

# **FACTORS INFLUENCE CUSTOMER LOYALTY IN HOTEL INDUSTRY**

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## ABSTRACT

There is no doubt that hotel industry develops very fast in modern society and becoming a global industry. More and more people rely on hotel when they are travelling, doing business, visiting friends and relatives and so on. With the intense competition, how to attract customers and what factors influence customers' loyalty seem to be the main consideration for hotel industry. Thus, the main objective of this research is to examine factors influence customer loyalty in China's hotel industry. Review of the previous gaps in literature concluded that three predictors were counted as major contribution for customers' loyalty namely perceived value, service quality, and brand image. Besides, customers' satisfaction also postulated to mediate such relationship. A survey among 200 respondents from three star rating hotel in Hebei province, China, indicated that brand image has significant relationship on customer satisfaction and loyalty. As postulated, customer satisfaction also partially mediate the relationship between brand image and customer loyalty. Though, it is not statistically significant, hotelier simply cannot ignore the importance of service quality and perceived value because it is part and parcel of brand image indicators. Future research should focus on huge sample that cover other star rating hotels and China province to have better generalization on understanding predictors of customer loyalty in China's Hotel.

*Key word: hotel industry, customer loyalty, customer satisfaction, brand image, service quality, perceived value*

## ABSTRAK

Tidak dapat dinafikan bahawa industri perhotelan kini berkembang dengan sangat pesat dalam masyarakat moden dan telah menjadi industri global. Semakin ramai orang bergantung kepada hotel apabila mereka membuat perjalanan, menjalankan perniagaan, serta melawat rakan-rakan dan saudara-mara. Dengan persaingan sengit untuk menarik pelanggan, faktor-faktor yang mempengaruhi kesetiaan pelanggan seolah-olah menjadi pertimbangan utama bagi industri perhotelan. Oleh itu, objektif utama kajian ini adalah untuk mengkaji faktor-faktor yang mempengaruhi kesetiaan pelanggan dalam industri perhotelan di negara China. Dalam literature, kajian sebelum ini mendedahkan bahawa terdapat tiga peramal yang dianggap sebagai penyumbang utama bagi faktor kesetiaan pelanggan, iaitu nilai tanggapan, kualiti perkhidmatan, dan imej jenama. Selain itu, kepuasan pelanggan juga diandaikan sebagai pengantara bagi hubungan tersebut. Satu kajian dalam kalangan 200 responden dari hotel tiga bintang di wilayah Hebei, China, menunjukkan bahawa imej jenama mempunyai hubungan yang signifikan terhadap kepuasan dan kesetiaan pelanggan. Seperti yang diandaikan, kepuasan pelanggan juga sebahagiannya merupakan pengantara dalam hubungan antara imej jenama dan kesetiaan pelanggan. Walaupun tidak ketara secara statistiknya, pengusaha hotel tidak boleh mengabaikan kepentingan kualiti perkhidmatan dan penentuan nilai tanggapan kerana faktor-faktor ini adalah sebahagian daripada penunjuk imej jenama. Kajian akan datang perlu memberi fokus kepada sampel lebih besar yang meliputi hotel dengan taraf bintang yang lain serta hotel-hotel di wilayah lain di China secara menyeluruh dengan lebih baik dan memahami peramal bagi faktor kesetiaan pelanggan di hotel-hotel di negara China.

**Kata kunci:** industri perhotelan, kesetiaan pelanggan, kepuasan pelanggan, imej jenama, kualiti perkhidmatan, nilai tanggapan

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# **CHAPTER ONE**

## **RESEARCH OVERVIEW**

### **1.0 Introduction**

In the fierce competition in the hotel industry, products and services have been given the status of “commodity” (Mattila, 2006), hotel managers need to find a way to make special product and service in hospitality industry. So in this way, customer’s satisfaction seems an important key to achieve success.

Competition seems increasing fierce. Based on MKG Hospitality’s 2014 Global Hotel Rankings, branded hotels grew by 3.2 % in 2013. In 2014, most major hotel groups grew between one and three percent. With this huge number of competition and the services provided were almost similar to each another, customer loyalty has become one of crucial aspect of sustainable competitive advantage. This is because, customers’ loyalty recognized as one of the effective ways to maintain and retain the customers (Yoo & Bai, 2007). Moreover, today’s consumers become more demanding and had more bargaining power (Sennou, 2006), thus tremendously affect hotel’s ability to maintain their customers.

Academic literatures suggested that organization could attain their business sustainability specifically through customer satisfaction and loyalty (Kumar & Shah, 2004; Verona & Prandelli, 2002). Customer loyalty could be reflected by the customer behavior such as involve in positive word-of-mouth, less price sensitive, repurchase intention and provide positive feedback. With such benefits gained from loyal customer, maintain and sustaining customer predominantly important especially in highly competitive hotel industry. This is because finding new

customers is five times more than the cost of retaining an existing customer (Reichheld, 1996). Thus, to ensure hotel sustainability, it is important to understand customer's behavior specifically what influence their satisfaction and loyalty.

### **1.1 Problem Statement**

For a decade, hotel practitioners believed that the whole world is to create more and more new customers that can guarantee in generating more profits through their satisfaction (Ganiyu, Uche & Elizabeth, 2012). Hence, managers of hotel continued to attract new customers and make them satisfied with their service offering. In long term, this approach seems insufficient. Instead, hotel industry needs not only satisfy their customers but attempt to increase loyalty and retention.

Previous study indicates that there is no guarantee that satisfied customers will return to purchase (Michael et al., 2009). So it is clear to say that customer loyalty is more significant than satisfied customers in a business organization's success. A common misconception is that when a customer is satisfied with a business they will be loyal; however, this is not always the case. As highlighted from previous research, "A customer may be completely satisfied but may not purchase again because of factors unrelated to satisfaction," (Gordon, 1999).

Loyalty is a commitment to repurchase an ideal product/service frequently in the future, in that way causing recurring same brand, even though situational influences (Oliver, 1999). This purchase attitude and behavior can be highly experienced in the hospitality industry.

Previous studies highlighted that numerous predictors for customer loyalty in hotel industry. The common predictors are (1) service quality (So , King , Sparks & Wang, 2013; Poku, Zakari & Soali, 2013; Dominici & Guzzo, 2010) (2) perceived value (So et al., 2013; Krasna, 2008; Liang, 2008; Suhartanto & Kandampully, 2000), (3) customer loyalty program (Liang, 2008; Yoo & Bai, 2013) , (4) trust (So et al., 2013; Liang, 2008 ) (5) satisfaction (Kandampully & Suhartanto, 2003; Liang, 2008) (6) service recovery (Petzer, Steyn & Mostert, 2009) (7) perceived quality (Kayaman & Arasli, 2007) (8) brand image (Kandampully & Suhartanto, 2003; Kayaman & Arasli, 2007). Previous studies were conducted in Ghana, Slovenia, Taiwan, and other developing countries were conceptual and empirical in nature and involved both quantitative and qualitative approach. These variables are deemed very important in hospitality industry.

In China context, the fierce competition among hotel operators deemed the superior service quality in order to retain the customers. It is recorded that in the third quarter of 2014, about 11727 star-rated hotels operated in China (China National Tourism Administration, 2014). Beijing also recognized as a leader of tourism activities for China (Global Travel Industry News, 2012) thus doubling the urgency of the hotel operators to excellent in the service quality. Besides that, the previous study showed that service quality is important for customer loyalty (Kotler et, 1996). Since the significant impression of service quality has been determined, but there are still gaps as the role of antecedents of service quality in this regard (Maghzi, Eskandarian, Abbaspour & Abdul Hamid, 2011). Problems in service quality measurement arise from a lack of clear and measurable parameters for the determination of quality

(Gržinić, 2007). Based on the fierce competition, it is important to ensure service delivery at maximum quality. Hence, this study attempts to link the relationship of service quality and customer loyalty.

Review of literature also predominantly highlighted that brand image also a main consideration to determine customer loyalty towards certain brand (Saleem & Raja, 2014; Zins, 2001; Selnes, 1993). Moreover, previous studies also indicate that pleasing image could lead to favorable customer preference and customer satisfaction and vice versa (Saleem & Raja, 2014). Based on the recent study, there is a limitation on brand image in hotel industry, especially in China. A study by Cohen and Stretch (1989) revealed that the most commonly cited problems from the owners of small companies of brand hotels were marketing problems. There is a lack of the previous studies on the relationship on brand image and customer loyalty (Lim, 2009). More importantly, previous studies considered brand image as unidimension. This study attempts to conceptualized brand image as three dimensions, namely; mystery, sensuality, intimacy. Some researchers have focused on cognitive experience such as Lassar et al. (1995), Keller (2001), Kim (2003), and Kim (2009). Esch (2006) examined both cognitive and emotional experience to measure brand image, but no research captured sensory experience with a certain brand. Hence, this study focus on the how brand image influence customer loyalty in hotel industry in China.

With an average of CNY491.40/ night/ room charged in Beijing (China National Tourism Administration, 2014), definitely customer/guest would look for high value for their money spent. Academic literature also highlighted that perceived values

also as a key determinant for hotel loyalty (So et al., 2013; Krasna, 2008; Liang, 2008; Suhartanto & Noor, 2013). Perceived value has been widely studied particularly in previous literatures. Perceived value influence both customer satisfaction and loyalty (Li , 2013). Other previous studies have showed that customer satisfaction mediate the importance of perceived value on customer loyalty (Patterson & Spreng, 1997). Since previous researches were limited in hotel industry, the previous findings cannot be generalized (Anuwichanont & Mechinda, 2011). Few representative researches dealing with the concept of the perceived value of products; even less research that deals with this issue in the tourism industry and; no research dealing with the antecedents and consequences of perceived value. Thus this study hopes to contribute to a better understanding of the relationship among these concepts. This study will investigate the effect of perceived value on customer loyalty and attempt to examine the mediating effect of customer satisfaction.

Furthermore, previous studies did not simultaneously test the relationship between service quality, perceived value and brand image on loyalty. Thus, this study attempts to link the relationship of service quality, brand image and perceived value on customer loyalty in the hotel industry. In addition, customer satisfaction proposed to mediate such relationship.



## **1.2 Research Questions**

Specifically, research questions of this study are:

- 1) does service quality, brand image and perceived value have a significant relationship with customer loyalty?
- 2) does service quality, brand image and perceived value have a significant relationship with customer satisfaction?
- 3) does customer satisfaction influence customer loyalty?
- 4) does customer satisfaction mediate the relationship between service quality, brand image, perceived value and customer loyalty?

