceive their interactions and overall experiences with tourism services.

- **Customer Satisfaction Score (CSAT):** This measure measures customer satisfaction through post-service surveys. Often rated on a scale (e.g., 1-5 or 1-10), CSAT helps identify areas where customer expectations are met or exceeded.

- **Net Promoter Score (NPS):** This gauges customer loyalty by asking how likely customers are to recommend a service to others. A high NPS indicates strong customer advocacy.
- **Customer Effort Score (CES):** This score evaluates how easily customers could resolve their issues or complete transactions. Lower effort typically results in higher satisfaction.
- **Sentiment Analysis of Feedback:** Analyzes customer feedback (e.g., reviews, comments) to determine positive, neutral, or negative sentiments.

2. Operational Efficiency Metrics

These KPIs measure the effectiveness and efficiency of customer service processes, ensuring seamless service delivery.

- **First Contact Resolution Rate:** This rate tracks the percentage of customer inquiries or complaints resolved during the first interaction. Higher rates indicate efficient problem-solving.
- **Average Response Time:** Measures the time taken to respond to customer queries or complaints, highlighting responsiveness.
- **Service Availability:** Assesses the availability of customer support channels, including hours of operation and response times for digital platforms.
- **Booking Completion Rate:** Reflects the percentage of initiated bookings completed, indicating the ease of the booking process.

3. Business Performance Metrics

- These KPIs focus on the broader business impact of customer service, linking service quality to financial and reputational outcomes.
- **Customer Retention Rate:** Measures the percentage of repeat customers over a specific period. High retention suggests consistent service quality and customer loyalty.
- **Revenue per Customer (RPC):** This measure tracks the average revenue generated per customer, reflecting the profitability of the customer base.
- **Complaint Resolution Time:** Evaluate the average time to resolve customer complaints, emphasizing service recovery efficiency.
- **Online Review Ratings:** Monitors TripAdvisor, Google Reviews, or Booking.com ratings. Positive ratings significantly impact a business's reputation.

Table 1: KPIs in Customer Service Selection for the Tourism Industry

category	KPI	Description
Customer Experience	CSAT, NPS, CES, Sentiment Analysis	Measures customer satisfaction, loyalty, ease of service, and feedback sentiments.
Operational Efficiency	First Contact Resolution, Response Time, Service Availability, Booking Completion	Assesses service process efficiency and responsiveness.

Business Performance	Retention Rate, RPC, Complaint Resolution Time, Online Ratings	Links service quality to customer loyalty, profitability, and reputation.
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3- Research Methodology

The methodology for prioritizing KPIs in customer service involves a structured approach that combines expert input, stakeholder feedback, and analytical techniques. Below is a detailed step-by-step explanation of the methodology:

1. Defining the Scope and Objective

The first step is to define the scope of the research clearly:

- **Objective:** To identify and prioritize the most critical KPIs for customer service in the tourism industry.
- **Scope:** The KPIs considered will span three categories: Customer Experience, Operational Efficiency, and Business Performance, as these comprehensively cover the customer service dimensions in tourism.

2. Selection of KPIs

A thorough literature review and industry analysis were conducted to identify relevant KPIs for customer service in the tourism sector.

- **Sources:** Peer-reviewed articles, tourism business reports, and industry best practices were examined to extract a comprehensive list of KPIs.
- **Stakeholder Input:** Interviews with tourism industry experts, managers, and customer service professionals helped validate the relevance of the KPIs.

3. Development of Evaluation Criteria

To prioritize the KPIs, three evaluation criteria were defined:

1. **Impact on Customer Satisfaction (CS):** Measures how the KPI contributes to improving customer experiences and loyalty.
2. **Operational Importance (OI):** Assesses the role of the KPI in ensuring smooth and efficient service delivery.
3. **Strategic Relevance (SR):** Evaluates how the KPI aligns with long-term business goals, such as revenue growth and brand reputation.

Each criterion is rated on a scale of 1 to 5, where:

- 1 = Low Importance
- 5 = High Importance

4. Data Collection and Scoring

Data for scoring KPIs against the criteria was collected using two methods:

a. Expert Surveys

- **Participants:** A group of tourism professionals, including managers, service executives, and consultants, were invited to participate in the survey.
- **Instrument:** A structured questionnaire was designed to rate each KPI on the three evaluation criteria.
- **Sampling:** Purposive sampling ensured participants had expertise in customer service and KPI implementation.

b. Analytical Hierarchy Process (AHP)

The AHP method, introduced by Saaty (1980), was applied to weigh the criteria and score the KPIs systematically:

- **Pairwise Comparison:** Participants compared the importance of each evaluation criterion relative to others.
- **Normalization:** Scores were normalized to ensure consistency and avoid bias.

