



Service quality, customer satisfaction and loyalty: The perceptions of Ethiopian hotel guests

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Abstract

The Ethiopian hotel industry is growing at a high pace, but it is also experiencing major challenges with regard to the provision of quality service to their guests. Data was collected and analysed from a stratified cluster sample of 415 hotel guests using the HOTSPERF questionnaire, which is a modified version of SERVQUAL and SERVPERF. Through inferential techniques, it became evident that there is a significant relationship between, the overall service quality and customer satisfaction; and between customer satisfaction and loyalty. However, no direct relationship was ascertained between service quality and loyalty.

The implications of the aforementioned findings are that hotel management in Ethiopia should not set the customer expectations very high, and they also need to know their customers' satisfaction levels, by conducting regular satisfaction surveys. Since an improvement in customer loyalty is important for any organization which depends on repeat business, the hotel management also needs to create a service milieu which engenders loyalty

Keywords: service quality, loyalty, satisfaction, hospitality, hotels

Introduction and background

The hotel and hospitality industry is the fastest growing industry in the global services sector (Jauhari, 2012), and in Ethiopia, it is growing at an even higher rate. For example, on average 12 new hotels have been built in the capital city Addis Ababa every year during the past decade, and this figure is expected to grow even further to 18 hotels per year over the next decade (Hailesilasse, 2013). This growth has not been equally matched by the development of trained hotel professionals, who are required for the provision of good quality services in hotels (Kifle, 2012). The provision of quality service to customers is a problem in most hotels, including Addis Ababa's biggest hotel complexes (Kifle, 2012). Many researchers (Dedeoglu et al., 2015; Wu et al., 2014; Torres, 2014; Po-Hsuan et al., 2014; Kim-Soon et al., 2014; Khan and Fasih, 2014; Hyun Soon et al., 2014; Mbuthia et al., 2013; Sanchez-Gutierrez et al., 2011; Ofir and Simonson, 2007; Gronroos, 2007; Parasuraman et al., 1994a) assert that the satisfaction of customers is also a result of the degree of their perceived service quality. The higher the perceived service quality, the more the customers are satisfied, which in turn creates loyalty, resulting in customers returning to the hotel and also recommending it to others (Keith and Simmers, 2013; Gbenga and Osotimehin, 2015; Moisescu and Gica, 2013; Alrousan and



Abuamoud, 2013; Kursunluoglu, 2011; Lin, 2005; Kandampully and Suhartanto, 2000). Although there is abundant research on service quality and its relationship with customer satisfaction and loyalty, little evidence exists of such research being conducted in Ethiopia in general, or among hotel guests in particular. Thus, the overall aim of this article is to explore the relationship among service quality, customer satisfaction and loyalty in the Ethiopian hotel industry.

Literature review

Service quality and customer satisfaction

Service quality was defined by Parasuraman, Zeithaml and Berry (1988) almost three decades ago, as the overall evaluation of a specific service firm that results from comparing that firm's performance with the customers' general expectations of how firms in that industry should perform (Rauch et al., 2015; Hyun Soon et al., 2014; Srivastava and Rai, 2013; Nayak, 2013; Markovic and Jankovic, 2013). Service quality is "the gap between the customers' expectations about a service and their perceptions of the way the service was delivered" (Zeithaml et al., 2009). Poor-quality service produces customer dissatisfaction, and customers may not return to the establishment in the future or even immediately move their business dealings to other providers (Christopher et al., 2005; Prentice, 2013; Cheng and Rashid, 2013). According to Wu et al. (2014), both perceptions and expectations need to be measured in order to evaluate service quality. Mauri et al. (2013:141) further define service quality as "a multidimensional concept, assessed and perceived by consumers, according to a set of essential parts, grouped in five categories, namely: tangibility, reliability, responsiveness, assurance and empathy". Rauch et al. (2015) indicate that the concept of service quality was initially used as part of a framework of marketing strategies, by making customers the focal point. This strategy became popular after a growing concern with quality assurance. Furthermore, after investigating the development of service quality, Lovelock (2011) states that the confirmation-disconfirmation concept of service quality is the basis for its development. The confirmation and disconfirmation concept is explained as a comparison of the customers' perceived (experience) with their expectations of the service.

Although the terms service quality and customer satisfaction are sometimes used interchangeably, some researchers however argue that service quality is a component of customer satisfaction that also reflects trade-offs as well as personal and situational factors (Zeithaml and Bitner, 2003). Customer satisfaction is defined by Olivier (2010:256) as "a consumer's fulfilment response and a judgment that a product or service feature, or product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under or over fulfilment as being consistent with the conceptual and empirical evidences". However, "fulfilment is not necessarily restricted to the case of met needs, since over-fulfilment can be satisfying if it provides additional unexpected pleasure; and under-fulfilment can be satisfying if it provides more than one anticipates in a given situation" (Mohajerani and Miremadi, 2012). Agbor (2011) states that while it is typically displeasure or under-fulfilment that is understood to be dissatisfying, over-fulfilment may be just as dissatisfying if it is unpleasant — a case of too much of a good thing". Lovelock (2011:70) defines customer satisfaction as "an attitude-like judgement following the customer experience, its essential determinants being the confirmation or disconfirmation of pre-consumption expectations", while Aron (2010:237) describes it as "an attitude like judgement following a purchase act or a series of consumer product interactions". In this regard, the confirmation-disconfirmation theory, which stipulates expectations to be an important factor in determining satisfaction, has been used as the basis for a variety of service-marketing studies (Agbor, 2011, Mohajerani and Miremadi, 2012, Beard, 2013a). This implies that customers have certain service standards in mind (their expectations) prior to consumption, that they observe service



performance and compare it with their standards, and that they then form satisfaction judgements based on their comparison. The resulting judgement, according to Lovelock (2011:52), is labelled negative disconfirmation if the service is worse than expected, positive disconfirmation if it is better than expected and simple confirmation if it is as expected.