## **1.3 Research Objectives**

The objectives of the research are:

- 1) to examine the influence of service quality, brand image, perceived value on customer loyalty
- 2) to examine the influence of service quality, brand image, perceived value on customer satisfaction
- 3) to examine the relationship of customer satisfaction and customer loyalty
- 4) to investigate the mediating effect of customer satisfaction on relationship between service quality, brand image, perceived value and customer loyalty

#### **1.4 Significance of the Study**

First of all, this study could contribute to expand the knowledge on what are the key determinants of customer loyalty specifically in Beijing's hotel industry. This study attempts to simultaneously link the relationship of service quality, brand image and perceived value on customer loyalty.

This research also attempts to bridge the gaps between service quality, brand image and perceived value to customer loyalty. Besides, it is to confirm the mediating effect of customer satisfaction on direct relationship.

Moreover, this research hopes to improve managers' understanding on how important to maintain customer loyalty as Hebei is a major contributor for tourism activities in China; identify which factor is most significant in explaining customer loyalty either need to emphasis more on service quality, stress on brand image building or blend value-added/high value service to customer; understand the level of customer satisfaction that enable marketers to strengthen their marketing activities.

#### **1.5 Definition of Key Terms**

##### **The hotel industry**

The hotel industry field is offering accommodation for customer. The Success in this industry depends on increasing the desire of the targeted guests, creating a pleasure environment. Managing hotels modest roots relied on providing the bare essentials of lodging into a large, multi-faceted, and diverse industry.

**Service quality**

Bitner, Booms and Mohr (1994) defined service quality as the impression of the relative inferiority or superior for consumers of the organizations. While other researchers (Cronin & Taylor, 1994) viewed service quality as evaluate a long turn represented by customers' attitude. Parasuraman, Zeithaml and Berry (1985) defined service quality as 'justify the expectation and performance of the customers by the functions'. This finding was supported to Roest and Pieters' (1997) definition that service quality is a service stakeholders and relevant experience cognitive differences between specification and performance -based.

**Brand image**

Brand image is a factor to determine marketing area. So brand image is important for hotel industry. Brand image is about the feeling of customers for the brand of hotel (Aaker,1991). Aaker (1991) explains that brand image is a group of associations which may not even reflect the objective reality. Keller (1993) defined Brand image " brand relationship remains in the minds of consumers creating a brand of assumptions .

**Perceived value**

The definition of Perceived value of "client" is the basis of a product , based on an overall assessment of what is received and what is given in perception utility” (Zeithaml, 1988). Woodruff (1997) defined customer perceived value as perceptions of these products assess property, the property of the performances, and from the

consequences of the use of benefice (or block) achieving the customer's goals and purposes in use situations" (Woodruff, 1997)

### **Customer satisfaction**

Satisfaction is excellent predictors of repurchase intentions. Customer satisfaction is due to the customers' need and goals. Customer satisfaction reflect that the level of pleasure and emotional reactions when a service is provided (Oliver, 1997).

### **Customer loyalty**

Jim Novo defines customer loyalty in perspective of behavior. Specifically, he states that customer loyalty, "Describe the behavior to choose a special business or produce more than another of customer." These definitions illustrate the ambiguity of the term, "customer loyalty." Some people prefer an emotional/attitudinal approach to defining customer loyalty while others would like the behavioral aspect of customer loyalty. However others define customer loyalty in process terms.

## **1.6 Organization of Remaining Chapters**

Chapter one is the introduction. This chapter introduces the basic understanding of the research. That means introducing what the background of the study. And it also includes that the basic definitions of the topic discussed. Followed, the research problems and research objectives also introduce in this chapter. Besides, the significance of this research also consists in this chapter. To explain the benefit and to provide better understanding that can be gained from this study. Lastly, there is a brief description of the chapters in the end.

Chapter two is literature review. First of all, the chapter reviews the related literature. This chapter describes what present the hotel industry is and then identifies what factors that influence the customer loyalty in hotel industry. This chapter's main concept is to review the contribution from the past literatures. For this chapter, exiting articles, exiting citations, and related dissertations are used to support this study's points mentioned.

Chapter three is the research methodology. This chapter describes the methods used in this study. It explains the data collected and how it is carried out to reach to the result. The description on sampling data, data collection, and questionnaire development are included in this chapter.

Chapter four consists of the findings of this research. In this chapter, the researcher overviews of data collection and describes the data analysis.

At last in chapter five summarizes the total study and conclusion of the research. And also will include the recommendation for the further study.

## **1.7 Conclusion**

This chapter introduce the overview of the study, problem statement, objective of this research, research questions, significance of this study, definition of key terms and organization of remaining chapter.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The objective of this study is to identify which are the factors that influence customer loyalty in hotel industry. This chapter focuses on the related literature to the topic for example the service quality; perceived value, brand image and customer satisfaction. There are altogether three sections which are independent variables, mediator variables, and dependent variables. This chapter reviewed and related clearly regarding the customer loyalty in hotel industry and overall discussion on the factors of customer loyalty.

#### **2.1 Overview of hotel industry in China**

It is well known, the Chinese hotel industry has developed fast since economic reform was started in 1978. There were few hotels in number since 1978. With the star rating system built in 1988, comparison and benchmark was the first time in China permitted of hotel across all the country. Moreover, the last 3 decades an annual average increase in number is about 20% (Zeng & Ryan, 2014). In 2012, there were 13,138 star rated hotels more than 1991(Annual Tourism Statistics of China National Tourism Administration, 2010). The remarkable from 1978 of 716,000 foreign arrivals from 1978 of 716,000 extraordinary development of international tourism to 55.7 million international visitors in 2010 overnight (International tourist arrivals 1978–2010.)

China has experienced its hotel and tourism growth to accelerate in the last 30 years, it will be possible in the world 's top tourist destination in the next decade. Today, China is the third most visited country all over the world.

## **2.2 Customer loyalty**

Customer loyalty describes the repeat customer behavior. Those repeat customers provide good rating, reviews, or testimonials (Kumar & Advani, 2005). Customer loyalty is an important element to gain competitive advantage. It can save money to attract retaining customers than seek new customers. Further, Loyal customers are more potential to repurchase than non loyal customers by the experience of the service , with no additional cost service providers creating word of mouth advertising potential (Shoemaker & Lewis, 1999). Moreover, it is stable to build the connection of customer and hotelier, whenever there are many increasingly attractive competitive product facing to the customers, or the supplier's own shortcomings. Finally, it is easy to associating to the loyal customer for the hotel industry than first-timer customer since hotel usually remains records, making targeted indirect marketing more feasible.

There are two part of customer loyalty: one aspect is the customers' behavior, which is define as the repeat purchasing of the same brand, a preference of a same brand and the recommendation the brand to others; another part is the customers' attitude, which is the impact of internal and customer loyalty aware components. Customers may occur repurchasing due to the inertia of existing or limited choice (Bloemer & Kasper, 1995). The real loyal customer is more than behavior and preferences, including attitude (Lwin & Wirtz, 2007).

There are many dimensions influence customer loyalty. Beyond different factors service quality is one of the significant factors to influence customer loyalty like service quality has a direct impact on customer loyalty (Chao, 2008). In the hotel industry also the corporate image of vitality cannot be ignored positive impact on brand loyalty Christou, 2003). Perceived value has been identified as one of the most important in the hospitality industry (Parasuraman, 1997).The previous studies indicated that service quality, brand image and perceived value influence customer loyalty.

## **2.3 Variables Relating to this Study**

### **2.3.1 Brand image**

Based on De Paoli and Fischer (2001) “A brand is not just a logo, a name or a corporate design - it is fixed in the perception and affect their preferences picture of a client”. This statement is also similar with Prasad and Dev’s (2000) perception. In addition, Brands include all tangible and intangible property, sales representative.

Brand includes all tangible and intangible property, sales representative (Prasad & Dev, 2000).

The concept and the hotel industry brand image of the measurement is of great importance in the last year, from academics, practitioners and researchers. There are many reasons to study the branding image. From consumer expectations, perceived risk, such as time costs, search costs and reduce the value of money seems important to lead the customer to pay attention to branding image. There are 85% of business travelers and 76% of leisure travelers choose branded hotels over independent properties. The main reason is the hotel guests find a trusted brand in order to reduce



the risk of an unknown brand. O'Neill and Mattila (2004) also indicate that there is greater revenue per guest rooms and higher growth rates in the room revenues with high level satisfaction of customers.

Identification create an invisible connection tangible marketing campaigns, it is priceless, because strong brands rest with their customers attractive and unique emotional bond. The results reveal the strength of the brand will provide benefits to customers, such as greater customer loyalty in hotel (Keller, 2001).

Brand is a point for hotel that identifies and differentiates itself in customers' mind. So that brand can influence customers willing and behavior to choose hotel. In other word, the hotel industry should understand what the customer need and how the brand influences the customers in order to gain customers loyalty.

Nevertheless, it is not easy to build strong brand (Aufreiter, Elzinga, & Gordon, 2003). The basic of built a strong brand image is to build loyal and satisfied customers. The customers hold the high regard brand (Forgacs, 2003). Customers often purchase one brand that only can satisfy themselves, but also brand is a symbol of the status. Recognized brands in the hotel are to establish brand loyalty in order to provide value-added services to guests and hotel companies.

Brand image influences the quality and trust by consumers claiming. (Chiang & Chang, 2006). Self-image can be manipulated respective brand preference, brand satisfaction and purchase intent (Jamal & Muhammad, 2007). Reposition and re-brand hotel management industry colored importance of positive employee

participation global corporate brand image building (Chiang, 2007). The previous study investigated the hospitality industry area. The research found brand image has an important and positive associating with customer loyalty, in this study, hotel's image may result in customer satisfaction, so the image is a significant element to build customer loyalty. (Kandampully & Suhartanto, 2003).

Jiang et al. (2002) stated that a hotel can use an endorsed brand extension strategy to extend the power of well-accepted brand identity to a number of diverse concepts differentiated by market segment. Among them, the endorsed brand strategy put forward the name of a well-established product or service on the cluster (Jiang et al., 2002).

Customers would like to recommend their trust brand to others. The precondition is that the customers identify with a brand community. (Algesheimer et al., 2005). Empirical studies support the CBI measures on brand loyalty , including the impact of word of mouth attitude (Kuenzel & Halliday, 2008; Tuskej et al., 2013), purchase intention (Kuenzel & Halliday, 2008), and commitment of the customer (Tuskej et al., 2013), and the brand loyalty construct (He & Li, 2011; He et al., 2012; Homburg et al., 2009; Kuenzel & Halliday, 2010).

