

A Study on the Factors Contributing to Customer Loyalty in Budget Hotels in Cairo and Alexandria, Egypt

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Abstract

Customer loyalty has gained great consideration in recent years. It is crucial for hotel's success and survival in this competitive market. This research intends to determine the factors contributing to customer loyalty in budget hotel sector in Egypt. This research was investigated by adopting a quantitative research approach. A structured survey was set up involving 33 items to measure customer loyalty and investigated constructs. The outcomes of this study highlighted low level of customer loyalty in budget hotels in Egypt. Four determinants were identified to have major positive impact on customer loyalty respectively: corporate image, price perception, physical environment and switching costs whereas CSR did not have significant effect on customer loyalty. The research implies that budget hotels' managers should invest in improving the factors that were identified as influential/supportive to attract and retain customers. They should deal with customer loyalty as a strategic target and maintain a long-term relationship with customers to enhance their repurchasing intentions. This research contributes to boost customer loyalty in the context of budget hotel sector. It provides a range of tools and recommendations that will motivate customers' re-buying behavior and make them more emotionally-tied to small hospitality organizations.

Keywords: customer loyalty, budget hotel, corporate image, corporate social responsibility, price perception, switching costs

Introduction

Budget hotel also recognized as 'economy hotel', 'limited service' and the terms are used interchangeably (Brotherton, 2004). These small organizations often encounter a strong competition and financial problems. Mulyana and Prayetno (2018) showed that the great fluctuations in occupancy in budget hotels in DKI Jakarta were occurred due to the low level of customer loyalty. They declared that budget hotels are in a great need to develop a management system capable of retaining customers. In fact, retaining and building customer loyalty is considered one of the great challenges facing hotel managers in the meantime as a result of the continuous changes and challenges in the market. Many guests have showed a switching behavior because of many reasons in the hospitality industry (Fungai, 2017). Xiao et al. (2019) revealed that the cost of acquiring new customers is greater than the cost of maintaining the current ones. Accordingly, managers should focus on upgrading their services and products continuously in order to retain their existing customers who are regarded to be the most noteworthy aspect in business. Indeed, loss of guests can have harmful effects on any organization. Therefore, companies should motivate customers to return back and create a reason for them to rebuy. These impetuses may include: incorporate additional items, vouchers, special pricing and discounts (Fungai, 2017).



Customer loyalty has become a key for success for hotels. Loyalty can be explained via repeat purchasing behavior, favorable word of mouth and recommendations. Loyal customers are more committed and emotionally attached to the organization. They are not enticed to services and products by rival companies (Griffin, 2005). Oliver (1997) depicted the stages of loyalty formation indicating that it commences with cognitive loyalty which is created based on customers' beliefs towards the brand and ends up with an action which is recognized as behavioral loyalty. Many hotel operators recognize the importance of customer loyalty to hotel's profitability. It can help hotels to enhance their market share and revenues. They developed and used different tools like loyalty programs to acquire and retain customers (Kandampully & Suhartanto, 2000). Many previous studies assumed that quality, value and customer satisfaction factors are adequate to develop customer loyalty. However, this stream of research excluded many important constructs that are essential to retain customers and build loyalty (Bhatt, 2015). There is a lack of empirical studies that investigate the influence of other factors on customer loyalty like image and switching costs (Brunner et al., 2008). In addition, most prior research focused on exploring the drivers of brand loyalty in full-service hotel sector (Ali & Amin, 2014; Wang & Chaipoopirutana, 2015; Nikou et al., 2017). However, there is a limited research that investigates customer loyalty in budget hotel sector. The present study fills this gap and examines the influence of switching costs, physical environment, corporate image, price perception and CSR on customer loyalty in budget hotels in Cairo and Alexandria, Egypt. It is essential to understand these factors and their impact on customer loyalty in order to build effective business strategies and procedures capable of acquiring new customers and ensuring that existing customers stay loyal to the hotel.

Literature review

The concept of budget hotel

There is still a lack of a unified definition of budget hotels in the literature (Brotherton, 2004). Budget hotels are known as cheap hotels that provide basic services required by customers. They are small in size and normally rated as one and/or two star hotels. In the last few years there was a remarkable increase in number of budget hotels and this growing will continue in the future as the expenses needed to build and operate a budget hotel is relatively low in comparison to luxury hotels (Ali, 2016). Gilbert and Lockwood (1990) defined budget hotel as a limited service lodging operation provides good value for money. These establishments offer good level of quality as higher star rated hotels and provide cheaper rates than average hotel rates in the region by 25-30%. Brotherton (2004) identified five features dominating budget hotel category including: limited services, restricted facilities, low prices, strategic location and modern construction. Jaafar et al. (2011) determined range of challenges facing budget hotels, among these: most budget hotel entrepreneurs had little or no experience in this field and lacked business skills plus inadequate resources to stay in the market. Many governments have paid little attention to budget hotels and give them little support in regards to training, financial support and marketing aspects in comparison to luxury hotels. Hua et al. (2009) studied the development of budget hotels in China from the views of different stakeholders and determined five important dimensions that should be considered by government, hotel investors and industry specialists, including: price, location, product, quality of services and marketing.

Customer loyalty

Customer loyalty is defined as a profound held commitment to patronize a preferred product/service steadily in the future thus creating repeat purchasing behavior regardless of any promotional activities and situational impacts which may make a switching behavior (Oliver, 1997). Loyal customer is the one who rebuy, purchase among product lines and



services, recommend to others and fortified against rivals (Griffin, 2005). Jung and Yoon (2013) revealed that the attributes of loyal customers include: making a continuous and regular purchase over a specific period of time, purchasing products and services outside the product lines (i.e. new services), recommending the company to other people like relatives and family, exhibiting insusceptibility to the attraction factors of competing companies and not readily stimulated by their promotion. It is critical to know the reasons that make customers leave the organization in order to retain them. The organization not only loses potential revenue but also negative experiences are conveyed to patrons and that may represent extra deficiencies. These factors may involve: pricing issue, discomfort, ineffective service, bad behavior of staff, enticing by rivals and moral issues (Khan, 2013).