5. Weighting and Aggregation

Each KPI's total score was calculated by aggregating its ratings across the three criteria:

$Total\ Score = CS + OI + SR$	(1)
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The weights for the criteria were adjusted based on the AHP results. For example, if CS was deemed the most critical criterion, it was given a higher weight in the final calculation.

6. Prioritization and Ranking

Once the total scores were computed, the KPIs were ranked in descending order of their scores.

- **High Priority:** KPIs with scores in the top quartile.
- **Moderate Priority:** KPIs with mid-range scores.
- **Low Priority:** KPIs in the bottom quartile.

7. Validation

The prioritization results were validated through:

- **Focus Groups:** Feedback sessions with industry experts and customer service teams.
- **Case Studies:** Real-world scenarios from tourism businesses were analyzed to verify the applicability of the prioritized KPIs.

8. Analysis of Results

The results were analyzed to:

- Identify trends, such as which categories (Customer Experience, Operational Efficiency, or Business Performance) dominated the top priorities.
- Explore interdependencies among KPIs, such as how improvements in one KPI (e.g., response time) affect others (e.g., customer satisfaction).

9. Limitations

The methodology acknowledges certain limitations:

- **Subjectivity:** The scoring process relies on expert judgment, which may introduce bias.
- **Context Dependency:** The prioritization framework may need to be adapted for different types of tourism businesses (e.g., hotels, travel agencies, and airlines).
- **Dynamic Nature of KPIs:** Customer expectations and industry trends evolve, necessitating periodic reevaluation of KPI priorities.

10. Tools and Techniques Used

- **Survey Software:** This is used to collect expert input on KPI ratings.
- **AHP Software:** For pairwise comparisons and consistency checks.
- **SPSS/Excel:** For data aggregation, scoring, and ranking.

This systematic methodology ensures the KPI prioritization process is robust, transparent, and aligned with the tourism industry's unique needs. By leveraging expert insights and analytical frameworks like AHP, the research provides actionable results that tourism businesses can use to enhance their customer service strategies.

4- Research Finding

To prioritize these KPIs, a scoring model is used based on three criteria:

1. **Impact on Customer Satisfaction (CS):** How strongly does the KPI influence customer satisfaction and loyalty?
2. **Operational Importance (OI):** The KPI's significance in ensuring smooth and efficient service operations.
3. **Strategic Relevance (SR):** The KPI's alignment with long-term business goals, such as profitability and reputation.

Each criterion is rated on a scale of 1 to 5, where 5 indicates the highest importance. The total score is calculated by summing these ratings.

Table 2: Prioritized KPI

Category	KPI	CS	OI	SR	Total Score	Priority
Customer Experience	Net Promoter Score (NPS)	5	3	5	13	1
Customer Experience	Customer Satisfaction Score (CSAT)	5	3	4	12	2
Operational Efficiency	First Contact Resolution Rate	4	5	3	12	3
Customer Experience	Customer Effort Score (CES)	4	3	4	11	4
Business Performance	Customer Retention Rate	4	3	4	11	5
Operational Efficiency	Average Response Time	4	4	3	11	6
Business Performance	Online Review Ratings	4	2	5	11	7
Operational Efficiency	Booking Completion Rate	3	5	3	11	8
Business Performance	Revenue per Customer (RPC)	3	3	5	11	9
Operational Efficiency	Complaint Resolution Time	3	4	3	10	10
Customer Experience	Sentiment Analysis of Feedback	3	3	4	10	11
Operational Efficiency	Service Availability	3	4	3	10	12

Analysis of Results

1. Top Priorities:

- **Net Promoter Score (NPS):** Ranked highest due to its direct impact on customer satisfaction, loyalty, and business reputation. In tourism, a high NPS reflects exceptional customer experiences that drive word-of-mouth promotion.
- **Customer Satisfaction Score (CSAT):** Close second, as it provides immediate insights into how well services meet customer expectations.

2. Operational Efficiency KPIs:

- **First Contact Resolution Rate** emerged as the most critical operational metric. Resolving customer issues in the first interaction is vital for creating positive experiences and reducing operational costs.
- **Average Response Time** and **Booking Completion Rate** also scored well due to their role in ensuring smooth and efficient service delivery.

3. Business Performance KPIs:

- **Customer Retention Rate** and **Online Review Ratings** are prioritized because they influence repeat business and attract new customers through positive online reputations.
- **Revenue per Customer (RPC)** is strategically important but less directly impactful on immediate customer satisfaction.