Brand image is recognized as an important factor on customer behavior, because the customer's purchase and selection is based on its recognition if the brand image (Dobni & Zinkhan, 1990). According to previous studies defined brand image and the following Roberts (2004) Lovemarks theory , studies suggest , directly or indirectly, the brand image influences the customer 's package. According to Robert

(2004), mystery, sensuality and intimacy are three dimensions of brand image. Mystery achieve experiential knowledge, through the brand's past and present and future interactive memory dreams and aspirations reflect a true lifestyle (Robert, 2004). The sensory reflect that the memory of the brand experiences with the customer's physical senses. Intimacy is the emotional aspect of brand image. It refers to brand image to brand experiences involved a customer's feelings of the interacting with a brand. Previous studies showed that brand image influenced customer loyalty mediated by customer satisfaction.

### **2.3.2 Service quality**

Service is one factor that influences customer loyalty. Service is an important factor and also a symbol that are provided by the hotel industry. Customers in modern society also recognize that hotel industry is more and more familiar in their life with the specific need. The hotel also provides different demand of the customers. The service quality is the most significant in developing customer loyalty in a hotel (Weber, 2001).

The gap between a customer's expectation and perception about a service was studied in the first law of service quality and customer satisfaction (Mittal & Lasser, 1996). Getty and Getty (2003) was supported. It is important to view their customers.

Due to the dynamic changes of customer preference at all the time, Study on customer satisfaction in the service sector increased dramatically in recent years (Peterson & Wilson, 1992). The increase has been exacerbated by the growth of the service sector (Danaher & Haddrell, 1996). According to Kivela (1996) customers

are likely to see the services which is attribute package bundle of differ in their contributions from the service evaluations and choice. With a very good service offer to customers, it may build loyalty (Cronin & Taylor, 1992), resulting to repurchase (Fornell, 1982), and favorable word-of-mouth advertising (Halstead & Page, 1992). As the factor, quality of service issues have been identified as an agent that can directly affect customer satisfaction, buying behavior of long-term profitability and security agencies repetition (Wilkins et al., 2007; Zeithaml & Bitner, 2003). Another unique feature of this service is the importance of contact with the customer-facing side . So facing with this factor that providing service, good training and employee's impression for customers seem to be important. Who demonstrate a flexible personality and willingness to do to satisfy the customer are the hotel industry important recruitment employees. And it may associate the success of the hotel. In addition, Erto and Vanacore (2002), demonstrated that "Must-be quality elements", "One-dimensional quality elements" and "Attractive quality elements" are the three different levels in hotel industry. Moreover different level leads to multiples level of customer satisfaction. Training and socialization process of the hotel's employees should be encouraged in the emotional care of their customers.

With the competition increasing, manage hotel managers are searching for the best way and decision to stand out from their challenger. Service quality is a key element in the development of a competitive advantage. Service quality is usually a good idea to measure the expected quality of service with customers. As long as the quality of service in line with customer expectations , it could lead to customer loyalty.

The hotel managers' ability to understand what the customers' feeling is very important in hotel industry. If they can understand what factors that customers care about more, they can provide helpful and corrective service. From above, the core problem that the managers faced is how to make a corrective decision to evidence of deficiencies in service quality. A lot of studies worded in this area. Parasuraman (1988) developed the service quality measurement tool named SERVQUAL. So for service research, SERVQUAL is significant for evaluate the service quality.

The SERVQUAL is composed of five dimensions which are:

- (1) Reliability (ability to perform the promised service dependably and precisely);
- (2) Assurance (knowledge and courtesy of employees and their ability to inspire confidence);
- (3) Responsiveness (willingness to help customers and provide prompt service);
- (4) Tangibles (physical facilities, equipment, personnel); and
- (5) Empathy (individualized attention given to customers).

SERVQUAL is the important determinant that influences consumer satisfaction, customer-buying behavior and revisit intention toward the hotel industry. According to Andaleeb, S.S. and Conway, C. (2006), overview the SERVQUAL items, the measure of these items of service are more satisfied in hotel industry when providing excellent living environment. Furthermore, Ramseook-Munhurrun (2012) addressed that tangible refers to the physical property of the hotel, where the client will be the first to experience when they step in the hotel. Meanwhile, according to their study,

the assurance and empathy dimensions proposed in the SERVQUAL framework showed another important result in hotel context.

### **2.3.3 Perceived value**

Perceived value is another important dimension in hotel industry that influences customer loyalty (Akbar *et al.* 2010). Perceived value was widely argued in the previous researches. The perceived value of the structure has been identified as one of the most important factors in order to obtain a competitive advantage (Parasuraman, 1997) and the most important reporter of the willingness to purchase more than one time (Parasuraman & Grewal, 2000). Perceived value was defined as the benefit from services which customers considered accepting customer service costs (McDougall & Levesqu, 2000). Rust and Oliver (1994) studied the client will be named as a poor value-added services with the high price quality. Heskett et al. (1997) found that there is no significant relationship between high value and low price, because services high perceived value may actually be higher or lower price. When adding perceived value, maybe customers will remain loyalty and increase expectations, and will result in a decline in the value of users to more easily accept a competitor's marketing (Grönroos, 2000).

Previous study developed in the perceived value of the product set multi-dimensional scale (Sweeney & Soutar, 2001). Based on Sweeney and Soutar (2001), Four dimensions of the perceived value of the product consist of: emotional, social, quality / performance and price / value for money. In addition, Petrick (2002) found that perceived value of service includes five dimensions: quality, emotional response, monetary price, behavioral price and reputation. We believe, Comparing the relative

of each dimension, determine good or poor performance dimensions on how to enhance the value of a specific direction, marketers can benefit from the perceived value of the multi-dimensional measurement (Petrick, 2002). Woodruff (1997) indicated that what hoteliers want is a deep know of the value of the customer , to guide them on how to effectively deal with.

Zeithaml (1988) provided important role in consumers' purchasing decisions in the evidence to support value. A direct consequence of the decision-making and customer perception of purchasing are effected by perceived value. Cronin and Taylor (1992) studied that managers needed to think about the value to improve the forecasting capabilities of service quality.

Perceived value also can be known as that the guests pay the money and the hotels provide the service. In another word, this relationship can be recognized as selling and purchasing. This can be evaluated by the justification and perception of the customers based on their experiences and expectations. The experience and expectation of the customer can evaluate the relationship.

Oliver (1999) asserted that "Value" is a unique structure of variables from the satisfaction and quality, such as loyalty. Dubé et al. (1999) established that there is a inconsistency between guests expectation and managers pursue, therein set an opportunity strategy to improve operations and maximizing profit. Previous study indicated that perceived value is an important factor that influence customer loyalty mediating by customer satisfaction.

#### **2.3.4 Customer satisfaction**

Satisfaction is excellent predictors of repurchase intentions. Customer satisfaction is due to the client's needs and goals when service providers meet the level of pleasure and emotional reactions (Oliver, 1997). The likely result is dissatisfaction when the perceived service performance does not fulfill customer expectations (Churchill & Surprenant, 1982; Oliver, 1980; Yi, 1990). Previous service experiences and attribution can reflect the level of satisfaction or dissatisfaction, and may also influence repurchase intentions (McGuire, 1999). According to Hu (2009), customer satisfaction can be defined as a cognitive or emotion reaction to response the delivered services. This is a very important factor as a reflection of the customer to realize the response of service by the provider, especially in hotel industry. Customer satisfaction is a significant dimension that to recognize and satisfy what the customer need and what the customer want. Customer satisfaction is a significant service delivery remarkable element, because understanding and meeting customer needs is good to increase their market share from repeat purchases, recommendation (Barsky, 1992). Customer satisfaction associates with customers' behavior. Actually, customer satisfaction influences customers' behavior. Customers' behaviors reflect customer satisfaction.

Satisfaction lead to a number of important outcomes, consisting increased market share, profitability, customer attitude, purchase intentions, and benefits associated with positive word-of-mouth effects. The positive influence of consumer satisfaction on loyalty has been widely supported in marketing literature. Higher satisfied customers are less tending to the competitor. Also satisfaction can build a long term cooperation and loyalty between customer and hotel industry. On the other hand,



dissatisfaction may lead to unexpected consequent, such as negative word-of-mouth, less repatriates or switching to alternative service providers.

The level of the affection for the service reflects the satisfaction response which is supported by the suggestions of Jacoby and Chestnut (1978) and Oliver (1997, 1999). Oliver (1999) indicated that consumers in the emotional stage build a positive attitude towards the brand/product/service as a result of satisfactory reuse over time. Customer satisfaction is a mediator the relationship among service quality, perceived value, brand image and customer loyalty.

## 2.4 Proposed model

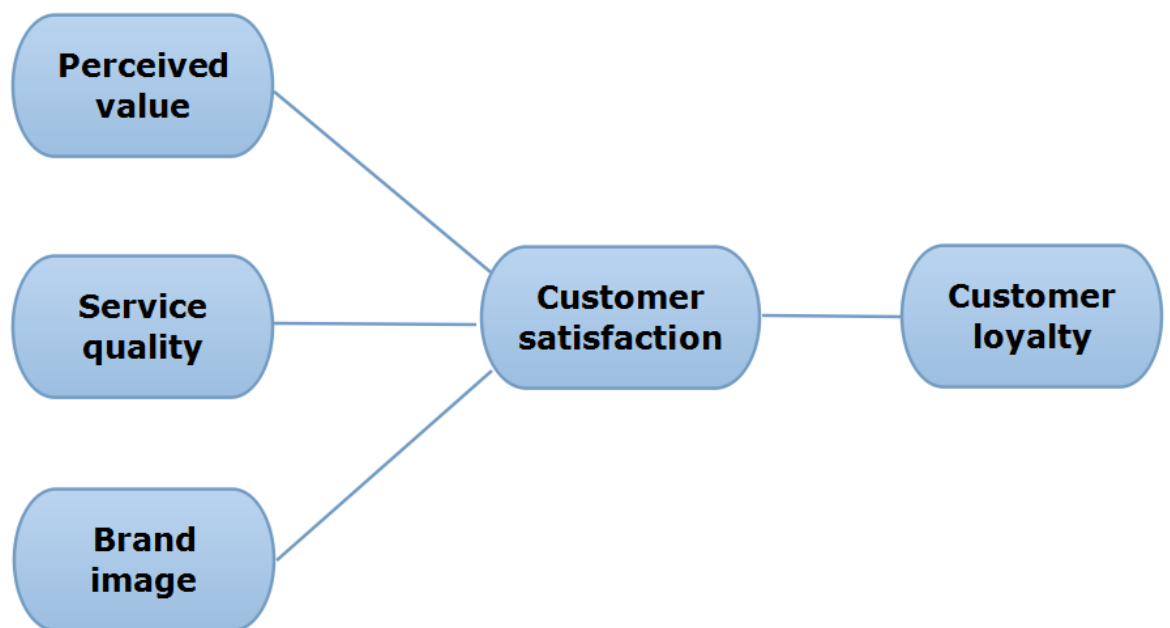


Figure 2.1

*Framework of the study*

## **2.5 Underpinning theory**

### **2.5.1 Lovemarks Theory**

Theory of modern branding is the theory of “Lovemarks” as put forward by Kevin Roberts (2004), CEO of Saatchi & Saatchi. Roberts states that the idea of a brand is starting to “wear thin” and the world around it sterile. The idea is being worked so hard to gain an edge that the metaphors, definitions, and diagrams are wearing it out. Michael Eisner of Disney described the word “brand” as “overused, sterile, and unimaginative.”