González et al. (2007:153) reconfirmed the above assertions by arguing for a “positive relationship between perceived service quality and satisfaction”. Other researchers also found that service quality is a factor of customer satisfaction though product quality and price can have an influence on customer satisfaction (Zeithaml et al. 2006). Parasuraman et al., (1985) declared that higher perceived service quality leads to the realization of higher customer satisfaction. In agreement with Parasuraman et al. (1994b), many researchers recognized that the level of customer satisfaction is based on the level of service quality (Wu et al., 2014; Khan and Fasih, 2014; Markovic and Jankovic, 2013; Boon-Liat and Md. Zabid Abdul, 2013; Auka et al., 2013). According to the aforementioned, customer satisfaction is predicted by the level of service quality because service quality is calculated based on the level of expectations met by the perceived service of service providers. The relationship between service quality and customer satisfaction has been further demonstrated by many researchers in the past (Agbor, 2011; Mohajerani and Miremadi, 2012). Daniel and Berinyuy (2010) also reported that customer satisfaction and service quality are related variables. The aforementioned researchers however indicated that due to the fact that service quality is affected by experience or perception, it is abstract; while many customers’ satisfaction is feelings of customers on service encounters and experiences.

Considering the relationship between customer satisfaction and service quality, Oliver (1993) first suggested that service quality would be an antecedent to customer satisfaction, regardless of whether these constructs were cumulative or transaction-specific. Some researchers (Khan and Fasih, 2014; Prentice, 2013; Mohajerani, 2013; Angelova and Zekiri, 2011) have found empirical support for the above-mentioned perspective. This, even though service quality and customer satisfaction have certain things in common, satisfaction is seen to be broader (Hyun Soon et al., 2014).

Bennett and Barkensjo (2005:93) stated that “relationship quality and actual service quality induced beneficiaries to want to recommend a charity to other people and to engage in positive word-of-mouth.” Gera (2011) investigated the link between service quality, value, satisfaction and behavioural intentions in a public sector bank in India, and one of his findings revealed that “service quality was found to significantly impact on customer satisfaction and value perceptions”

From the above, it is apparent that there is a relationship between service quality and customer satisfaction. To explore this further in the Ethiopian hotel industry context, it is hypothesized that:

H1: Hotel customer’s service quality perceptions are associated with their satisfaction with the hotel service.

Service quality and customer loyalty

Service quality is considered to have an influence on customer loyalty indirectly, as it helps customers determine their satisfaction with the service offerings (Kandampully et al., 2015). However, Gbenga and Osotimehin (2015) found that in the hospitality industry in Nigeria, there is a positive and significant relationship between customer loyalty and customers’ perceptions of service quality. Lin (2005) contends that service quality is an important determinant of repeat business in hotels. Nevertheless, most researchers, (Kandampully et al., 2015; Awara and



Anyadighibe, 2014; Ramanathan and Ramanathan, 2013; Moiescu and Gica, 2013; Kursunluoglu, 2011), see the relationship between service quality and loyalty through a mediating effect of customer satisfaction. Hence, to explore this relationship further, and more specifically in the Ethiopian hotel industry context, it is hypothesized that:

H2: Hotel customer's service quality perception is associated with customer's loyalty.

Customer satisfaction and customer loyalty

Prentice (2013) argued that even though customer satisfaction is essential to a thriving hotel industry, customer loyalty plays an even more significant role because it is an indicator of success in the service industry. Cheung and Thadani (2010) show that customers display various degrees of loyalty, allegiance or commitment towards a particular service provider. Thus, it is important that hotel operators understand the most influential factors in customer loyalty when devising and implementing strategies to make sure that existing guests remain loyal, while prospective guests develop new loyalty towards them (Boon-Liat and Md. Zabid Abdul (2013). Because of the importance of customer satisfaction in retaining existing customers, many researchers focused their studies on the importance of predicting customer behaviour, especially in relation to the customer satisfaction construct and the satisfaction-loyalty link (Prentice, 2013; Salleh et al., 2013; Awara and Anyadighibe, 2014). In addition, Berry et al. (2006) stated that when hotel guests have had an enjoyable stay, they are very likely to patronize the hotel repeatedly, and will also recommend the hotel to their family and friends.

Customer satisfaction may drive loyalty, but it may not be a very reliable, and definitely not the only determinant of loyalty (Faullant et al., 2008). In a study conducted at Alpine ski resorts, Faullant et al. (2008) established that both image and overall satisfaction are important since they influence the degree of customer loyalty. In general, researchers indicate that there is a positive correlation between customer satisfaction and customer loyalty, and customer satisfaction is widely acknowledged as an indicator of customer loyalty in the hotel industry (Alrousan and Abuamoud, 2013). Customer loyalty is a much valued asset, and the long-term success of a hotel is assured if it can expand and maintain a large and loyal customer base (Wilkins et al., 2010).