Tefera and Govender (2017) demonstrated that the survival of any business relies on repeat business and so hotel management must develop a service milieu that fosters loyalty. It is cost-effective to keep up current guests than acquiring new ones. It costs the organization five to nine times more to attract new clients than keeping up existing loyal clients (Cheng et al., 2011). Griffin (2005) identified the benefits that would be gotten if the organization had loyal guests, including: reducing marketing expense; decreasing transaction expenses; reducing customer turn-over and acquisition costs; increasing cross-selling which will expand the organization's market share; enhancing favorable word of mouth and thus free positive advertising; minimizing the expense of failures i.e. the cost of replacement. Griffin and Herres (2002) indicated that customer loyalty can provide businesses with the opportunity to make greater profit. A business can increase its profits by 25-85 percent by enhancing retention of customers.

Oliver (1999) identified four successive stages to loyalty namely: cognitive-affective-conation-action pattern. Customer can get loyal at each of these four stages. The first stage is cognitive loyalty – guests form beliefs and preferences based on their information and awareness with brands. This leads the guest to perceive that one brand is better than the other options. Oliver (1997) showed that there is a shortcoming of cognitive loyalty as it is only comprised of customer's beliefs towards the brand which are still susceptible to rivals and opposing opinions. However, in the event that the purchaser continues dealings with the company his experience and satisfaction are gained overtime and loyalty starts to take profundity thus connoting affectivity. The second stage is affective loyalty – in this stage the guest prefers the product and forms favorable attitudes toward a brand based on the beliefs formed in the first stage (Oliver, 1999). The third stage is conative loyalty - a brand-specific obligation to purchase is created and the intention to revisit is generated (behavioural intentions) (Oliver, 1999). The final stage is behavioural loyalty in which guests transform intentions and attitudes into actions. During this stage guests experience action inactivity combined with a willingness to overcome impediments (i.e. price rising, competitors' promotion etc.) to make actual buying behavior (Oliver, 1999). According to Reza and Rehman (2012) there are three conventional approaches to consumer loyalty, including: behavioural, attitudinal and composite. Attitudinal loyalty indicates a particular willingness to continue a relationship with service provider. While behavioral loyalty is the point at which a consumer repurchases regularly from the same organization. The composite approach involves a combination of the other two dimensions (behavioural and attitudinal).

Zeithaml et al. (1996) determined four dimensions to measure customer loyalty, including: (1) recommending the company and/or the product to others (word of mouth communication), (2) willingness to repurchase and frequently deal with the company, (3) insensitive to price and ready to pay premium prices for company's services and products, (4) providing suggestions and tolerating the undesirable outcomes of the problems when dealing with the company. Wang and Chaipoopirutana (2015) identified three dimensions to measure



customer loyalty in the hospitality industry, involving: (1) price insensitivity – ready to pay more for reserving in the hotel in spite of increased prices, (2) repeat visit – to visit the hotel more frequently and do not change to other companies and (3) word of mouth (WOM) – ready and willing to recommend the hotel to relatives and friends.

Switching costs

Switching cost is known as the costs included when the customer switches from a service provider to another and such costs will not endure if the consumer remains with his present service provider (Porter, 1998). Switching cost is a vital tool that can assist organizations to maintain their client base and enhance competitive advantage (Klemperer, 1995). Increasing changing expense is a typical technique used by organizations to build consumer loyalty as the expenses of switching to other service providers can stop consumers from utilizing these providers (Heide & Weiss, 1995). The existence of changing expenses can imply that some committed consumers are really disappointed however don't abandon as a result of high changing costs. The degree of switching expenses mediates the relationship between satisfaction and loyalty (Lee et al., 2001). Empirically, Aydin et al. (2005) found that switching cost straightforwardly influences loyalty and has a mediator impact on both consumer satisfaction and trust. Switching cost is considered critical factor in gaining customer loyalty particularly for clients who see switching expenses to be high while it has no impact on those who see it to be low. Kim et al. (2004) surveyed Korean tourists and identified three determinants of loyalty including: service quality, switching costs and brand image.

Consumers may remain loyal to an organization in the event they feel that they get more noteworthy benefits than they would from rival companies (Sirdeshmukh et al., 2002). The advantages in which the organization ought to provide include: close interaction and an effective communication with customers, passionate that may loosen up client's psyche and money related advantages for example, offering various discounts to their clients (Bejou & Palmer, 1998). Switching expenses involve not just those that can be estimated in financial terms but also the psychosomatic impact of turning into a client of another company and the time and exertion associated with purchasing new brand (Klemperer, 1995). Psychosomatic expense is an apparent cost originated from social links that structure over the span of time (for instance, staff-customer relationship) and the ambiguity and hazards related with changing to a new brand (Sharma, 2003). Customer's recognition with the service provider's strategies and procedures is considered another sort of switching costs which will get futile if the customer ends the relationship. Consumer will be stimulated to remain loyal to current service provider to conserve on changing expenses, for example, the transaction-specific investments that the person has made on relationships. The formation of another relationship is a type of venture in terms of effort, time and cash which establishes a critical obstruction to changing to other organization (Heide & Weiss, 1995).

Physical environment

Hospitality operators has paid great attention to develop a distinctive atmosphere and physical surroundings since it is considered as one of key factors in attracting and fulfilling guest satisfaction (Han & Ryu, 2009). Raghavendra et al. (2019) indicated that providing inventive and enjoyable environment conditions are fundamental for the success of any organization. The physical environment involves all the physical components of the business setting that influence guest satisfaction, including: surrounding conditions (i.e. illuminations, shapes, temperature etc.), aesthetic design, symbols and antiquities (Morales et al., 2015). These atmospherics and physical attributes are utilized by the company to enhance the corporate image and develop effective relationships with customers through influencing their experiences



(Shankar, 2003). Customers will perceive positive and unforgettable experience of the services and facilities if the physical conditions are inventive, attractive and not quite the same as standard hotels. Both tangible and intangible aspects of service environment will absolutely create outstanding experience for customers. Structuring remarkable hotel atmosphere is one of the means that can be used by hotels to distinguish their services and facilities from their rivals while simultaneously making great customer satisfaction (Ariffin & Aziz, 2012). From the perspective of guests, atmosphere deemed to be an important factor in evaluating any service delivery. Atmosphere is vital on the grounds that it impacts customer satisfaction, rebuying behavior and the emotional and spiritual status of the client (Lin, 2010; Petzer & Mackay, 2014). Customers are now more sophisticated in their services and facilities. They will not sacrifice the hotel atmosphere particularly if they look for a comfort experience. Thus, hotels should provide high quality services as well as a distinctive physical environment to meet customers' expectations and fulfill their satisfaction (Ali & Amin, 2014).