Lovemarks theory is based on a simple premise: humans are driven by the emotion, rather than reason. This is the main point of the Lovemarks argument. If you want people to take action, whether for something momentous, you need to appeal to their emotions. Lovemark is a marketing concept. It replaces the brand.

## **2.6 Hypotheses development**

Customer satisfaction is fully mediator the perceived value of repurchasing intention. From the previous findings, it shows that the perceived value and customer loyalty are closely related.

H1: Perceived value has a significant relationship on customer loyalty.

It is generally believed that there is a relationship between service quality and customer loyalty as increased quality affects customer loyalty and do good to success of the hotel industry.

H2: Service quality has a significant relationship on customer loyalty.

Many studies proved that there is a positive interaction between customer loyalty and brand image (Selnes, 1993; Zins, 2001). Whereas, other studies raised positive contact on brand image by that service quality (Brodie et al., 2009) and customer loyalty found positive relationship with brand image. Another study also proved that image is positively relationship with customer loyalty in hotel industry. This showed that pleasing image leads towards customer preferences and customer loyalty (Mazanec, 1995).

H3: Brand image has a significant relationship on customer loyalty.

H4: Perceived value has a significant relationship on customer satisfaction.

H5: Service quality has a significant relationship on customer satisfaction.

H6: Brand image has a significant relationship on customer satisfaction.

The relationship between loyalty and satisfaction are well closed related. First of all, satisfaction is the main factor that influences loyalty in hotel industry. According to Chand (2010), satisfied customers may be the potential loyal customers

H7: Customer satisfaction has a significant relationship on customer loyalty.

H8: Customer satisfaction mediates the relationship on perceived value and customer loyalty.

H9: Customer satisfaction mediates the relationship on service quality and customer loyalty.

H10: Customer satisfaction mediates the relationship on brand image and customer loyalty.

## **2.7 Conclusion**

Chapter two overviews the previous studies about customer loyalty in hotel industry.

It describes that the interaction among independent variables, mediator variables and dependent variables.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

Research methods defined as to collect data and other types of information for business decisions. The type of these methods includes surveys, interviews and publication. All the types come from the present and historical information. Research The method is a way to search the finding and result of a special research issues. If we consider the word “Methodology”, it reminds in our mind the way of searching or solving the research questions. (Industrial Research Institute, 2010). Furthermore, Research is defined by Redmen and Mory (2009 as a systematized effort to acquire new knowledge. For searching research problems, a researcher has lots of problems. They can use correct methods for the problems to achieve the effective result (Industrial Research Institute, 2010). This chapter includes how the study is generated on research design, data collection methods, sampling design, research instrumentation and analyzing data procedures.

#### **3.1 Research Design**

A research design is a framework or blueprint to undertake the research projects. It describes the necessary process for getting the useful data and information used to build or solve research questions. In simple words it is the overview plan of how you design your research.

### **3.1.1 Type of Study**

The research used a descriptive measurement method and a survey measurement. This descriptive research is used to describe the characteristics of hotel industry and customers, which is processed to determine the characteristics answer who, when, where and what kind of problems. Besides, this research is designed to apply a survey method to build questionnaires to get the response and to get more understanding about the customer attitudes and loyalty of the hotel industry. According to Zikmund (1994), questionnaire is a measurement technique to collect data from a sample of people. Therefore, this survey collect data by using self-administered questions got from the respondents. For the purpose of the study, quantitative methods is used to test the proposed hypotheses.

### **3.1.2 Sources of data**

Both primary and secondary data employed in this study, Primary data is based on the surveyed questionnaire distributed to identified respondents mainly to answer the main research questions of this study. Secondary data were gained from articles, journals, newspapers and internet sources. Secondary data mainly used to understand the phenomena and understand the research gaps. It is also benefits the researcher to develop the literature review and strengthen the research framework.

### **3.2 Population and Sample Size**

All customers who often need to use hotel industry are constituted to the population frame of this survey. . The respondents were covered from hotel industry across various cities of Hebei, China, with the total population 68.1 million (CBW.com). The sampling frame were based on the respondents from three star rating hotel in Hebei, China as it is the most commonly available hotel rating available in Hebei. Hebei is the only province in China that has boasts highlands, mountainous and hilly areas, plains, lakes and a coastline. Across the province, there are 304 ancient ruins and buildings including 58 national key cultural relics protection. The total number of natural and human cultural scenic sites in Hebei province ranks second of China. They include the Chengde Summer Resort, Shanhaiguan Pass at the head of the Great Wall, Beidaihe Holiday Resort, The Eastern and Western Tombs of the emperors of the Qing Dynasty. Based on these tourism resources, Hebei province attracts much tourism and the hotel industry develops very fast in Hebei.

According to Krejcie and Morgan (1970), the population with  $N=68.1$  million, the sample size is 384. In this regards, researcher distributed 400 questionnaires, but only 243 were returned and usable for further analysis.

Based the source of information, this unit of analysis is individuals. It is easy to use individual unit analysis to study the customers' age, gender, occupation and so on. This unit of analysis is commonly thought of as the unit of analysis to study people.

There are two general types of sampling, one is probability sampling, and the other is non-probability sampling. In this study, the researcher use probability sampling. It is taking samples from the population. It is ensures that there is a possibility for each person in a sample population to be selected.

In this study researcher used stratified random sampling. Stratified random sampling is a method of sampling that involves the division of a population into small groups. Stratified random sampling is useful when the population is heterogeneous and it is possible to establish strata that are reasonably homogeneous within each one. In this study, the researcher chooses every third people who checked out at the hotel with the hotelier permission.

### **3.3 Data Collection Procedure**

In this research, the researcher uses the primary data collection by distributing questionnaires to identified Hebei's three star rating guests. There will be steps on collecting data as below.

#### **1. Request permission to do research**

The researcher decided to do a survey on particular hotels in Hebei, China. The researcher went to the hotel and handed over the permission letter to conduct survey at a particular place. Approval by the hotel manager to conduct a survey among their guests is needed in order to complete the research.

#### **2. Appointment and survey schedule**

After receiving approval from the manager of the hotel, on an agree date and time,



the researcher went to the respective hotels to distribute the questionnaire. Approval and permission from the managers had improved the potential respondents to cooperate and support the research at hand. In total, data collection is done within one month (April 2015) and involved 15 three star hotels in Hebei.

### **3. Administrating of the survey**

The researcher spent times with the respondents in order to help and guide them in answering the questionnaire. The researcher explained everything related to the questionnaire in order to clarify the objective of the study or any further clarification needed by the respondents. Every 3<sup>rd</sup> respondents were approached by the researcher and/or representative after checked out. The questionnaires were self-collected right after respondents were finished answering their questionnaire.

#### **3.4 Operational definition**

The independent variables are perceived value, service quality and brand image. While the dependent variable is customer loyalty. Besides, customer satisfaction proposed as the mediating variable.

##### **Service quality**

Bitner, Booms and Mohr (1994) defined service quality as the impression of the relative inferiority or superior for consumers of the organizations. While other researchers (Cronin & Taylor, 1994) viewed service quality as evaluate a long turn represented by customers' attitude. Parasuraman, Zeithaml and Berry (1985) defined service quality as 'justify the expectation and performance of the customers by the functions'. This finding was supported to Roest and Pieters' (1997) definition that

service quality is a service stakeholders and relevant experience cognitive differences between specification and performance -based.

### **Brand image**

Brand image is a factor to determine marketing area. So brand image is important for hotel industry. Brand image is about the feeling of customers for the brand of hotel (Aaker,1991). Aaker (1991) explains that brand image is a group of associations which may not even reflect the objective reality. Keller (1993) defined Brand image " brand relationship remains in the minds of consumers creating a brand of assumptions .

### **Perceived value**

The definition of Perceived value of "client" is the basis of a product , based on an overall assessment of what is received and what is given in perception utility” (Zeithaml, 1988). Woodruff (1997) defined customer perceived value as perceptions of these products assess property, the property of the performances, and from the consequences of the use of benefice (or block) achieving the customer’s goals and purposes in use situations” (Woodruff, 1997)

### **Customer satisfaction**

Satisfaction is excellent predictors of repurchase intentions. Customer satisfaction is due to the customers’ need and goals. Customer satisfaction reflect that the level of pleasure and emotional reactions when a service is provided (Oliver, 1997).

### **Customer loyalty**

Jim Novo defines customer loyalty in perspective of behavior. Specifically, he states that customer loyalty, “Describe the behavior to choose a special business or produce more than another of customer.” These definitions illustrate the ambiguity of the term, “customer loyalty.” Some people prefer an emotional/attitudinal approach to defining customer loyalty while others would like the behavioral aspect of customer loyalty. However others define customer loyalty in process terms.

### **3.5 Instrumentation and measurement of variables**

#### **3.5.1 Research instrument**

In this research paper, the researcher chooses the self-administered questionnaire as the research instruments. The self-administered questionnaire is a questionnaire that a respondent completes on his/her own, either on paper or via computer without intervention of the researchers (e.g. an interviewer) collecting the data. Self-administered questionnaire is a collection of data, which survey respondents read the questions and record respondents’ answer without training of interviewing (Hair, Black, Babin, Anderson, & Tatham, 2006). Questionnaire is a significant way to collecting data from the samples because it is a cheaper way to get the response.

#### **3.5.2 Variable measurement**

This section describes the sources of variable measurement for this study. Questionnaire is the basic of the measurement that is distributed to the samples. The questionnaire was developed based on the previous study. After the literature review process, 67 items of research instrument were developed to gain relevant information

pertaining customer loyalty in hotel industry and its predictors (Nelson & Hailin, 2000).