In contrast to the abovementioned, some researchers doubt whether customer satisfaction will translate into customer loyalty. For example, from a study on the satisfaction-loyalty model Olsen (2002), it became apparent that customer satisfaction might not always guarantee customer loyalty, since other factors such as perceived quality performance and brand image are also deemed to contribute to loyalty (Ramanathan, 2012). Hence, to explore this relationship further, and more specifically in the Ethiopian hotel industry context, it is hypothesized that:

H3: Hotel customer's level of service satisfaction is associated with their loyalty.

The various hypotheses postulated above will be tested using the methodology described below.

Research methodology

Since Saunders et al. (2012) confirmed that probability sampling is most commonly associated with survey-based research, a two-stage stratified cluster sampling technique was used to examine the hypothesized relationships. Stratified sampling separates the population into subgroups that are called strata (Polonsky and Waller, 2011); whereas in cluster sampling, the population is divided into subgroups called clusters and a sample of clusters is drawn (Blair et al., 2014).



The hotels were used as a cluster to group the hotel guests, as there was no official list of hotel guests available in Ethiopia. The hotels were then stratified by their star ratings, and from these graded hotels, 40 were randomly selected. Thirty hotel guests in each cluster were randomly selected for participation in this study during check-ins at the reception desks. The target population was all hotel guests staying in star rated (graded) hotels in Ethiopia for one night or more, during the survey period.

Blair et al. (2014) established the optimum cluster size using an equation, as being 20 to 25. However, in this study, in order to cater for low responses from some clusters, a sample of 40 clusters (hotels) was randomly selected from a sampling frame of the list of hotels under all strata. The number of hotels allocated per stratum was determined proportional to the size of the hotel, and the level of occupancy at these randomly selected hotels. From the 40 hotels, a random sample of 1200 guests was selected at check-in, using systematic random sampling. Although 1200 questionnaires were distributed, only 415 usable questionnaires were received, representing a response rate of 34.6%, which was deemed more than adequate for statistical inference (Saunders et al., 2012).

Research approach

A quantitative approach was employed using a self-administered questionnaire, based on a modified version of the SERVQUAL (Parasuraman et al., 1991) and HOTSPERF (Tefera and Govender, 2016). The SERVQUAL measurement was based on 22 service attributes that were reduced into five dimensions namely, Tangibles, Reliability, Responsiveness, Assurance and Empathy. However, the HOTSPERF had 25 items with two dimensions named as Tangibles and Intangibles. The HOTSPERF measurement is differentiated from the SERVQUAL model through the addition of three new service attributes, rewording of the SERVQUAL attributes to read positively, using a five-point Likert scale, and only two measurement dimensions, namely, Tangibles and Intangibles. The section of the questionnaire which focused on customer satisfaction and loyalty questions was based on past studies (Kursunluoglu, 2011; Kandampully and Suhartanto, 2000). Customer service satisfaction questions were based on three attributes namely, satisfaction with the product, employees and overall satisfaction, and customer loyalty was based on two attributes namely, the intention to return to the same hotel, and willingness to recommend the hotel to others. With respect to customer satisfaction, respondents were asked to indicate their satisfaction with the hotel service on a five-point scale ranging from 'Not very Satisfied = 1' to 'Very Satisfied = 5'. To assess customer loyalty, two attributes were used and guests were asked to indicate their responses on a five-point scale ranging from 'Very unlikely = 1' to 'Very likely = 5', how likely they were to visit the hotel again or refer it to friends and family.

The data was analysed using the Statistical Package for Social Science (SPSS) Version 23 and Stata Version 13.1.

Findings

Response rate

Of the 40 hotels targeted, only 31 were willing to participate in the study, resulting in a response rate of 77.5 %, ranging from four to maximum of 30 participants per hotel. Of the 1200 randomly distributed questionnaires, 427 were returned in a sealed envelope to the receptionists at the various hotels, and collected by the researcher. However, of the 427 questionnaires returned, 12 had over 40% of missing data, and were omitted from the final analysis. Hence, only 415 questionnaires were finally analysed, which represented an overall response rate of 35.58%.



Reliability and validity of the research instruments

The internal consistency of a measurement scale could be determined in many ways, but the most frequently used is the Cronbach's coefficient alpha; and a value of 0.7 is deemed acceptable, depending on the nature and purpose of the scale (Nunnally (1978) as cited by Pallant (2013). Table 1 reveals that the Cronbach coefficient alphas for both the Intangible and Tangible dimensions, as well as the customer satisfaction measurement scales were above 0.7, indicating internal consistency of the HOTSPERF measuring scales used in this study.

Table 1: Reliability statistics coefficients for scales

Measuring scales	Cronbach's Alpha	No. of Items
Intangibles	.962	15
Tangibles	.906	10
Customer satisfaction	.736	3
Customer loyalty	.592	2

Source: Primary data

The lower Cronbach's alpha coefficient score for the customer loyalty measurement, according to Pallant (2013), is predicted, because of the small number of items in the scale. Therefore, an optimal inter-item correlation test was calculated and the value of 0.4, as indicated in Table 2, is within the range recommended by Briggs and Cheek (1986).