Onojaefe and Nhepera (2017) found that the loyalty of leisure guest is significantly influenced by hotel décor and distinctive room design. Emir (2016) surveyed German tourists in Antalya to explore the correlation between service atmosphere and customer loyalty. The findings revealed a significant association between the internal and external elements of hotel atmosphere and customer loyalty. Items that had a great relationship including: lessening waiting time during guest registration, playing enjoyable music in hotel's lobby and provisions of amusing landscape. Heide and Gronhaug (2009) investigated hotel customers in Norway and found that atmosphere had a high impact on consumer satisfaction and the behavior of clients in terms of repeat visits and recommendations. In the context of Chinese resort hotels Ali and Amin (2014) found that customers' perception of physical environment and surrounding conditions positively influence their satisfaction, emotions and behavioural intentions. In fast food sector Xiao et al. (2019) showed that there is incorporation between physical environment and customer retention. Specifically, aspects like cleanliness, luxury of the seating area and external surroundings fundamentally impact retention of customers. Han and Ryu (2009) determined three main dimensions related to physical environment that highly influence consumers' satisfaction and loyalty in the restaurant sector. These include décor and artifacts, spatial layout and ambient conditions.

Corporate image

Corporate image is about set of convictions and feelings which a consumer holds regarding a specific brand. Image is a vital issue to companies because of its ability to impact consumer's perception regarding the company's services and facilities. It influences consumer's purchasing choice and decision (Suhartanto & Kandampully, 2003). Aaker (1991) showed that brand image can assist guests to distinguish the brand, process data, create motivations to purchase and provide the base for positive feelings and experience. Kandampully and Hu (2007) indicated that corporate image works as "filtering mechanisms" that shape guest's assessment of services and products and determine their satisfaction and intentions to remain committed to the company. Guest's retention relies largely on corporate image and thus hotels should show positive image so as to maintain their customer base and/or acquire loyal guests. This requires identifying consumer needs, providing quality services/products and using of recent technological solutions in operations (Boubakri et al., 2013).

Onojaefe and Nhepera (2017) pointed that customer loyalty and hotel choice are greatly influenced by hotel product and service innovation. Evidently, in the restaurant setting, Mhlanga (2018) found that enhancing service quality favourably strengthen customer loyalty and improves business's reputation. Molai et al. (2020) identified four constructs in relation to service quality that have a significant impact on consumer loyalty, including: responsiveness,



trustworthiness, safety and level of understanding of customers' needs. Suhartanto and Kandampully (2003) revealed that image is created in the consumer's memory as a result of the effects of advertisements, promotion campaigns, public relations, word-of-mouth and consumer's experience with the company's services and products. A consumer's decision to choose a hotel depends largely on the hotel's image. Basically, guests' previous experience with the services provided deemed to be one of the most effective elements in deciding the image of the hotel. Companies with superior image are more recognizable in the market and they have the capability to attract both loyal and non-loyal customers (Kandampully & Suhartanto, 2000).

There are two main dimensions of corporate image, including: "holistic" and "attributes". The holistic dimension refers to the overall feeling and impression of a phenomenon as a whole in the consumer's mind. It is operationalized depends on the consumer's perception towards the hotel's reputation, atmosphere, outer appearance and design (Suhartanto & Kandampully, 2003). While the attribute dimension encompasses the facilities and physical environment that impact the phenomenon and operationalized based on customer's view of the hotel's site, physical facilities, structures, layout, value and price, quality of services/products and staff performance. Positive corporate image can impact repurchasing behavior of client and consequently establish customer loyalty (Amin et al., 2012). Yan (2015) investigated the elements that might affect consumer loyalty in three star hotels in China, including: service quality, perceived value and brand image along with examining the mediating effect of customer satisfaction. The results revealed that only brand image had a significant influence on consumer satisfaction and loyalty. Besides, customer satisfaction mediates the association between brand image and consumer loyalty. Nikou et al. (2017) used quantitative survey to examine the influence of hotel image on the loyalty of customers directly and via the mediation of customer satisfaction in Kuala Lumpur's four-star hotels. The results revealed that hotel image had a favorable and direct effect on guest satisfaction and loyalty. Also, consumer satisfaction mediates the link between guest loyalty and hotel image.

Price perception

Price is the amount of money paid to have a product or a service. It is conceivable to form consumer's repurchasing behavior. Indeed, consumers will not repurchase the product if consumers see that their sacrifices are not worthy even when they are happy with the features and the quality of the product (Bei & Chiao, 2001). The price of service can have critical impact on customer's perception of service quality and satisfaction. Organizations should not only take into account the quality of services/products provided but also they have to think about the price offered to customers if they intended to satisfy customers (Malik et al., 2012). Massey and Raduzzi (2018) showed that highly-priced services can affect consumer experience negatively. This means that if the service obtained is not equal the price paid the consumer experience is reduced. Hotel operators should consider pricing variable and look for the best way to line up price with consumer expectations to make consumer satisfaction. Varki and Colgate (2001) examined the link between consumers' perception of the price and their behavioral intentions. The results revealed that price perception was significantly associated with consumer satisfaction, repeat business and advising others with the service provider.

Fundamentally, consumers are most likely to make price comparisons depending on different references and competitors to make better judgments when assessing services/products (Bolton et al., 2003). Now customers are more price-sensitive and if they feel that prices are not reasonable they will stop buying over-priced services/products even if they are interested in. They will change their concern to other brands. Organizations should put their



prices consistent with the value of the products offered so the number of patrons changing to rival brands as a result of pricing matter can be decreased to a minimum (Woo, 2004). Bei and Chiao (2001) revealed that price fairness had a direct positive influence on customer loyalty and indirect via customer satisfaction. In their study, Hidayat et al. (2019) surveyed a sample of customers of fast food restaurants in Yogyakarta, Indonesia to identify the most influential factors on customer satisfaction and loyalty. The results revealed that perceived price fairness had the largest effect on the loyalty of Indonesian customers followed by perceived service quality and perceived product quality. Kimes and Wirtz (2002) identified a range of means to keep up consumer's view of price fairness, including: provide discounted prices, a gradual increase of the price over a prolonged timeframe and add extra services. So that if services/products are sold at increased prices consumer's view of price fairness will not adversely be impacted.