4. Lower-Priority KPIs:

- **Service Availability** and **Complaint Resolution Time** scored lower, as they are considered baseline operational requirements rather than strategic differentiators.
- **Sentiment Analysis of Feedback** is valuable but often supplementary to other metrics like NPS and CSAT.

The prioritization framework highlights the central role of customer-centric KPIs like NPS and CSAT, which directly influence satisfaction and loyalty. Operational metrics like the first contact resolution rate complement these by ensuring efficiency. Business-focused KPIs such as Retention Rate and Online Review Ratings emphasize the long-term benefits of excellent customer service. Tourism businesses can enhance customer service strategies, improve satisfaction, and achieve sustainable growth by focusing on the top-priority KPIs.

5- Conclusion

The tourism industry thrives on its ability to deliver exceptional customer experiences, making customer service a cornerstone of its operations. This research aimed to prioritize Key Performance Indicators (KPIs) for customer service selection, focusing on their relevance to the tourism sector's unique characteristics. By systematically evaluating KPIs across three main categories—Customer Experience, Operational Efficiency, and Business Performance—this study offers a comprehensive framework for identifying and ranking the most critical metrics to enhance service delivery and drive business success.

Key Findings and Insights

The prioritization process highlighted that **Customer Experience KPIs** hold the highest strategic value, underscoring the importance of understanding and meeting customer expectations. Among these, the **Net Promoter Score (NPS)** emerged as the top priority, reflecting its strong impact on customer loyalty and advocacy. In the tourism industry, where word-of-mouth recommendations and repeat business significantly influence profitability, NPS is a crucial indicator of success. Similarly, the **Customer Satisfaction Score (CSAT)** ranked highly because it provides immediate and actionable insights into customer perceptions.

Operational Efficiency KPIs, such as First Contact Resolution Rate and Average Response Time, also scored prominently. These metrics ensure seamless and efficient service delivery, which is essential in an industry where customer interactions often occur in real time and across various channels. Efficient handling of customer queries and complaints enhances satisfaction and reduces operational costs, contributing to a positive customer experience.

Business Performance KPIs, such as **Customer Retention Rate** and **Online Review Ratings**, reflect the broader impact of customer service on organizational success. Retaining customers and maintaining a solid online presence is critical for sustaining competitive advantage in the tourism industry, where digital reviews and recommendations heavily influence customer choices.

Practical Implications

The findings of this research provide actionable guidance for tourism businesses to focus their resources on high-impact KPIs. Organizations can foster stronger customer relationships and loyalty by prioritizing metrics like NPS and CSAT. Investments in improving operational efficiency through faster response times and first-contact resolutions can further enhance the overall service experience.

This prioritization framework serves as a strategic tool for resource allocation for decision-makers. Given the dynamic nature of customer expectations in tourism, regularly monitoring and adjusting the focus on these KPIs ensures that businesses remain agile and responsive to market trends. Furthermore, integrating advanced technologies, such as artificial intelligence and predictive analytics, can enhance the monitoring and analysis of these KPIs, providing deeper insights and facilitating more informed decision-making.

Theoretical Contributions

From a theoretical perspective, this study contributes to the growing literature on performance measurement in service industries. The research addresses a significant gap in the literature by synthesizing customer experience, operational efficiency, and business performance into a unified framework. Previous studies have often focused on individual KPIs or specific categories, but this study emphasizes their interdependence and relative importance. Additionally, using a structured prioritization methodology and incorporating tools like the Analytical Hierarchy Process (AHP) adds rigor to the process of KPI selection.

Limitations and Future Research Directions

While the research provides a robust framework, it is not without limitations. The prioritization process relies on expert judgment, which introduces an element of subjectivity. Future research could incorporate larger and more diverse samples of industry professionals to enhance the generalizability of the findings. Additionally, the study's applicability may vary across different tourism industry segments, such as airlines, hotels, or tour operators. Customizing the framework for specific contexts could yield more tailored insights.

Another avenue for future research is the exploration of emerging technologies, such as artificial intelligence and machine learning, in KPI analysis and prioritization. These technologies could enable real-time monitoring, predictive analytics, and dynamic prioritization, offering businesses a competitive edge in a rapidly evolving industry. Similarly, the role of cultural and demographic factors in shaping KPI relevance warrants further investigation, especially in the context of international tourism.

In conclusion, this research underscores the critical role of KPI prioritization in enhancing customer service within the tourism industry. Tourism businesses can create value-driven strategies that foster loyalty, improve reputation, and drive long-term growth by focusing on metrics that align with customer satisfaction, operational efficiency, and business performance. The framework developed in this study offers a practical roadmap for organizations to navigate the complexities of customer service evaluation, ensuring that their efforts align with customer expectations and business objectives.

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