Table 2: Inter-item correlation matrix

	Would you stay in the same hotel?	How likely are you to recommend the hotel?
Would you stay in the same hotel?	1.000	0.421
How likely are you to recommend the hotel?	0.421	1.000

Source: Primary data

Validity

Confirmatory Factor Analysis (CFA) was conducted using maximum likelihood estimation, to validate the 25 service quality perception attributes of the HOTSPERF instrument. The results in Table 3 indicate the standardized factor loading (SFL) values for each of the 25 observed variables, their standard error, significance, and confidence intervals. The SFL of all observed variables compared to their corresponding latent variables were greater than 0.90 with significance at $p < .001$, a 95% confidence interval that ranged from 0.88 to 1.11. The Chi-Square value/degree of freedom was 3.2 at $p < .001$.



Table 3: Factor Loadings for Service Quality Perceptions
 Structural equation model
 Estimation method = ml
 Log likelihood = -10698.038

{ 1) [REL_PQ12]Intangibles = 1
 { 2) [TA_PQ1]Tangibles = 1

		OIM			[95% Conf. Interval]	
		Coef.	Std. Err.	z	P> z	
Measurement						
REL_PQ12 <-						
	Intangibles	1	(constrained)			
	_cons	3.672289	.0480378	76.45	0.000	3.578137 3.766441
REL_PQ14 <-						
	Intangibles	-.9530287	-.0559768	17.03	0.000	-.8433161 1.062741
	_cons	3.715663	.046253	80.33	0.000	3.625008 3.806317
REL_PQ15 <-						
	Intangibles	1.028147	-.0565358	18.19	0.000	-.9173391 1.138955
	_cons	3.915663	.047222	82.92	0.000	3.823109 4.008216
RES_PQ16 <-						
	Intangibles	1.109131	-.0638357	17.37	0.000	-.9840154 1.234247
	_cons	3.737349	.0528129	70.77	0.000	3.633838 3.840861
RES_PQ17 <-						
	Intangibles	-.9707738	-.0582217	16.67	0.000	-.8566613 1.084886
	_cons	3.679518	.0478528	76.89	0.000	3.585728 3.773308
RES_PQ18 <-						
	Intangibles	1.056747	-.0572446	18.46	0.000	-.9445494 1.168944
	_cons	3.913253	.0478832	81.73	0.000	3.819404 4.007102
RES_PQ19 <-						
	Intangibles	-.9948566	-.0553916	17.96	0.000	-.8862911 1.103422
	_cons	3.93494	.0460514	85.45	0.000	3.844681 4.025199
AS_PQ20 <-						
	Intangibles	-.9768654	-.0562725	17.36	0.000	-.8665733 1.087157
	_cons	3.737349	.0464986	80.38	0.000	3.646214 3.828485
AS_PQ21 <-						
	Intangibles	1.025419	-.0580389	17.67	0.000	-.9116649 1.139173
	_cons	3.889157	.0481265	80.81	0.000	3.79483 3.983483
AS_PQ22 <-						
	Intangibles	-.9812692	-.0559602	17.54	0.000	-.8715891 1.090949
	_cons	3.853012	.046227	83.35	0.000	3.762409 3.943615
AS_PQ23 <-						
	Intangibles	1.074987	-.0614277	17.50	0.000	-.9545909 1.195383
	_cons	4.048193	.0506045	80.00	0.000	3.94901 4.147376
EM_PQ24 <-						
	Intangibles	1.030402	-.0576665	17.87	0.000	-.9173773 1.143426
	_cons	3.80241	.0478177	79.52	0.000	3.708689 3.896131
EM_PQ25 <-						
	Intangibles	1.007328	-.0584473	17.23	0.000	-.8927736 1.121883
	_cons	3.73494	.048123	77.61	0.000	3.64062 3.829259
EM_PQ26 <-						
	Intangibles	1.068272	-.0573634	18.62	0.000	-.9558417 1.180702
	_cons	3.742169	.0480366	77.90	0.000	3.648019 3.836319
EM_PQ27 <-						
	Intangibles	1.054023	-.0574924	18.33	0.000	-.9413399 1.166706
	_cons	3.881928	.0477823	81.24	0.000	3.788276 3.975579