Corporate social responsibility

In the last decades people are more interested with CSR and see it as a necessity. This conviction has prompted organizations to tackle their responsibility in the society in forcing social, moral and legitimate obligations in their activities (Onlaor & Rotchanakitumnuai, 2010). Kotler and Lee (2005:3) defined CSR as “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.” CSR involves four dimensions: economic, legal, ethical and philanthropic responsibilities. The four dimensions of CSR are interrelated and firms have to endeavor to accomplish all the four CSR dimensions consistently. This means that a socially responsible organization “should strive to make a profit, obey the law, be ethical and be a good corporate citizen” (Carroll, 1979, 1991:43). The economic component assigns a responsibility over an organization to make its business profitable via providing quality services and products (Salmones et al., 2005). Legal part indicates that companies are required to abide to the laws and regulations which they work (Carroll, 1979). Ethical responsibility refers to the adoption of ethical guidelines, values and standards that go beyond the lawful prerequisites. These standards and values reflect a concern for performing what is reasonable, just and not hurting others. Stakeholders including society, staff, customers and others anticipate these norms from organizations. Finally, philanthropic element refers to the obligation of the company to be a good corporate citizen and enhance quality of life via providing support to society in terms of resources, charity donations and awareness campaigns (Carroll, 1991).

Organizations can incorporate the principles of CSR into business strategy to create a competitive advantage over their rivals and improve the relationships with their partners and attract greater customers. Applying a CSR strategy is crucial to sustainable activities and long-term improvement of an organization (Chang & Yeh, 2017). Companies have to invest and put more resources into CSR obligation. They should develop a corporate strategy addressing social concerns, for example, setting sensible prices, upgrading their facilities and services and applying security strategy. Besides, companies should communicate CSR techniques to the general public (Onlaor & Rotchanakitumnuai, 2010). The initiatives, for example, showing interest for the environment, workforce and providing some sort of assistance toward the society turning out to be significant measures for clients' repurchasing behavior (Marin et al., 2009). Onlaor and Rotchanakitumnuai, (2010) revealed that CSR practices influence customer satisfaction and loyalty. The fundamental consequence of CSR is that customers provide favorable word of mouth marketing and advice others with socially responsible organization which is the main issue of customer loyalty (Chang & Yeh, 2017).

Research framework

A conceptual framework was developed depending on reviewing and critically analyzing previous research and empirical studies related to customer loyalty in hospitality industry (Figure 1). This Framework was used as a guiding tool to study the factors that contribute to the development of customer loyalty in the context of budget hotels in Egypt. The model determines five factors that have the potential to influence customer loyalty including: switching costs, physical environment, corporate image, price perception and corporate social responsibility (CSR). Five research hypotheses were developed to fulfill the purpose of this study as follows:

H1: There is a significant and positive influence of switching costs on customer loyalty in budget hotels.

H2: There is a significant and positive influence of physical environment on customer loyalty in budget hotels.

H3: There is a significant and positive influence of corporate image on customer loyalty in budget hotels.

H4: There is a significant and positive influence of price perception on customer loyalty in budget hotels.

H5: There is a significant and positive influence of CSR on customer loyalty in budget hotels.

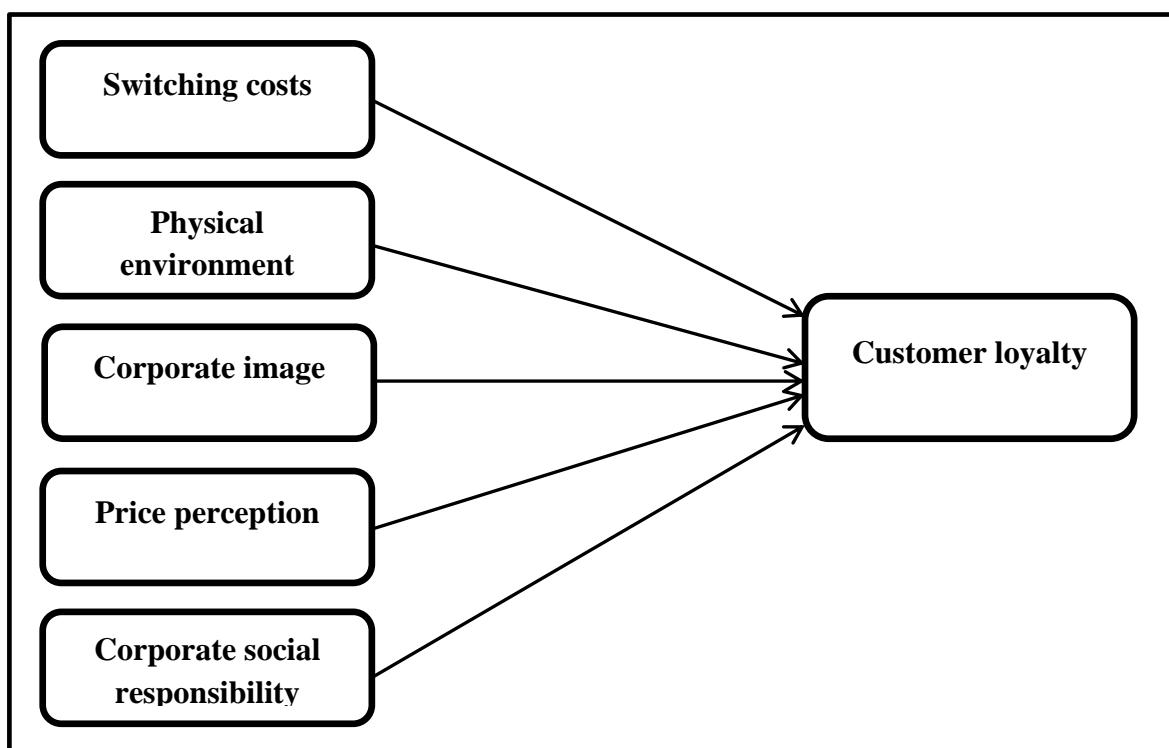


Figure 1: Theoretical Framework

Research methodology

This research is considered explanatory in nature. It adopts a causality research design to investigate in-depth the effect of some predicting factors of customer loyalty in budget hotels. The questionnaire was used as a research method to collect data as it enables to investigate larger population and this will enhance the generalizability of the research findings. The questionnaire is composed of two main parts. The first section presents the features of the