The questionnaire consists of five major section. Section A, consists of 5-point Likert scale to test the respondents' perceived value related to the customer loyalty in hotel industry in Hebei, China. The respondent showed the level of statement ranging from 1 strongly agree to 5 strongly disagree.

In section B, the questionnaire was built to test the respondents' service quality of customer loyalty actually provided by hotel industry in Hebei, China. Same as section A, the researcher adopted a 5-point Likert scale to test the level of response' agreement with the statement through their response which ranged from 1 strongly agree to 5 strongly disagree.

In section C, the questionnaire was also to measure the respondents' brand image of customer loyalty in Hebei, China. Same as section A and section B, the researcher used a 5-point Likert scale to measure the level of the respondents' agreement with statement through their response that ranged from 1 strongly agree to 5 strongly disagree.

In section D, the questionnaire was built to test the respondents' the customer satisfaction related to the customer loyalty in the hotel industry in Hebei, China with the 5-point Likert scale. The respondent showed the level of statement with response that range from 1 strongly agrees to 5 strongly disagrees.

In section E of the questionnaire use the nominal scale to test the demographic profiles of the samples including gender, age, status, education, income, purpose, stay, frequency and source.

According to the Table 3.1, it displays the summary of the source of variables measurement adapted for this study. The questionnaire was a way to collect the response from the customer that is used for the customer loyalty in hotel industry from authors or scholars in the previous studies. There were 67 questions that included the 5 variables that were used for getting the objective. 5-point Likert scale was tested for the entire five variables.

Table 3.1

*Summary of sources of researched variable measurements*

Variables	Items	Measurement scale	Sources
Perceived Value	4	Likert (1-5)	Levesque & McDougall, 1996
Service Quality	21	Likert (1-5)	Castro, Armario & Ruiz, 2004
Brand Image	20	Likert (1-5)	Developed in the present study
Customer Satisfaction	8	Likert (1-5)	Castro, Armario & Ruiz, 2004

Customer	5	Likert (1-5)	Mols, 1998
Loyalty			

### **3.6 Pilot test**

A pilot test is a method to test the design or methods or instrument before conducting the research. It involves an initial test of data collection tools and processes to identify and eliminate errors. According to Zikmund, Babin, Carr, & Griffin (2010) pilot test is a experimental testing of a small group of samples, the results are only preparation, and also just used to help to test the following study design. This test generated before a following survey. By pilot test, enable researcher to know is there any question that makes respondents feel uncomfortable. Researcher also find that how long it would take to complete the questionnaire by the respondents. Furthermore, the pilot test measures the reliability and validity and determines the errors of problems in the survey. Cronbach's Alpha was employed to measure the internal reliability of the pilot test.

### **3.7 Data analysis technique**

Data analysis is used for checking, cleaning, inspecting, transforming and modeling data with the purpose of discovering important information, finding the conclusion and supporting decision making. In this research project, the researcher will use the SPSS software version 21.0 to analyze the data. There are some items like reliability test, correlation analysis and so on in the SPSS that are suitable for to text the response in this study.

### **3.7.1 Reliability test**

Reliability testing is to test the degree to which extent is consistent and stable in measuring what it is intended to measure. At the simply level, the test is reliable if it is consistent in itself and the whole time. Reliability test is used to measure the internal consistency so that it can determine all projects in the questionnaire whether each variable has highly relevant or reliable. In this research project, the scale items were tested by the reliability test. Malhotra (2007) mentioned that the reliability coefficient varies from 0 to 1. If the value of Cronbach's Alpha is less than 0.60, that shows not satisfied internal consistency reliability. However if the value of Cronbach's Alpha is more than 0.60, that showed satisfied internal consistency reliability.

### **3.7.2 Correlation analysis**

Based on the previous study by Cavana et.al (2001), Evaluating the variant in one variable to another set provide the correlation.. Therefor he relevant statistical method is to measure the presence of any relationship between two variables (Md. Harashid, 2007). Moreover, the R-value of correlation coefficient refer to three objectives namely:

- 1) To examine is whether the correlation coefficient is statistically significant;
- 2) To measure what strength of association
- 3) To know the relationship between the variables; positive or negative (Hair et.al, 2007)

Sekaran (2003); Coakes et.al (2010) in their studies indicated that, if the value is 1.0 (plus 1), that means to be perfect positive correlation. Otherwise a perfect negative

correlation that is -1 (minus 1). The sign of the positive and negative show that the directions while the value shows the strength of the relationship (Coakes et.al, 2010)

### **3.7.3 Multiple regression**

The multiple regression is to measure the relationship between variables. The best prediction of dependent variables provide from several independent variables presented an equation that is known as the result of regression.

The multiple  $r$  or multiple correlation is when the variables jointly regressed against dependent variable in effort to explain the variance in it, the individual correlation collapse into. The  $R^2$  or know as R-square or the square of multiple  $r$ , is to be amount of variance explained in the dependent variable by the predictors.

## **3.8 Conclusion**

This chapter outlined the analysis instruments that are adapted to conducting this research project. After finish obtaining that overall all data from the questionnaire-based survey, then I will be using the SPSS software version 21.0 in order to assist the analysis and interpretation. Furthermore, structure and flow to generate the study included research design, measurement, data collection and data analysis procedures are described in this chapter.





## **CHAPTER FOUR**

### **DATA ANALYSIS AND FINDINGS**

#### **4.0 Introduction**

In this chapter, the present section is designed to indicate the result in this research, which used SPSS version 21 for the purpose of analyzing the data collected from several hotels located in Hebei, China. Therefore, several types of statistical analysis have been used in this research such as reliability test, correlation analysis, multiple regression analysis.

#### **4.1 Response Rate**

There are many hotels in Hebei province, China that can be used for data collected. For this research, the researcher chose three star hotels to distribute questionnaire. The reason of selecting only three star hotels is due to the facts that this hotel category are among the highest occupancy rate , i.e. 48%. The researcher distributed 400 copies of the questionnaire in selected three star hotels based on the agreement of hotel managers. As a result, only 15 hotels were willing to participate in this study. At the end of April 2015, 243 questionnaires were returned, yielding a response rate of 60.75%. However, only 200 questionnaires were further proceed with data analysis. The remaining considered rejected due to several reason such as too many technical error or too many missing answer.

## 4.2 Frequency Distribution

The frequency distribution explained more detail for demographic profile such as gender, age, marital status, education, income, purpose, stay, frequency and source and frequency of occurrence of several issue.

### 4.2.1 Respondent's Profile

Table 4.1 summarizes the respondent's profile of this study.

Table 4.1

#### *Respondent's Profile*

Category	Frequency	Percentage
Gender		
Male	118	59
Female	82	41
Age		
Below 20	21	10.5
21-30	60	30
31-40	68	34
41-50	30	15
51-60	18	9.0
Above 60	3	1.5
Marital status		
Single	81	40.5
Married	98	49.0
Divorced	16	8.0
Widowed	5	2.5
Academic attainment		
Diploma	44	22.0
Bachelor's degree	91	45.5
Master's degree	27	13.5
Others	38	19
Income/Salary		
0-2000 yuan	34	17.0
2001-4000 yuan	53	25.5
4001-6000 yuan	58	29.0
Above 6000 yuan	55	27.5
Purpose of hotel visit		
Business	57	28.5
Travelling	94	47.0
Visiting family	15	7.5
Others	34	17.0

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Duration of stay		
Less than 3 nights	122	61.0
3-5 nights	50	25.0
6-10 nights	17	8.5
More than 10 nights	11	5.5
Frequency of visit		
Less than 3 times	77	38.5
3-5 times	53	26.5
6-10 times	32	16.0
More than 10 times	38	19.0
Source of information		
Internet, TV, newspaper, publicity	93	46.5
Word of mouth	22	11
Friends	60	30
Relatives	20	10
Others	5	2.5

---

Out of 200 respondents, around 118 are male while the rest are female who are visiting the hotels in Hebei province. And the percentage of the male is 59% while the rest are female of 41%. The result obtained from the data collected for age distribution out of 200 responds show that, for age below 20 years is 10.4%, while for 21 years old to 30 years old is 29.9%, then for 31 years old to 40 years old is 33.8%, followed by responds age from 41 years old to 50 years old is 14.9%, and the next 51 years old to 60 years old is 9.0%, and finally is age above 60, the percentage is 1.5.

For marital status, 81 or 40.5% of the respondent are single, followed by married respondents with a total of 98 or 49.0%. Number of respondents who are divorced is 16 respondent or 8.0%. While respondent widowed is 5 person or 2.5%. For education background, it is recorded that 22% or 44 respondents are diploma holder. 45.5% or 91 respondents are bachelor's degree holder. While master's degree

respondents are 13,5% or 27. Others academic qualifications are 38 respondents or 19%. For the monthly income, 34 or 17% of the respondents earned 0-2000 Yuan/month, 53 or 26.5% earned between 2001-4000 Yuan, and majority of 58 or 29% earned roughly between 4001-6000 Yuan. About 55 or 27.5% of the respondents have more than 6000 Yuan/monthly.

Besides profiling the demographics profile of the respondents, this study also attempt to profile numerous profiles regarding respondents' general behavior on hotel rental. When asked about their purpose of hotel visit or rental, majority of the respondents stated that their major purpose is for traveling (47%). This is followed by business purpose (28.5%), other occasion (17%) and family visit (7.5%). Majority of the respondents stated that their duration of stay were less than three nights (61%), followed by three to five nights (25%), six to ten nights (8.5%) and more than ten nights (5.5%). In term of frequency of visit in one year, majority of the respondents had visited less than 3 times in a year (77 or 38.5%), followed by three to five times (26.5%), more than 10 times (19%) and six to ten times (16%). Majority of the respondents gained information about the hotel from word-of-mouth (friends and relatives (51%), followed by formal media such as internet, television, newspaper and publicity (46.5%) and other medium (2.5%).

#### **4.2.2 Frequency Analysis of Major Items**

The following Table 4.2 summarizes frequency analysis for perceived value items in this study.

Table 4.2

##### *Frequency Analysis for Perceived Value*

Scale		1		2		3		4		5
Items	N	%	N	%	N	%	N	%	N	%

Compared to alternative hotels, the hotel offers attractive product and service.	48	24	98	49	37	18.5	14	7	3	1.5
Compared to alternative hotels, the hotel charges me fairly for similar product and service.	62	31	87	43.5	43	21.5	6	3	2	1
Compared to alternative hotels, the hotel more free service	36	18	84	42	65	32.5	14	7	1	0.5
Comparing what I pay to what I might get from other competitive hotels, I think the hotel provided me with good value.	48	24	94	47	51	25.5	7	3.5	0	0

The following Table 4.3 summarizes frequency analysis for service quality dimensions in this study.