TA_PQ1 <-							
	Tangibles	1	(constrained)				
	_cons	3.809639	.0467222	81.54	0.000	3.718065	3.901212
TA_PQ2 <-							
	Tangibles	.9416642	.0500706	18.81	0.000	.8435276	1.039801
	_cons	3.737349	.0447162	83.58	0.000	3.649707	3.824992
TA_PQ3 <-							
	Tangibles	1.090882	.0715447	15.25	0.000	.9506564	1.231107
	_cons	3.703614	.0494149	74.95	0.000	3.606763	3.800466
TA_PQ4 <-							
	Tangibles	1.00469	.065453	15.35	0.000	.8764046	1.132976
	_cons	3.913253	.0447491	87.45	0.000	3.825546	4.00096
TA_PQ5 <-							
	Tangibles	.9624689	.0656811	14.65	0.000	.8337363	1.091201
	_cons	3.840964	.0445297	86.26	0.000	3.753687	3.92824
TA_PQ6 <-							
	Tangibles	.9588851	.0668051	14.35	0.000	.8279494	1.089821
	_cons	3.901205	.0452698	86.18	0.000	3.812478	3.989932
TA_PQ8 <-							
	Tangibles	1.029178	.071135	14.47	0.000	.8897561	1.1686
	_cons	3.756627	.0483383	77.72	0.000	3.661885	3.851368
TA_PQ9 <-							
	Tangibles	.8841103	.0923987	9.57	0.000	.7030121	1.065209
	_cons	3.279518	.062259	52.68	0.000	3.157493	3.401543
TA_PQ10 <-							
	Tangibles	1.092398	.0795148	13.74	0.000	.9365514	1.248244
	_cons	3.737349	.0536853	69.62	0.000	3.632128	3.842571
TA_PQ11 <-							
	Tangibles	.9888508	.0659765	14.99	0.000	.8595393	1.118162
	_cons	3.619277	.0449413	80.53	0.000	3.531194	3.70736

LR test of model vs. saturated: chi2(269) = 863.01, Prob > chi2 = 0.0000

Source: Primary data



While all the factor loadings (Table 3) looked good, further tests of goodness of fit were conducted to reconfirm the aforementioned results. The result in Table 4 shows a very good fit of the 25 service perception variables to the two dimensions of the HOTSPERF instrument. The RMSEA of 0.073, CFI of 0.927 and TLI value of 0.919 were all within acceptable ranges. The coefficient of determination (CD) value of 0.989 proved to be similar to the R2 value, indicating a good fit of the HOTSPERF model.

Table 4: Goodness of fit of outcome variables of the HOTSPERF mode

Fit statistic	Value	Description
Likelihood ratio		
chi2_ms(269)	863.008	model vs. saturated
p > chi2	0.000	
chi2_bs(300)	8459.478	baseline vs. saturated
p > chi2	0.000	
Population error		
RMSEA	0.073	Root mean squared error of approximation
90% CI, lower bound	0.068	
upper bound	0.078	
pclose	0.000	Probability RMSEA <= 0.05
Information criteria		
AIC	21558.075	Akaike's information criterion
BIC	21884.366	Bayesian information criterion
Baseline comparison		
CFI	0.927	Comparative fit index
TLI	0.919	Tucker-Lewis index
Size of residuals		
SRMR	0.038	Standardized root mean squared residual
CD	0.989	Coefficient of determination

Source: Primary data

Relationship between service quality and customer satisfaction

The relationship between service quality and customer satisfaction was analysed using Spearman's rho coefficient and the results are presented in Table 5. The results show that all three items that measured customer satisfaction were related to the two service quality variables ($p < 0.01$). Thus, H1 was accepted, implying that there was a significant relationship between the customers' service quality perception and their service satisfaction.



Table 5: The relationship between service quality and customer satisfaction

		1	2	3	4	5
1.	Satisfaction with product	1				
2.	Satisfaction with hotel staff	.549**	1			
3.	Overall satisfaction	.677**	.619**	1		
4.	Intangibles	.380**	.505**	.403**	1	
5.	Tangibles	.426**	.281**	.396**	.067	1

** Correlation is significant at the 0.01 level (2-tailed)

Source: Primary data

Furthermore, to explore the best predictor of overall satisfaction, multiple regression analysis was performed by first testing for multicollinearity among the variables. According to Hair et al. (2011), the presence of multicollinearity is evident by the high correlation of an independent variable with the other independent variables. This was clearly indicated in Table 5, where the two service quality attributes (Intangibles and Tangibles) were positively correlated, and the relationship was statistically significant ($p < 0.1$), with the coefficient being less than 0.8, confirming the non-existence of multicollinearity (Bryman and Bell, 2012).

In Table 6 and Table 7, “the multiple regression analysis results indicate the relationship between service quality and overall customer satisfaction”. The model was relatively strong ($R = 0.531$), and the two service quality dimensions explained about 28.2 % of the variance in the overall customer satisfaction. This was due to the coefficient of determination ($R^2 = 0.282$), and the adjusted coefficient of determination ($R^2 = 0.278$).

The importance of the two independent variables is apparent from the beta coefficients in Table 6. Although both dimensions affected the overall customer satisfaction, the Intangibles dimension had a higher standardised coefficient (0.409) with statistical significance ($p = 0.01$), while the Tangibles dimension’s standard coefficient was 0.338, with the same statistical significance ($p < .001$).

Table 6: Model goodness of fit for service quality and customer satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.531 ^a	.282	.278	.684

a. Predictors: (Constant), Tangible Perception, Intangible Perception

b. Dependent Variable: Overall satisfaction

Source: Primary data



The multiple regression model results of the perceived service quality that contributed to the overall service quality reflected in Table 7 shows that the estimated coefficient β_0 (constant) was 3.904. β_1 (Intangibles) was 0.329; β_2 (Tangibles) was 0.272. Hence the estimated model was:

$$\text{Overall satisfaction} = 3.904 + 0.329 (\text{Intangibles}) + 0.272 (\text{Tangibles})$$

The above implies that when Intangibles increase by one point, the overall satisfaction increases by .329, and when Tangibles increase by one point, the overall satisfaction increases by 0.272. Therefore, if the hotels need to increase their customer satisfaction, they need to work at improving their service quality.