sample while the second part concerns with participants' assessment of six variables involved in this study: customer loyalty, switching costs, price perception, corporate image, physical environment and CSR. The questionnaire involves 33 items adapted and developed based on previous research to measure the investigated variables. Customer loyalty was measured by using 6 items adapted from Nikou et al. (2017); Hidayat et al. (2019); Raghavendra et al. (2019). This research adopts the composite approach of customer loyalty which includes attitudinal and behavioral loyalty. For this study, the composite loyalty was measured based on specific actions, including: embrace positive attitudes towards the hotel, ready to pay higher prices, recommend the hotel to others, commit to rebuy, show resistance to switch to competitors and buy more and varied services. Furthermore, switching costs were gauged by utilizing 6 items derived from (Kim et al., 2004; Aydin et al., 2005). Physical environment was evaluated by adopting 5 items built upon the scale introduced by Han and Ryu (2009); Ali and Amin (2014); Raghavendra et al. (2019). Corporate image was operationalized by setting 6 items based on Suhartanto and Kandampully (2003); Kandampully and Hu (2007); Nikou et al. (2017). Price perception was measured by developing 4 items depending on Varki and Colgate (2001); Hidayat et al. (2019). Finally 6 items were developed to assess CSR based on Onlaor and Rotchanakitumnuai (2010); Dimitriadis and Zilakaki (2019). Participants were asked to assess and give their opinions in the variables by following five-point likert scale ranging from strongly agree to strongly disagree (see Table 3). The scale presented in this study to measure the six variables is considered original developed based on previous research as showed formerly.

The targeted population of this research is guests of budget hotels in two major cities in Egypt which is Cairo and Alexandria. For this study budget hotels were identified as those having one and two stars. This is agreed with the definition of budget hotels given by Ali (2016). A probability sampling approach using random sample technique was utilized to form a sample from budget hotels' customers. This technique implies that all research population has the same opportunity to take-part in this study. Actually, 25 budget hotels were selected randomly in Cairo and Alexandria and the questionnaires were administered on their guests during their stay and/or when checking out and almost to leave the hotel. Consent was taken from budget hotels' managers before handing on the survey. Most hotel managers valued this study and were very happy to urge their customers to participate in the survey. They requested the report of this study after completion to get benefit from the results and recognize the tools that they can implement to encourage customer loyalty and re-visit intentions. The questionnaire was revised based on a pilot test to enhance the validity of the instrument and ensure that the survey tool can appropriately measure the study's variables. Initially the questionnaires were distributed on 15 potential participants involved in the pilot sample to make sure that the statements used are clear and understandable to them. The pilot study resulted in omitting 3 items and improving the wording of 2 statements. The survey was administered face to face to remove any ambiguous and respond to customers' enquires regarding the questions.

Overall, 581 questionnaire forms were distributed and out of this figure 396 forms were returned representing about 68% response rate. During the analysis process 20 forms were excluded as being incomplete. Eventually, 376 forms were usable and subject for the analysis. To encourage guests to participate in this survey it was clearly stated that all the data given would be confidential and employed only for research purposes and also the amount of time needed to fill in the questionnaire form was defined (about 7 minutes). The analysis process was carried out by using Statistical Package for Social Sciences (SPSS) version 22. Regression analysis and Pearson correlation were among the statistical tests conducted to identify the associations between the main constructs and the causal effect of the independent variables



(switching costs, price perception, corporate image, physical environment and CSR) on customer loyalty as a dependent factor.

Results and discussion

Reliability analysis

The reliability and internal consistency of the scales was measured via using Cronbach's Alpha test. The results of Cronbach's Alpha for all the variables tested in this study ranged from .629 to .899 (see Table 1). This is very acceptable reliability as it is greater than 0.60. Evidently, Bryman and Bell (2007) showed that the scale is reliable if the value of Cronbach's Alpha > 0.60. This reflects that the scales utilized in this research are reliable, consistent and the items used for measuring each variable are very interrelated. This indicates that if this study is replicated using the same scale and instrument in similar conditions there will be a great potential to achieve equivalent results.

Table 1: Reliability analysis

Variables	No. of Items	Cronbach's Alpha
Customer loyalty	6	.881
Switching costs	6	.629
Physical environment	5	.707
Corporate image	6	.899
Price perception	4	.765
Corporate social responsibility	6	.705

Sample characteristics

The features of the sample undertaken in this research are presented in Table 2.

Table 2: Sample characteristics

	Frequency	Percent %	Skewness	Kurtosis
Age			-.238	-.958
Less than 25 years	56	14.9		
26-35 years	97	25.8		
36-50 years	138	36.7		
Over 50 years	85	22.6		
Sex			.392	-1.856
Male	224	59.6		
Female	152	40.4		
Marital Status			.306	-1.020
Single	140	37.2		
Married	169	44.9		
Other	67	17.8		
Qualifications			-.806	1.095
Elementary education	22	5.9		
Secondary education	60	16.0		
Bachelor degree	249	66.2		
Higher studies (Diploma, Master)	45	12.0		
Profession			.931	-.430
Employee (Public/private sector)	204	54.3		
Businessman	78	20.7		
Retired	63	16.8		
Student	31	8.2		

The values of skewness shown are among ± 1 and kurtosis are between ± 3 and this reflects a normal distribution of the data as mentioned by (Zainudin, 2015). The findings revealed that all age groups categorized in this research were represented in the sample. A large part of the participants fall in the age group 36 – 50 years about 36.7%, followed by 25.8% were among



the age group 26 – 35 years. Most participants took part in this research (59.6%) were males whereas 40.4% were females. Besides, 44.9% of respondents were married while 37.2% were single and 17.8% had a different marital status (i.e. divorced, widower etc.). The educational level of respondents showed that the majority was fairly well educated with 66.2% had a bachelor degree and 12% had higher studies (i.e. Diploma, Master). Lastly, it is noticed that most participants (54.3%) were employees either in the public or private sectors.