Table 4.3

*Frequency Analysis for Service Quality Dimensions*

Scale		1		2		3		4		5
Items	N	%	N	%	N	%	N	%	N	%
Service quality (Tangible)										
This hotel has up to date equipment.	32	16	76	38	69	34.5	20	10	3	1.5
This hotel's physical facilities are visually appealing.	34	17	96	48	46	23	21	10.5	3	1.5
This hotel's employees look well dressed and neat.	55	27.5	77	38.5	46	23	18	9	4	2
Consumable elements involved in service delivery are visually appealing.	33	16.5	76	38	74	37	15	7.5	2	1

Service quality (Reliability)										
When the hotel promise to do something by a certain time, it does so	71	35.5	83	41.5	28	14	17	8.5	1	0.5
When I have problem, the hotel has the true interest to solve it	87	43.5	67	33.5	29	14.5	14	7	3	1.5
The hotel does everything right at the first time	33	16.5	95	47.5	46	23	24	12	2	1
The hotel finishes at promised time	55	27.5	95	47.5	29	14.5	14	7	7	3.5
The hotel keeps accurate records and documents	81	40.5	64	32	40	20	10	5	5	2.5
The hotel tells me when my requests will be fulfilled	81	40.5	73	36.5	27	13.5	16	8	3	1.5
Service quality (Responsiveness)										
I do receive prompt service from the hotel employees	81	40.5	70	35	29	14.5	17	8.5	3	1.5
The hotel employees are always willing to help	65	32.5	75	37.5	33	16.5	23	11.5	4	2
The hotel employees are not too busy to respond to my request promptly	42	21	96	48	24	12	34	17	4	2
Service quality (Assurance)										
I fell safe in my transactions with the hotel employees	55	27.5	83	41.5	31	15.5	15	7.5	15	7.5
The hotel employees are polite	72	36	87	43.5	27	13.5	12	6	2	1
The hotel employees are knowledgeable enough to answer my questions	39	19.5	98	49	43	21.5	17	8.5	3	1.5
Service quality (Empathy)										
The hotel gives the customer individual attention	30	15	110	55	40	20	18	9	2	1
The hotel has convenient opening hours	53	26.5	86	43	43	21.5	13	6.5	5	2.5
The hotel employees give the customers personal attention	41	20.5	82	41	53	26.5	23	11.5	1	0.5
The hotel has my best interest at heart	49	24.5	83	41.5	47	23.5	19	9.5	2	1
The hotel employees understand my specific needs	27	13.5	111	55.5	47	23.5	12	6	3	1.5

The following Table 4.4 summarizes frequency analysis for brand image dimensions in this study.

Table 4.4

*Frequency Analysis for Brand Image Dimensions*

Scale		1		2		3		4		5
Items	N	%	N	%	N	%	N	%	N	%
<b>Brand Image (mystery)</b>										
This hotel brand awakens good memories for me.	25	12.5	11	57.5	48	24	9	4.5	3	1.5
This hotel brand is a part of my life.	23	11.5	63	31.5	80	40	26	13	8	4
This hotel brand captures a sense of my life	17	8.5	76	38	78	39	21	10.5	8	4
This hotel brand comes to mind immediately when I want to choose a hotel	32	16	60	30	84	42	23	11.5	1	0.5
This hotel brand adds to the experience of my life.	11	5.5	105	52.5	53	26.5	19	9.5	12	6
<b>Brand image (Sensuality)</b>										
This hotel brand has incredible displays.	20	10	76	38	71	35.5	28	14	5	2.5
The design of this hotel brand's ads is really well done.	24	12	70	35	68	34	30	15	8	4
The well-ordered hotel environment appeals to me	38	19	83	41.5	47	23.5	28	14	4	2
The hotel environment of this brand appeals to me.	30	15	102	51	53	26.5	12	6	3	1.5
This hotel brand has a beautiful color scheme	69	34.5	80	40	34	17	12	6	5	2.5
The Website design for this hotel brand is really well done.	47	23.5	74	37	58	29	15	7.5	6	3
<b>Brand image (Intimacy)</b>										
I have solid support for this hotel brand.	35	17.5	97	48.5	38	19	27	13.5	3	1.5
I really enjoy visiting this hotel brand.	32	16	99	49.5	50	25	17	8.5	2	1
I can rely on this hotel brand.	48	24	106	53	35	17.5	9	4.5	2	1
I feel happy when I visiting this hotel brand.	38	19	100	50	45	22.5	17	8.5	0	0
I feel satisfied with this hotel brand.	39	19.5	100	50	39	19.5	21	10.5	1	0.5



I like looking at the environment and facility of this hotel brand.	29	14.5	106	53	39	19.5	23	11.5	3	1.5
I have fun with this hotel brand.	32	16	94	47	49	24.5	21	10.5	4	2
I would stay with this hotel brand	29	14.5	93	46.5	53	26.5	22	11	3	1.5
I feel connected to this hotel brand.	26	13	59	29.5	64	32	42	21	9	4.5

The following Table 4.5 summarizes frequency analysis for customer satisfaction in this study.

Table 4.5

*Frequency Analysis for Customer Satisfaction Items*

Scale		1		2		3		4		5
Items	N	%	N	%	N	%	N	%	N	%
I am very satisfied with the hotel	59	29.5	98	49	29	14.5	13	6.5	1	0.5
The hotel satisfy my needs	44	22	113	56.5	35	17.5	7	3.5	1	0.5
Compared to other hotels, this hotel is as good or better	44	22	85	42.5	47	23.5	22	11	2	1
The hotel is very reliable	47	23.5	92	46	37	18.5	20	10	4	2
I like the people at the hotel	42	21	91	45.5	42	21	20	10	5	2.5
The hotel gives me the service I expect	51	25.5	78	39	50	25	20	10	1	0.5
The hotel provides excellent service	27	13.5	90	45	40	20	40	20	3	1.5
Overall, my experience with the hotel is positive.	54	27	94	47	37	18.5	14	7	1	0.5

The following Table 4.6 summarizes frequency analysis for customer loyalty in this study.

Table 4.6

*Frequency Analysis for Customer Loyalty Items*

Scale		1		2		3		4		5
Items	N	%	N	%	N	%	N	%	N	%
I say positive things about the hotel to other people.	41	20.5	104	52	39	19.5	15	7.5	15	7.5
I would recommend the hotel to those who seek my advice about such matters.	55	27.5	86	43	43	21.5	13	6.5	3	1.5
I would encourage friends and relatives to use the hotel.	52	26	82	41	41	20.5	22	11	3	1.5
I would post positive messages about the hotel on some Internet message board.	39	19.5	96	48	46	23	18	9	1	0.5
I intend to continue to do business with the present hotel.	44	22	103	51.5	36	18	15	7.5	2	1

### 4.3 Reliability test

Reliability coefficient of Cronbach's Alpha was employed in this study specifically to assess the consistency of the scales used in this study. The following Table 4.7 is used as a rule of thumb. It seems fairly common to describe Cronbach's alpha values as follows:

Table 4.7

*Cronbach's Alpha Value Internal Consistency*

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent (High-Stakes testing)
$0.7 \leq \alpha < 0.9$	Good (Low-Stakes testing)
$0.6 \leq \alpha < 0.7$	Acceptable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

Source: Malhotra, 2007

Based on the analysis, all the main variables were reliable (perceived value = .601; service quality = .916; brand image = .875; customer satisfaction = .816 and customer loyalty = .843). Following rules of thumb of Malhotra (2007) the internal consistency of items in this study ranged from 'acceptable' to 'excellent'. The

Cronbach's alpha value of perceived value is 0.601. The internal consistency of perceived value shows acceptable. The value of service quality is 0.916. That means excellent (high stakes testing). The value of brand image is 0.875. The internal consistency of brand image shows good (low stakes testing). Customer satisfaction value is 0.816. This value also means good (low stakes testing). The last value of customer loyalty is 0.843. This value means good (low stakes testing). The summary of the reliability analysis is presented as in Table 4.8.

Table 4.8

*Summary of Reliability Analysis*

Variables	No. of Items	Cronbach's Alpha
Perceived Value	4	.601
Service Quality	21	.916
Brand Image	20	.875
Customer Satisfaction	8	.816
Customer Loyalty	5	.843

#### **4.4 Pearson Correlation Analysis**

Pearson product-moment correlation coefficient was employed to measure the significant of linear bivariate between the independent variables (perceived value, service quality, brand image and customer satisfaction) and dependent variable (customer loyalty). The following Table 4.9 reports the result for correlation analysis. Correlation analysis was conducted to examine the strength for each independent variable to dependent variable.

Table 4.9

*Pearson's Correlation Analysis of Variables*

	1	2	3	4	5
1) perceived value	1				
2) service quality	.547**	1			
3) brand image	.431**	.627**	1		
4) customer satisfaction	.387**	.542**	.771**	1	
5) customer loyalty	.394**	.505**	.726**	.798**	1

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

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

This study is according to the rules of thumb R-value of 0.10, 0.13, and 0.50 meaning as low, medium, and strong (Green et.al, 1997).

Based on the finding, it indicates that the all correlation coefficient were positive and significant. The independent variables (perceived value, service quality, and brand image) were positive and significant related to mediating variable (customer satisfaction), and the dependent variable (customer loyalty). Commonly, the finding indicates that all of the variables are positively correlated at 0.01. The highest correlation is between customer satisfaction and customer loyalty ( $r=0.798$ ,  $p<0.01$ ). And the lowest correlation is between perceived value and customer satisfaction ( $r=0.387$ ,  $p<0.01$ ).

For the association correlation between independent variable and dependent variable, the correlation indicated between perceived value and customer loyalty ( $r=0.394$ ). Followed by service quality and customer loyalty ( $r = 0.505$ ). And then were brand image and customer loyalty ( $r = 0.726$ ). Mediating variable and dependent correlation were customer satisfaction and customer loyalty ( $r = 0.798$ ). Independent variables and mediating variable correlation indicated from perceived value ( $r = 0.387$ ), service quality ( $r = 0.542$ ), to brand image ( $r = 0.798$ ).

Overall, the result showed that all the variables had positive correlation between each other.