Table 7: Relationship between perceived service quality and customer satisfaction

Model	Unstandardized Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.904	.034		116.320	0.000
Intangible	.329	.034	.409	9.803	.000
Tangible	.272	.034	.338	8.100	.000

a. Dependent Variable: Overall satisfaction

Source: Primary data

Relationship between service quality and customer loyalty

The relationship between service quality and customer loyalty was also analysed with Spearman's rho coefficient and the results are presented in Table 8. The results show that the two items that measured customer loyalty were related to the two service quality variables ($p < 0.01$). However, it is also noted that there was no significant relationship between the two HOTSPERF dimensions ($r = 0.067, p > 0.05$). In light of the above, H2 was accepted, implying that there was a significant relationship between the customers' service quality perception and their loyalty.

Table 8: The relationship between service quality and customer loyalty

	1	2	3	4
1 The likelihood to stay in the same hotel	1			
2 The likelihood to recommend the hotel	.711**	1		
3 Intangible Perception	.246**	.319**	1	
4 Tangible Perception	.304**	.297**	.067	1

** Correlation is significant at the 0.01 level (2-tailed)

Source: Primary data



Relationship between customer satisfaction and loyalty

The relationship between customer satisfaction, measured by satisfaction with the products, satisfaction with the hotel staff and overall customer satisfaction, and customer loyalty measured by their willingness to stay in the same hotel, was tested using the Pearson's correlation test (Table 9). Before the test was conducted, an analysis was performed to ensure that there was no violation of the assumptions of normality, linearity and homoscedasticity" (Pallant, 2013). In both cases, it emerged with 99% confidence "that there were significant positive relationships between the customer satisfaction variables" (products .488; $p < 0.001$; staff .460; $p < 0.001$), and the customers' willingness to stay in the same hotel again.

Table 9: Correlation between customer satisfaction and customer loyalty

	1	2	3	4
1 The likelihood to stay in the same hotel (Loyalty)	1			
2 Satisfaction with product	.488**	1		
3 Satisfaction with hotel staff	.460**	.514**	1	
4 Overall satisfaction	.537**	.677**	.623**	1

Source: Primary data

To determine the best predictor of customer loyalty, multiple regression analysis was performed, by firstly testing for multicollinearity among the variables. According to Hair et al. (2011), the presence of multicollinearity is evident by the high correlation of an independent variable with other independent variables. Table 9 reflects that all of the independent variables of customer satisfaction (product, hotel staff and overall satisfaction) were positively correlated, the relationship was statistically significant ($p < 0.1$), and the correlation coefficient was less than 0.8, confirming the non-existence of multicollinearity issues in this analysis (Bryman and Bell, 2012).

In Table 10 and Table 11, the multiple regression analysis results indicate the relationship between customer satisfaction and customer loyalty as measured by the likelihood of customers to stay in the same hotel again. The model was relatively strong ($R = 0.579$), and the three customer satisfaction variables explained about 33.5% of the variance in customer loyalty, expressed by the likelihood that the customers will return to the same hotel.

Table 10: Model goodness of fit for the relationship between customer satisfaction and customer loyalty

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.579 ^a	.335	.330	.738

a. Predictors: (Constant), Overall satisfaction, Satisfaction with hotel staff, Satisfaction with product



b. Dependent Variable: How likely to stay in the same hotel

Source: Primary data

The importance of the three customer satisfaction variables as reflected by their beta coefficients is reflected in Table 11. Although all customer satisfaction variables affected customer loyalty, the overall satisfaction variable had the highest standardised coefficient (0.328) with a statistical significance ($p < 0.01$), followed by satisfaction with the product (.227, $p < .01$), and satisfaction with hotel staff (.190, $p < .01$).

Table 11: The relationship between customer satisfaction and customer loyalty

Model	Unstandardized Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.062	.209		5.078	.000
Satisfaction with product	.227	.063	.200	3.612	.000
Satisfaction with hotel staff	.190	.057	.175	3.350	.001
Overall satisfaction	.328	.068	.292	4.815	.000

a. Dependent variable: How likely to stay in the same hotel

Source: Primary data

The multiple regression model of the contribution of perceived service quality to customer loyalty in Table 12 shows that the estimated coefficient β_0 (constant) was 1.064; β_1 (satisfaction with the product) was 0.227; β_2 (satisfaction with hotel products) was 0.190; and β_3 (overall satisfaction) was 0.328.

Hence the estimated model was:

Customer loyalty = 1.064 + 0.227 (satisfaction with product) + 0.272 (satisfaction with hotel staff) + 0.328 (overall satisfaction); which is an indication that satisfaction with the product, hotel staff and overall satisfaction have an impact on customer loyalty. A one-point increase in satisfaction with the product, hotel staff, and overall satisfaction will result in 0.227, 0.272 and 0.328 increases in customer loyalty respectively. Based on the multiple regression modelling and correlation analysis, H3 was supported, implying that there is a relationship between the hotel customers' service satisfaction and their loyalty.