Descriptive statistics of customer loyalty and the explored dimensions of budget hotels

Table 3 shows descriptive results of customer loyalty and the five dimensions explored in this research. Evidently, most customers participated in this study were not loyal to their budget hotels. This may be due to variety of reasons: poor quality, staff unprofessionalism, modest furnishings etc. The results highlighted that a small proportion of respondents (23.4%) were willing to purchase additional services and products from the hotel, only 29.3% enthusiastic to encourage their friends and families to reserve in the hotel and 28.7% spread positive word of mouth about the hotel. In addition, almost a third of participants (32.7%) will think about the hotel as a first option for accommodation when coming again to the destination. However, only 15.5% are prepared to pay premium prices for the services and facilities offered. Overall, merely 15.7% will prioritize the hotel and not switch to competitors even if they offered discounted prices. This result agrees with Mulyana and Prayetno (2018) found small level of customer loyalty of budget hotels in DKI Jakarta. In terms of switching costs, the outcomes revealed that large part of the sample (77.4%) will change to other hotels if switching expenses were low, 46.5% believed that it will take them much time and effort to find and deal with alternative hotel and 49.2% demonstrated that switching to another hotel will cost them much money. Moreover, 51.4% of participants said that there is a potential that operators of the new brand might not meet their expectations and 49.7% indicated that it will not be easy to develop an effective relationship with the operators of the new brand. Overall, almost half of respondents (54.8%) believed that there will be great challenges and difficulties associated with switching to a new hotel.

Concerning the physical environment, most participants were not satisfied about the physical setting of budget hotels particularly hotel's inner design, décor and level of cleanliness. Actually the majority of respondents (53.2%) were not comfortable about the interior design of the budget hotel and 55.8% described the furnishings as outdated. A large proportion of participants (56.9%) showed that the décor of the budget hotel is not attractive, 57.2% indicated that the hotel did not keep a high standard of cleanliness and 58.8% pointed out the layout and arrangements of the hotel's physical facilities were not appealing. Moreover, it seems that most budget hotels failed to build a distinctive image as a result of poor quality of services, less value provided, unpleasing atmosphere and employing inexperienced staff. The respondents' views towards corporate image were identified as follows: only 21% of participants identified that budget hotel enjoys a good reputation, 62.7% indicated that budget hotel did not provide acceptable level of quality and 68.1% believed that the hotel did not generate value to services provided. Large part of the sample (68.7%) agreed that the atmosphere of the budget hotel is unattractive and 63% declared that budget hotels' staff lacked experience, knowledge and passion to serve guests. Ultimately, the majority (73.1%) felt that budget hotels did not have a distinguished image over competitors.



Table 3: Descriptive statistics of customer loyalty and the explored dimensions

Dimensions	N	Strongly Agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly Disagree (%)	Mean	SD
Customer Loyalty								
I intend to buy extra services and products from the hotel	376	9.0	14.4	18.9	29.0	28.7	2.46	1.29
I will encourage friends and relatives to make use of the hotel	376	11.2	18.1	12.5	34.8	23.4	2.59	1.32
I will disseminate favorable word of mouth about the hotel to others	376	10.1	18.6	9.0	39.1	23.1	2.53	1.30
I will revisit this hotel and consider it as my first choice in the future	376	11.4	21.3	9.3	33.2	24.7	2.61	1.36
I am ready to pay more for the services in this hotel	376	5.1	10.4	18.9	37.5	28.2	2.27	1.13
I will continue use this hotel even if another competitor offers low prices and discounts	376	4.5	11.2	25.0	32.2	27.1	2.34	1.12
Switching Costs								
I will not switch to other hotel even if it is at a little expense.	376	8.8	7.2	6.6	43.1	34.3	2.13	1.21
It takes little time and/or effort to search and find alternative hotel	376	17.0	19.9	16.5	27.9	18.6	2.89	1.38
It will cost me little money to switch to another hotel	376	13.8	20.2	16.8	27.7	21.5	2.77	1.36
The new operator provides services that certainly work well as expected	376	16.0	17.6	15.2	30.9	20.5	2.78	1.38
It will be easy to build a relationship with the new operator	376	13.0	22.3	14.9	29.5	20.2	2.78	1.34
There will be little ambiguity and hazardous in switching to a new brand	376	13.6	15.7	16.0	31.1	23.7	2.64	1.35
Physical Environment								
The interior design of the hotel is appealing	376	22.1	19.7	5.1	26.1	27.1	2.83	1.55
The furnishings of the hotel is fashionable	376	19.1	19.1	5.9	31.9	23.9	2.78	1.48
Hotel's décor and use of colors are attractive	376	14.4	17.0	11.7	34.8	22.1	2.67	1.37
The hotel maintains a high standard of cleanliness	376	14.6	21.0	7.2	33.5	23.7	2.69	1.41
The physical facilities and arrangements of the hotel are impressive	376	13.8	16.0	11.4	31.4	27.4	2.57	1.40
Corporate Image								
The reputation of this hotel is good	376	12.0	9.0	18.6	28.5	31.9	2.40	1.34
This hotel provides quality services and facilities	376	12.2	20.2	4.8	34.0	28.7	2.53	1.40
This hotel constantly creates value added to services provided to guests	376	6.9	15.7	9.3	39.1	29.0	2.32	1.24
The atmosphere and physical setting of this hotel are appealing	376	8.2	15.2	8.0	38.6	30.1	2.33	1.27
Hotel's staff are friendly, knowledgeable and very enthusiastic to serve customers	376	8.8	20.7	7.4	34.3	28.7	2.47	1.33
This hotel has a distinguished image from rival hotel brands	376	4.0	12.2	10.6	39.6	33.5	2.14	1.13
Price Perception								
I am willing to pay higher prices to purchase that hotel's services and products	376	10.9	9.6	11.4	42.6	25.5	2.38	1.26
I will lose financial merits by abandoning the relationship with this hotel	376	18.9	16.5	13.3	35.6	15.7	2.87	1.38
This hotel provides reasonable prices for the services and facilities offered	376	22.9	22.6	7.4	32.4	14.6	3.07	1.43
This hotel offers varied pricing plans that meet different guests	376	22.1	16.8	8.8	35.4	17.0	2.91	1.44
Corporate Social Responsibility								
I select this hotel because they support community developments and local activities	376	0	1.3	14.1	40.2	44.4	1.72	.75