## **4.5 Regression Analysis**

### **4.5.1 Test of Regression Assumptions and Outliers**

Hair et al. (2006) indicate four major assumptions for regression analysis, namely; linearity, normality, homoscedasticity and independence of error terms. Linearity and homoscedasticity were assessed through analysis of residuals and partial regression plots. It is observed that residuals scatter plot was roughly rectangularly distributed with most of the plots distributed at the center. Thus, linearity and homoscedasticity assumptions were not violated. Normality was addressed by checking the histogram of residuals and the normal probability plot. It was observed that residual line closely follows the straight diagonal that is shown in the plot hence, normality is not an issues. Durbin-Watson value is 1.859 which is within the acceptable range (Coakes & Steed, 2003). Beside, multicollinearity was tested through collinearity test by examining the ‘tolerance’ and ‘variance inflation factors’. The tolerance value for perceived value, service quality, brand image and customer satisfaction were .687, .509, .342 and .907 respectively which were within acceptable range (from 0 to 1) while variance inflation factor values were 1.457, 1.965, 2.921 and 2.507 respectively which were within acceptable range (below 10). Case wise diagnostic also was conducted to detect any outliers. Pre-test of regression suggested two cases of outliers namely case 133 and 200, both then deleted.

#### 4.5.2 Hypotheses Testing

In order to answer the research objectives and hypothesized relationships, multiple regression analysis was conducted. The following Table 4.10, 4.11, 4.12 and 4.13 summarize the findings.

Table 4.10

*Result of Regression Analysis for Research Objectives 1*

	Dependent Variable Customer Loyalty
Independent Variables:	
H1: Perceived value	.068
H2: Service quality	.032
H3: Brand image	.695**
F Value	82.557
R <sup>2</sup>	.561
Adjusted R <sup>2</sup>	.554
Durbin-Watson	1.797

\* p <.05, \*\*p<.01

Table 4.10 summarized the result of regression analysis between perceived value, service quality and brand image on customer loyalty. It is shows that only one hypothesis was significant (namely H3), and both H1 and H2 were not significant. Only brand image ( $\beta = .695$ ,  $p < .01$ ) was found to have significant and positive relationship to intention to purchase organic foods. Overall, the variance explained by the set of predictor is 56.1%. Hence, H1 and H2 not supported while H3 supported.

Table 4.11

*Result of Regression Analysis for Research Objectives 2*

	Dependent Variable Customer Satisfaction
Independent Variables:	
H4: Perceived value	.040
H5: Service quality	.081
H6: Brand image	.702**
F Value	97.230
R <sup>2</sup>	.601
Adjusted R <sup>2</sup>	.594
Durbin-Watson	1.921
* p <.05, **p<.01	

Table 4.11 summarized the result of regression analysis between perceived value, service quality and brand image on customer satisfaction. It shows that only one hypothesis was significant (namely H6), and both H4 and H5 were not significant. Again, brand image ( $\beta = .702$ ,  $p < .01$ ) was found to have significant and positive relationship to customer loyalty. Overall, the variance explained by the set of predictor is 60.1%. Hence, H4 and H5 not supported while H6 supported.

Table 4.12

*Result of Regression Analysis for Research Objectives 3*

	Dependent Variable Customer Loyalty
Independent Variables:	
H7: Customer Satisfaction	.817**
F Value	394.119
R <sup>2</sup>	.668
Adjusted R <sup>2</sup>	.666
Durbin-Watson	1.955
* p <.05, **p<.01	

Table 4.12 summarized the result of regression analysis between customer satisfaction and customer loyalty. It is shows that customer satisfaction have a significant positive relationship to customer loyalty ( $\beta = .817$ ,  $p < .01$ ). Thus, H7 is supported.

Table 4.13

*Result of Regression Analysis for Research Objectives 4*

	Dependent Variable Customer Loyalty
Independent Variables:	
Perceived value	.045
Service quality	-.016
Brand image	.278**
Customer Satisfaction	.595**
F Value	113.682
R <sup>2</sup>	.702
Adjusted R <sup>2</sup>	.696
Durbin-Watson	1.995

\*  $p < .05$ , \*\* $p < .01$

Table 4.13 shows the findings pertaining test of mediation. For the purpose of the study, Baron and Kenny (1986) procedure was employed. At the later stage, mediator variable (namely customer satisfaction) was regressed together with all independent variables (perceived value, service quality and brand image). To observe the mediation effect the customer satisfaction of initial relationship on customer loyalty, the result of without mediator and with mediator are compared. This is summarized as in Table 4.14.



Table 4.14

*Summary of Test of Mediation*

Independent variables	Dependent Variable Customer Loyalty		
	Without mediator	With mediator	Result
Perceived value	.068	.045	No mediation
Service quality	.032	-.016	No mediation
Brand image	.695**	.278**	Partial mediation
F Value	82.557	113.682	
R <sup>2</sup>	.561	.702	
Adjusted R <sup>2</sup>	.554	.696	
Durbin-Watson	1.797	1.995	

\* p &lt;.05, \*\*p&lt;.01

Based on the Table 4.14, when regressed together with mediator, brand image was still significant ( $\beta = .278$ ,  $p < .01$ ). According to Baron and Kenny (1986), when the coefficient value is statistically significant and reduced, the variable is said to partially mediate the relationship. As such, the result revealed that, customer satisfaction partially mediates the relationship between brand image and customer loyalty. Hence, for test of mediation, only H10 were supported. H8 and H9 pertaining the mediation effect of customer satisfaction on relationship of perceived value and service quality and customer loyalty were not supported.

#### 4.6 Summary of Findings

Based on the multiple regression analysis, the summary of findings for this study is shown in Table 4.15.

Table 4.15

*Summary of Findings*

	The Hypotheses	Decision
H1:	Perceived value has a significant relationship on customer loyalty	Not supported
H2:	Service quality has a significant relationship on customer loyalty	Not supported
H3:	Brand image has a significant relationship on customer loyalty	Supported
H4:	Perceived value has a significant relationship on customer satisfaction	Not Supported
H5:	Service quality has a significant relationship on customer satisfaction	Not Supported
H6:	Brand image has a significant relationship on customer satisfaction	Supported
H7:	Customer satisfaction has a significant relationship on customer loyalty	Supported
H8:	Customer satisfaction mediates the relationship on perceived value and customer loyalty	Not supported
H9:	Customer satisfaction mediates the relationship on service quality and customer loyalty	Not Supported
H10:	Customer satisfaction mediate the relationship on brand image and customer loyalty	Partially Supported

**4.7 Conclusion**

In this chapter, the researcher summarized the data analysis. The frequency distribution analyzed the demographic profile and major items. Correlation analysis and regression analysis tested the relationship among independent variables, mediating variables and dependent variables involved in this study. Only two variables (brand image and customer satisfaction) have significant relationship with dependent variable (customer loyalty).

## **CHAPTER FIVE**

### **DISCUSSION AND CONCLUSION**

#### **5.0 Introduction**

Based on this research and previous studies, the findings will discuss in this chapter. Moreover, this chapter discusses the limitation, contribution, and recommendation for the further study.

#### **5.1 Recapitulation of Major Findings**

This research studied the relationship between independent variables (perceived value, service quality and brand image), mediating variable (customer satisfaction), and dependent variable (customer loyalty). Therefore, the specific objectives of this study were:

- 1) to examine the relationship of service quality, brand image, perceived value and customer loyalty
- 2) to examine the relationship of service quality, brand image, perceived value and customer satisfaction
- 3) to determine the relationship of customer satisfaction and customer loyalty
- 4) to investigate the mediating effect of customer satisfaction on relationship between service quality, brand image, perceived value and customer loyalty

The framework of this study was developed based on the gaps of previous study. Ten hypotheses were used to identify from the conceptual framework of this study and tested by the related measurement instrument. By using the statistical analysis on the main hypotheses, almost all of them were substantiated. Therefore, the following section will discuss about each of the hypotheses.

## **5.2 Discussion**

This chapter discusses the findings that presented in the previous chapter. The discussions are all focusing on the development of hypotheses. There are ten hypotheses included in this chapter.

### **5.2.1 Objective one**

In the objectives one, three hypotheses were tested. First is perceived value has a significant relationship on customer loyalty. Second is service quality has a significant relationship on customer loyalty. Third is brand image has a significant relationship on customer loyalty.

This study found the result of regression analysis between perceived value, service quality and brand image on customer loyalty. It is shows that only one hypothesis was significant (namely H3), and both H1 and H2 were not significant. Only brand image ( $\beta = .695$ ,  $p < .01$ ) was found to have significant and positive relationship to intention to purchase organic foods. Overall, the variance explained by the set of predictor is 56.1%. Hence, H1 and H2 not supported while H3 supported.

According the finding of this study, the result showed that the perceived value has no significant effect on customer loyalty. This result was supported by the findings of Lin et al (2006) and Gronroos (2000). Despite a generally accepted number of researches suggested, perceived value and service quality is significant, this study found that both were not significant. In explaining customer loyalty towards Hebei hotels' industry, consumers seem to depend a lot in term of brand image. As most hotel in Hebei offering a homogeneous services and quality, the brand image consider much importance to the guest to revisit. Thus, Lin et al (2006) indicate that the perceived value and service quality are not a significant relationship on customer loyalty. That is because there are many other factors influence customer loyalty more than perceived value and service quality, such as price, product, promotion (Yoo et al., 2000).

Based on this finding, there is an important relationship on customer loyalty. According to Vazquez-Carrasco and Foxall (2006), brand image influences customer loyalty positively. The strong recognized brand image can build customer loyalty. Schultz (2005) stated that the loyal customers can recommend particular brand to others and it is difficult to be influenced by the competitors. And brand image can lead to trust. One brand is a good word of mouth, customer would pay more trust on this brand. This discussion showed that brand image has a significant relationship on customer loyalty.

### **5.2.2 Objective two**

In the objectives two, three hypotheses were tested. First is perceived value has a significant relationship on customer satisfaction. Second is service quality has a significant relationship on customer satisfaction. Third is brand image has a significant relationship on customer satisfaction.

It shows that only one hypothesis was significant (namely H6), and both H4 and H5 were not significant. Again, brand image ( $\beta = .702$ ,  $p < .01$ ) was found to have significant and positive relationship to customer loyalty. Overall, the variance explained by the set of predictor is 60.1%. Hence, H4 and H5 not supported while H6 supported.

Chang and Wildt (1994) report that perceived value contribute to customer satisfaction. The previous study evidences that perceived value influence customer satisfaction positively (E.W. Anderson & Mittal, 2000; Walter, Thilo & Helfert, 2002). However, this study found that perceived value has no significant relationship on customer satisfaction. Hence, there is consistent with the previous study Asmayadi and Hartini (2015).