Relationship between service quality, customer satisfaction and loyalty

The goodness of fit model in Table 12 shows that the data fitted the model moderately ($X^2/df = 0.08$, "RMSEA = 0.000, TLI = 1.011 and CFI = 1.000). All of the paths were significant at the 0.01 level, and the CD value for the model was 0.604. This indicated that 60.4 % of the variance was explained by the SEM, which is the same as the r^2 in the regression analysis.



Table 12: Goodness of fit model for the overall structural equation model

Fit statistic	Value	Description
Likelihood ratio		
chi2_ms(3)	0.243	model vs. saturated
p > chi2	0.970	
chi2_bs(10)	813.542	baseline vs. saturated
p > chi2	0.000	
Population error		
RMSEA	0.000	Root mean squared error of approximation
90% CI, lower bound	0.000	
upper bound	.	
pclose	0.993	Probability RMSEA <= 0.05
Information criteria		
AIC	5051.782	Akaike's information criterion
BIC	5112.206	Bayesian information criterion
Baseline comparison		
CFI	1.000	Comparative fit index
TLI	1.011	Tucker-Lewis index
Size of residuals		
SRMR	0.003	Standardized root mean squared residual
CD	0.604	Coefficient of determination

Source: Primary data

Since the aforementioned results indicate the model's fit, the decision on the hypotheses could be made based on the SEM path coefficients diagram (Figure 1) and the model summary in Table 13. Figure 1 shows all the paths based on the SEM, and the positive effect of customer service quality perception on customer satisfaction (standard coefficient 0.23, $P < 0.01$), supported H1; the relationship between customer service quality perception and customer loyalty (standard coefficient -0.13, $p < 0.01$) supported H2; and the effect of customer satisfaction on customer loyalty (standard coefficient 1.3, with significance level $p < 0.01$) supported H3.

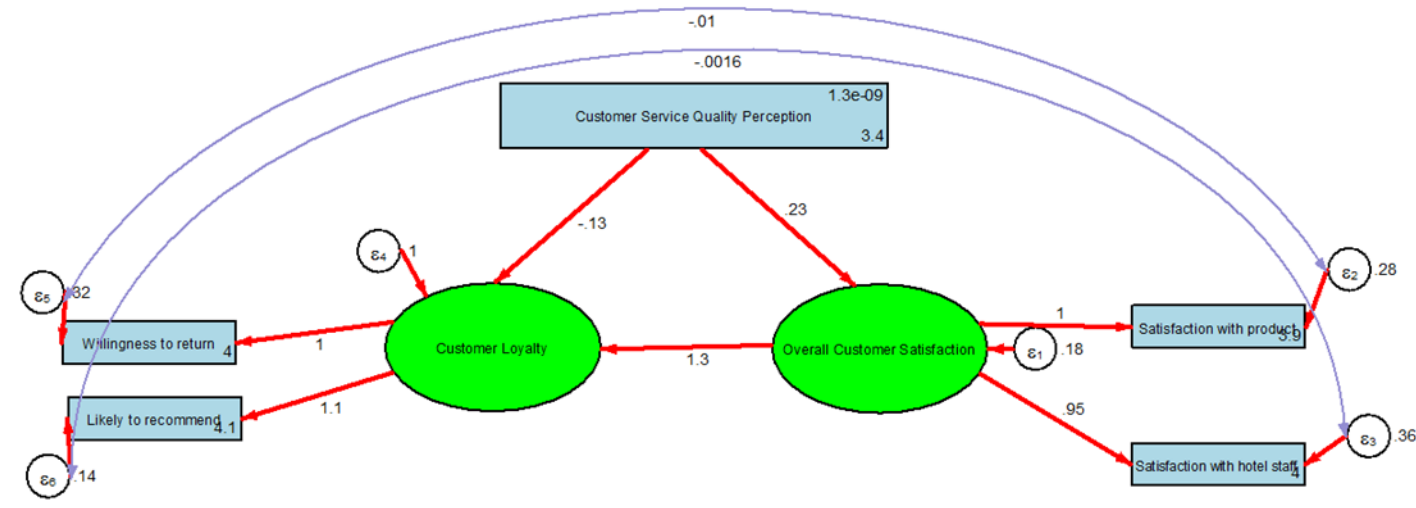


Figure 1: The relationship between customer service quality perception, customer satisfaction and customer loyalty



Table 13 summarises the SEM results derived from the total effects (direct and indirect) reflected in Figure 1.

Table 13: Structural equation model summary

Structural equation model	Number of obs				=	415	
Estimation method	= ml						
Log likelihood	= -2510.8909						
(1) [SA_Q2]Overall_Satisfaction = 1							
(2) [LO_Q1]Customer_Loyalty = 1							
	OIM						
	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]		
Structural							
Overall_Satisfaction <- Perception	.2289966	.0169661	13.50	0.000	.1957437	.2622495	
Customer_Loyalty <- Overall_Satisfaction Perception	1.272853 -.1256616	.1707275 .0395812	7.46 -3.17	0.000 0.001	.9382328 -.2032393	1.607472 -.0480839	
Measurement							
SA_Q2 <- Overall_Satisfaction _cons	1 (constrained)						
	3.86506	.032994	117.14	0.000	3.800393	3.929727	
SA_Q3 <- Overall_Satisfaction _cons	.949659 4.024096	.0718865 .0354272	13.21 113.59	0.000 0.000	.8087641 3.95466	1.090554 4.093532	
LO_Q1 <- Customer_Loyalty _cons	1 (constrained)						
	3.983133	.0415674	95.82	0.000	3.901662	4.064603	
LO_Q2 <- Customer_Loyalty _cons	1.10136 4.055422	.0724186 .0384072	15.21 105.59	0.000 0.000	.9594218 3.980145	1.243298 4.130698	