I select this hotel because they participate in community projects via staff volunteerism	376	0	0	12.2	42.8	44.9	1.67	.68
I prefer this hotel because they work towards conservation of resources	376	0	1.6	22.1	40.2	36.2	1.89	.79
I select this hotel because they show concern of staff welfare	376	0	0	13.3	43.6	43.1	1.70	.69
I select this hotel because they meet the legal requirements regards to business activities	376	9.0	18.9	18.4	28.7	25.0	2.58	1.29
I prefer this hotel as it considers the environment and develop sustainable alternatives	376	0	2.1	18.9	39.6	39.4	1.84	.80

Seemingly, budget hotels provide low prices and this is the rational beyond its popularity. It was found that the majority of respondents (68.1%) will not buy budget hotel's services if the prices were increased and 51.3% mentioned that they will not lose financial benefits by cutting the relationship with the current hotel. Although budget hotels are described as cheap operations about 47% of respondents highlighted that the prices offered were not reasonable or consistent with their budgets along with 52.4% indicated that the hotel did not provide tariffs that suit the needs of different guests. In regards to CSR, it seems that CSR lowed down in customers' list of priorities when selecting a hotel as very few participants (1.3%) prefer hotels that support local developments and projects (i.e. investment in roads, schools and/or provide local employment). The results also highlighted that no one of respondents agree that they select the hotel on the ground that they encourage staff to voluntary participate in community projects. Only 1.6% will support hotels that conserve resources and protect the environment form its activities. Furthermore, there was not any respondent consider the hotel on the basis that they cared about staff welfare (i.e. health and safety). Less than a third of participants (27.9%) will sustain hotels that fulfill their legal requirements in terms of business activities and merely 2.1% will select those hotels that take care of the environment and consider sustainable solutions.

The relationship and effect between study's variables and customer loyalty in budget hotels

The association between customer loyalty and the study variable (switching costs, physical environment, corporate image, price perception and CSR) was examined using Pearson correlation (see Table 4).

Table 4: Correlation between customer loyalty and study variables

Variables	1	2	3	4	5	6
1- Customer loyalty	1					
2- Switching costs	.696**	1				
3- Physical environment	.801**	.641**	1			
4- Corporate image	.908**	.688**	.791**	1		
5- Price perception	.835**	.640**	.726**	.805**	1	
6- Corporate Social Responsibility	.077	.100	.126*	.115*	.065	1

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

* Correlation is significant at the 0.05 level (2-tailed)

The direction and strength of the correlation ranged from +1 to -1. The correlation is considered weak when r values ranged from 0.1 to 0.49, moderate 0.50 to 0.69 and strong 0.70 to 0.99. The findings revealed that there was strong positive relationship between customer loyalty and the variables of corporate image ($r=.908$ $p<0.01$) and price perception ($r=.835$), such relationship is significant at the 0.01level. Thus, the image of the hotel is essential to develop guest loyalty. In addition, customers are more price conscious and always compare between the value of the services/facilities purchased and the price paid. If they perceive that the value is lower than the price paid they will not return back. This result is consistent with Varki and



Colgate (2001) explored the association between customers' price perception and their behavioural intentions. They found significant relationship between price perception and customer satisfaction, repurchasing behavior and recommending others with the service provider.

There was also significant and robust favorable correlation between customer loyalty and the physical environment ($r=.801$ $p<0.01$). Indeed, physical environment is considered an important component of the service/product offered to customers who are now more sophisticated in their demands concerning the physical attributes. It plays substantial role in shaping their experience and loyalty intentions. This result confirms with an empirical study by Emir (2016) surveyed German tourists in Antalya and found significant positive correlation between hotel's physical surrounding/atmosphere and customer loyalty. Moreover, the analysis showed a moderate positive association between customer loyalty and switching costs ($r=.696$ $p<0.01$) such relationship is highlighted as significant. There was also weak and insignificant positive correlation between customer loyalty and CSR ($r=.077$).

Table 5: Regression Analysis Model

Model	Unstandardized Coefficient		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
Constant	.309	.555		.557	.578
Switching costs	.087	.034	.069	2.560	.011
Physical environment	.182	.040	.149	4.587	.000
Corporate image	.524	.036	.554	14.420	.000
Price perception	.336	.047	.238	7.114	.000
Corporate Social Responsibility	-.051	.035	-.028	-1.471	.142
R Square	.867				
Adjusted R Square	.865				
F-value	482.188				
Sig. F	.000				

a. Dependent Variable: Customer loyalty

The factors that impact on customer loyalty in budget hotels were identified by using multiple regression analysis test. As shown in Table 5, the R-Square value is (.867). This reflects that 87% of the variance of the customer loyalty in budget hotels related to the variables explored in the regression Model. The F-value is 482.188 and significant at the level of .01. This indicates that the regression Model is highly acceptable and the independent factors involved in the Model are effective in foreseeing customer loyalty as a dependent variable. There are four variables had significant and positive effect on customer loyalty involving: switching costs ($t= 2.560$, $p < .05$), physical environment ($t= 4.587$, $p < .01$), corporate image ($t= 14.420$, $p < .01$) and price perception ($t= 7.114$, $p < .01$) whereas corporate social responsibility did not have a significant influence on customer loyalty as $p > .05$. The Beta values illustrates that corporate image had the largest effect on customer loyalty ($\beta= .554$) among the variables examined followed by price perception ($\beta= .238$) then physical environment ($\beta= .149$) and finally switching costs ($\beta= .069$).

These results revealed that corporate image had significant positive impact on customer loyalty and consequently hypothesis 3 can be accepted. This coincides with Yan (2015) examined three factors involving: service quality, perceived value and brand image that may have the potential to influence customer loyalty in three star hotels in China. The results of Yan's research identified that only corporate image significantly influenced customer satisfaction and loyalty. Affirmatively, previous research (Amin et al., 2012; Dimitriadis & Zilakaki, 2019) showed that favourable corporate image is the foundation to develop customer



loyalty and influence it positively. Obviously, image is an important tool that can be used by organizations to influence customers' view regarding their services and products and direct customers' purchasing decisions. Budget hotels have to work towards creating positive corporate image to maintain their customer base loyal and attract new ones. This requires them to pay more attention to various elements that can contribute collectively in building favourable image, among these: quality of services and facilities, prices, physical settings, design, atmosphere, staff professionalism etc. Besides, budget hotels' operators should enhance customer experience and use different channels (i.e. social media, advertisements, public relations etc.) to make customers aware with the features of the business and build relationships with them. This will improve the image of the business and lead customers to become emotionally tied with the organization. This concords with previous research (Onojaefe & Nhepera, 2017; Tefera & Govender, 2017) indicated that retaining customers relies on the professionalism of staff in delivering the services. Besides, hotels should create social media profiles in order to develop online relationships with current and potential customers.