It is found that service quality strongly influence customer satisfaction (Cronin and Taylor, 1992; Cronin et al., 2000; Dabholkar et al., 2000; Spreng & Mackoy, 1996). And the relationship between customer satisfaction and service quality have been investigated in many different industries especially in hotel industry (Voss et al., 2001), it studied that there is a important connection between service quality and customer satisfaction in hotel industry. Hence the finding of this study is inconsistent

with the previous study. The result shows service quality has no relationship on customer satisfaction.

However, few studies are also consistent the insignificant result for service quality and customer satisfaction. For service quality, there are five dimensions, assurance, reliability, responsiveness, tangible, and empathy. Based on the previous study, the reliability has no significant impact on customer satisfaction (Munusamy, Chelliah & Mun, 2010). Customers don't concern about the reliability level in customer service since they have an alternative to turn to (Munusamy, Chelliah & Mun, 2010). Responsiveness has relationship but no significant effect on customer satisfaction (Munusamy, Chelliah & Mun, 2010). This is because the customer may like to relax more than the servicer to disturb them. The previous study showed assurance has no significant impact on customer satisfaction (Chinwuba, 2013). Chinwuba (2013) showed that assurance was not too important to influence customer because that the customer is apathy to safety measures while dealing with any hotel. And also, Chinwuba (2013) provide another reason that the customer gave up the assurance since hotels are not able to provide the level of safety expected. Moreover, Chinwuba (2013) indicated that there is no significant positive relationship between the empathy and customer satisfaction. Tangible has no significant impact on customer satisfaction (Kheng, Mahamad & Ramayah, 2010). Kheng, Mahamad and Ramayah (2010) explained that due to the developing of IT, tangible has lost its importance as a measurement for customer. The previous studies supported there is no relationship between all dimensions of service quality and customer satisfaction. So service quality is not the only factors that can influence customer satisfaction. The previous study suggest that to improve service quality so that can lead to satisfy customers,

hotel industry needs to increase on all dimensions of service quality. Also, hotel industry needs to pay attention to other factors that also has an impact on customer satisfaction in order to increase customer satisfaction.

The brand image can influence customer satisfaction. This result is similar to the previous study (Yoo et al, 2009; Turel, & Serenko, 2006; Zins, 2001). Brand image makes people think everything from the business side, so it benefits the company in the long term (Morgan & Hunt, 1994). Brand image benefit is positively and significantly related to customer satisfaction. Che Ha and Sharizal describr that the brand image is an important factor that will lead to customer satisfaction. Customer satisfaction research involves dividing customers' overall experience into sub-level of criteria and then a rating scale is applied to measure how satisfied these customers with services on the basic of these criterria. Andreassen and Lindestad (1998) proposed that image through a filtering effect influences customer satisfaction. Likewise, Davies et al. (2003) suggested that brand image correlated with customer satisfaction. Brand image was known as a significant factor that influences customer satisfaction. Hence, a positive brand image will lead to high customer satisfaction in hotel industry. According to the previous studies and researches, this hypothesis that brand image has a significant relationship on customer satisfaction are was supported.

### **5.2.3 Objective three**

In the objectives three, one hypotheses were tested, namely customer satisfaction has a significant relationship on customer satisfaction. Summarized the finding of regression analysis between customer satisfaction and customer loyalty. It is shows



that customer satisfaction influence customer loyalty positively( $\beta = .338$ ,  $p < .01$ ). Thus, H7 is supported.

This finding is consistent with the study of the investigation of Davise et al. (2007), Kotler and Armstring (2010), and Jones and Sasser (1995). The early researchers found that customer satisfaction influence customer loyalty positively (Anderson 1996; Anderson et al. 1994; Fornell 1992; Fornel et al 1996; Ping 1993; Rust and Zahorik 1993; Rust, Zahorik, and Keiningham 1995; Toyalar and Baker 1994). Bennett & Rundle- Thiele (2004) studied that customers are likely to increase their loyalty. Yi (1990) indicated that customer satisfaction affects customer purchase attitude. One of the customer loyalty was defined as an attitude.

Overall satisfaction by previous studies can influence customer loyalty. Barden and Teel (1983) argue that customer satisfaction is an important element for marketer because “it is generally assumed to be significant determinant of repeat sales, positive word of mouth and consumer loyalty”.

Anderson and Fornell (1994) point out that customer satisfaction determines customer loyalty to a large extension. Boulding et al. (1993) found that customer satisfaction has a impact on repurchase intention and influence the customer to recommend to others.

For the previous study, customer satisfaction has a significant relationship on customer loyalty in many areas, like bank industry, restaurant industry, hotel industry, tourism industry and so on (Teel, 1983; Fornell, 1994; Bloemer & Poiesz, 1993; Yi,

1990). This indicates that customer satisfaction indeed influences customer loyalty not only in hotel industry but also other areas. This discussion showed that brand image has a significant relationship on customer satisfaction.

#### **5.2.4 Objective four**

In the objectives four, three hypotheses were tested. First is customer satisfaction mediates the relationship on perceived value and customer loyalty. Second is that customer satisfaction mediates the relationship on service quality and customer loyalty. Third is that customer satisfaction mediates the relationship on brand image and customer loyalty. The findings revealed that, customer satisfaction partially mediates the relationship between brand image and customer loyalty. Hence, for test of mediation, only H10 were supported. H8 and H9 pertaining the mediation effect of customer satisfaction on relationship of perceived value and service quality and customer loyalty were not supported.

The previous study indicated that perceived value value was partially mediated through satisfaction in influencing customer loyalty (Lin & Wang, 2006). Previous studies are not consistent with this finding.

Cronin and Taylor (1992) examined the causal relationships among service quality, customer satisfaction, and customer loyalty. Dabholkar, Shepherd, and Thorpe (2000) also found that customer satisfaction strongly mediated the effect of service quality on customer loyalty. Service quality literature indicated that perceptions of high service quality and high service satisfaction resulted in a very high level of customer loyalty (Boulding, Kalra, Staelin, & Zeithaml, 1993; Cronin & Taylor, 1992; Taylor,

1997; Taylor & Baker, 1994; Zeithaml et al., 1996). The previous study cannot support this finding. The finding and the previous studies are not consistent.

There are several reasons for these findings. Perceived value and service quality influence customer loyalty directly. But from the findings in previous chapter, this reason is invalid. Because perceived value and service quality has no significant on customer loyalty. So another reason is that there are other factors that influence customer loyalty that mediated customer satisfaction such as price.

Customer satisfaction was recognized as a mediator between brand image and customer loyalty (e.g. Bloemer & Ruyter, 1998). H10 is supported by the previous study. Customer satisfaction was partial mediating the relationship between brand image and customer loyalty. This showed that customer satisfaction lead to maintain and build customer loyalty, the hotel managements should focus on increase satisfaction among customers as well as strength brand image.

Overall this chapter, the hotel should improve their brand image and satisfaction, at the same time decrease the price.

### **5.3 Implication of the Study**

#### **5.3.1 Theoretical Implication**

This study was directed to examine the connection between perceived value, service quality, brand image and customer loyalty mediated by the customer satisfaction. The result of this research was found in a small sample size of 200 respondents from hotel guests. A large sample size is desirable. This result indicated that there is a

significant relationship between brand image, customer satisfaction and customer loyalty in hotel industry.

Generally, the results are found that the brand image has a significant relationship on customer satisfaction and customer loyalty. Customer satisfaction is found to mediate the relationship between brand image and customer loyalty.

Moreover, previous study paid more attention to there is important relationship among service quality, customer satisfaction and customer loyalty. But this research found that there is no significant relationship on service quality, customer satisfaction and customer loyalty. Also most previous studies indicated that perceived value has an important relationship on customer satisfaction and customer loyalty. But this study contributes to show that perceived value is not a significant factor that influence customer satisfaction and customer loyalty.

### **5.3.2 Practical Contribution**

This study can apply to the hotel industry. The hotel manager's should focus on the main factors that contribution towards customer satisfaction and customer loyalty. The hotel in Hebei provide should to improve their brand image to satisfy their guest. The hotel manager should understand their guest's needs and expectations. With this practice, the managements were able to reduce the gaps between customers' perception and expectations. Hotels should increase their service quality. Increasing their service quality, to make customer realize that it is a factor can justify their satisfaction and loyalty.

Based on the target guests of Hebei, most of them are students, the hotel should reduce the price to attract more guests.

#### **5.4 Limitations of the study**

There are several limitations in this study. First of all time and money are limited for this study. This is because this research has a limited time to be done, this may not allow the researcher to do more investigation regarding this topic. Obviously, in order to get a good and effective data, the transportation cost is still recognized as a limitation of this research. Because this research data was all collected from the primary and secondary data, and this means that the researcher need to distribute the questionnaire to China by herself. This transportation may cost a lot. Moreover this study limited to choose the hotel. It is difficult for the researcher to corporate with all the hotels in China. So the researcher just chooses several three star hotels in Hebei province. This research cannot compare different category of hotels. So the results may only be generalized to similar types of hotel, with similar characteristics. Due to time and money constraint, this study also limited in term of number of sample.

#### **5.5 Recommendation for further study**

Further study should consider larger sample that need to be extended to other hotels' rating and not limit to Hebei's province per se. On the other hand, this study focus on cross- sectional study but it is more adapted for determining the causal path by longitudinal study. Theoretically, other variables like price, facilities, locations, employees' attitude and other variables which can influence customer loyalty would also be tested in the further research.

## **5.6 Conclusion**

In summary, this study had attempted to simultaneously test the relationship between perceived value, service quality, brand image and customer loyalty mediated by customer satisfaction in hotel industry in Hebei province, China. Using this sample, it is shown that brand image seems more important to Hebei's hotel guests in predicting their satisfaction and loyalty comparatively to the service quality and perceived value. Hence, this study signaling that hotelier should secure and sustain their good image and reputation in gaining customers' satisfaction and loyalty. More importantly, though this research statistically failed to prove that perceived value and service quality to influence customer satisfaction and loyalty, in reality, as highlighted in previous researches, service quality is a key element in building the image and reputation. Hence, in order to sustain the brand image and reputation, hotelier basically need to deliver consistent service quality and provide adequate value to their customers. As a result, even though, brand image had high explanation power towards satisfaction and loyalty, service quality and perceived value could not simply be ignored by hotel management. Moreover, it can be one source for hotels in Hebei in providing a good direction for managers to design the marketing strategy especially pricing strategy to attract more customers to stand out of the competitors (Juwaheer & Ross, 2003).

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