LR test of model vs. saturated: chi2(3) = 0.24, Prob > chi2 = 0.9703

Source: Primary data

Discussion of the findings

The results revealed that there was a significant positive relationship between customer service quality and customer satisfaction. This study confirmed many other researchers' recognition "that the level of customer satisfaction is based on the level of service quality" (Wu et al., 2014; Khan and Fasih, 2014; Markovic and Jankovic, 2013; Boon-Liat and Md. Zabid Abdul, 2013; Auka et al., 2013). Furthermore, the most important service quality dimension related to the



customer's satisfaction assessed using the HOTSPERF measurement dimensions and the beta coefficients revealed that the 'Intangible' dimensions had a higher standardized coefficient than the 'tangibles' dimension. This was in line with Nadiri and Hussain (2005) who reported that 'intangibles' and 'tangibles' are predictors of customer satisfaction, where intangibles have a higher relative effect. The multiple regression model of service quality also showed that when intangibles increase by one point, the overall satisfaction increased by 0.329, and when tangibles increase by one point, the overall satisfaction increased by 0.272. This was reiterated by Kim-Soon et al. (2014) who argued that sustaining or increasing customer service satisfaction levels require continuous and regular monitoring of the "controllable elements of service quality".

Many studies also confirmed that higher service quality leads to higher customer satisfaction, which eventually leads to customer loyalty (Getty and Thompson, 1994 ; Mohajerani and Miremadi, 2012; Agbor, 2011; Kandampully and Suhartanto, 2003). Through both structural equation modelling (SEM) and Pearson's correlation measurements, it became evident that a significant relationship existed between customers' service quality perception and loyalty. However, the SEM results showed a negative correlation as opposed to the Pearson's correlation measurement. The aforementioned concurs with that of the Kandampully et al. (2015) study, which reported an indirect relationship between the service quality and customer loyalty.

There was a significant and positive relationship between customer satisfaction and customer loyalty, which is similar to the results obtained in Taiwan by Chang-Hsi et al. (2006) and, in Iran by Mohajerani and Miremadi (2012), and similar results were also reported in studies from other countries (Awara and Anyadighibe, 2014; Prentice, 2013; Moisescu and Gica, 2013; Alrousan and Abuamoud, 2013; Ranjbarian et al., 2011; Kursunluoglu, 2011; Lin, 2005).

Furthermore, the attributes that contributed to customer loyalty were computed and the results revealed that the estimated coefficient β_0 (constant) was 1.064; β_1 (satisfaction with the product) was 0.227; β_2 (satisfaction with the hotel's products) was 0.190 and β_3 (overall satisfaction) was 0.328. The model fit was relatively strong with R^2 equal to 0.333. This is an indication that the three customer satisfaction variables explained about 33.5% of the variance in customer loyalty. Based on the statistical test and model fit, it was shown that customer satisfaction had an effect on customer loyalty. Even though all variables of customer satisfaction had an effect on customer loyalty, the overall satisfaction variable had the highest standardized coefficient (0.328), followed by satisfaction with the product (.227) and satisfaction with the hotel staff (0.190) at a significance level of $p < .01$. This means that for every one unit increase in customer overall satisfaction, customers' "willingness to return to the same hotel in the future" increased by 0.328. In line with Cheung and Thadani (2010) study, the results are a confirmation that the overall satisfaction of the customer is the main contributor to customer loyalty. This finding is also in line with the study by Prentice (2013) who reaffirmed customer satisfaction as being essential to a thriving hotel industry and that customer loyalty plays an even more significant role because it is an indicator of success in the service industry.

Conclusion and recommendations

In this study, since it was reconfirmed that service quality had a significant effect on customer satisfaction, in order to improve customer satisfaction, the hotels should not set the customer expectations very high. The hotel management needs to know their customers' satisfaction levels, and conduct satisfaction surveys regularly. It is also recommended to have focus group discussions and user group forums like blogs and observation studies that may identify the customer's satisfaction level and, address issues where they are evident. Hotel management should introduce dedicated team members that engage with potential customers on social



media and online travel agents' websites. Service level agreements be established with customer service employees and they should be rewarded with bonuses and other incentives.

Improvement of customer loyalty is important for any organization which depends on repeat business, and hotel management needs to create a service milieu which engenders loyalty. The hotel operation is dependent on the service they provide to their customers, while retaining customers depends on how expertly the service is delivered, and it is recommended that all hotel employees be skilled and properly trained on customer service on a regular basis.

Trust should be built through having a relationship with customers by having periodic communication with them via emails or creating a blog and posting newsletters on the hotels' activities, specials, etc. Furthermore, it is recommended that the hotel management set up social media profiles (Facebook, twitter, etc.) to build an on-line relationship with existing and potential customers. Implementing anticipatory customer service strategies like inspecting the rooms before, and at the time of check-in, and service staff doing a white glove test, needs to be considered and implemented.

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