Moreover, price perception had a great significant and positive effect on customer loyalty as shown from the results and thus hypothesis 4 is accepted. Price is of great importance to the organization as it is the main tool for achieving the organization's revenue. However, price is a major factor for customer that is subject to study and analysis when making a purchasing decision. This implies that budget hotels' managers should set their prices commensurate with the value of the services and products offered. They should provide additional pricing advantages such as discounted prices, free extra services etc. to influence customer perception of the prices positively and enhance their repurchasing behaviour. This finding concords with Hidayat et al. (2019) found that price fairness perceived by customers is the greatest determinant of customer loyalty and satisfaction in the context of fast food restaurants in Yogyakarta, Indonesia. Malik et al., 2012) indicated that pricing is an essential element to increase customer retention and satisfaction which in turn will assist firms to increase profits. Table 5 also informs that the physical environment has a profound impact on customer loyalty. Hence, hypothesis 2 can be accepted. This finding agreed with Ali and Amin (2014) who surveyed resort hotels in china and found that physical environment positively impact customer satisfaction and revisit behavioural intentions. The physical components such as company's inner design, layout of furniture, decoration, ambient surroundings etc. can conceivably sustain customer loyalty and make a feeling of impetuses, excitement and happiness (Raghavendra et al., 2019).

The outcomes showed that switching costs significantly influence customer loyalty and thus hypothesis 1 can be accepted. Clearly, customers committed to a budget hotel will save on switching costs (i.e. time, money, effort, staff-customer relationship etc.). It takes time and effort to find and build a relationship with another alternative along with the hazards and uncertainties associated with dealing with a new service provider. Budget hotels' operators should increase switching expenses and provide more advantages to satisfy their customers. This will make patrons less likely to switch to another hotel as they will lose the benefits used to obtain if cut the relationship with the hotel. This result accords with Kim et al. (2004) concluded that switching expense is considered one of the major factors that positively influences the loyalty of Korean tourists. Amin et al. (2012) indicated that when switching costs become high consumers will be more reluctant to switch the brand and the possibility to change to other service organization will be much reduced.

It was clear that there was not a significant effect of CSR on customer loyalty in budget hotels. Therefore, hypothesis 5 cannot be accepted. It seems that many customers remain unconcerned with business's CSR and unaware with its importance to society, customers and other stakeholders. Therefore, it does not influence their purchasing decision when selecting a



hotel. It does not matter for customers whether or not the hotel shows concern with the environment, conserves resources or even participates in community projects and respects regulations. Consequently, CSR does not influence their loyalty. From another perspective, many budget hotels' managers may have a belief that tackling CSR will obstruct them to achieve business targets particularly in making profit. This result conforms with Dimitriadis and Zilakaki (2019) found that CSR did not have significant influence on customer loyalty. However, Onlaor and Rotchanakitumnuai (2010) found that CSR initiatives positively impact customer loyalty and satisfaction. Likewise, Marin et al. (2009) indicated that company's implementation of CSR practices was considered one of the measures that influence customer's repurchasing behavior.

Conclusion and research implications

Customer loyalty is recognized as the base for any organization to achieve a competitive advantage. Also, it is considered one of the most critical aspects to enhance company's profitability and keep up its market position. This research investigates the drivers contributing to build customer loyalty in budget hotels in Egypt. It applies a mixed approach of customer loyalty which includes mixture of attitudinal and behavioural loyalty. It examines the influence of five variables on customer loyalty. The outcomes of this research revealed that customer loyalty of budget hotels in Egypt was low. A significant positive link was identified between customer loyalty and four variables successively, including: corporate image, price perception, physical environment and switching costs. These variables were found having a considerable effect on customer loyalty. This implies that budget hotel operators should consider and improve these factors to incentivize customers' repurchasing intentions. It is necessary for budget hotel businesses to invest in developing customer loyalty and handle it as a strategic goal. Furthermore, the findings showed that CSR did not have significant effect on consumer loyalty in budget hotels.

Building a favourable corporate image is essential to support customer loyalty. Budget hotels operators' should differentiate their businesses from competitors and create the rationales behind customers' repeat visits. Also, price is one of the key factors that influences customer's purchasing decision. Budget hotel operators should develop fair pricing strategies and should never sacrifice the quality of the product in favor of providing acceptable prices as this will influence customer loyalty negatively. Moreover, physical environment is a critical factor in effecting the commitment of customers to the organization as identified in the results. This recommends that budget hotels have to provide attractive physical setting (i.e. ambience, décor etc.) to attract and retain customers and create unforgettable customer experience. The study also highlighted that increasing switching costs will maintain customers committed to the organization. This indicates that budget hotel managers should provide various merits such as discounted prices, quality services, customer recognition, loyalty programs, close interaction with customers etc. that will act as switching impediments to customers to deal with rival companies. Finally, the outcomes of this research determined that CSR did not influence customers' purchasing behavior. It seems that most budget hotels do not tackle their CSR and at the same time many customers for this hotel category did not consider it when selecting a hotel. However, it is anticipated that undertaking CSR will help budget hotel business to achieve competitive advantage and develop long-term relationship with customers.

This research will add to the body of knowledge by enhancing the understanding of customer loyalty in budget hotel sector and the factors that can be implemented to retain customers. On the practice side budget hotel managers can use the findings of this study to achieve customer loyalty and thus increasing sales and revenues. This research provides some notions for future studies. Further research can examine the effect of other factors like service



quality and location and determine its effect on customer loyalty. Another opportunity is to develop cross-cultural study by investigating the determinants of customer loyalty in the context of hotels in different culture. Also, potential research can replicate this study in different types of hospitality operations such as luxury hotels and/or restaurants. This will provide new insights and views on the topic.

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