

# Service quality evaluation and the mediating role of perceived value and customer satisfaction in customer loyalty

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## Abstract

**Purpose** – *Loyalty has become the most important strategic aim in the hotel industry. The purpose of this paper is to obtain an empirical understanding of loyalty in the Kuala Lumpur hotel sector.*

**Design/methodology/approach** – *The dimensions of service quality as perceived by hotel customers were identified through the literature review. Hypotheses were formulated and tested to: examine the effects of process quality and outcome quality on perceived value, tourist satisfaction, and tourist loyalty; and to determine if perceived value and tourist satisfaction play a mediating role in the effect of process quality and outcome quality on tourist loyalty. In this study, the sample was 417 respondents from the international tourists who stay at least one night in four- or five stars hotels in Kuala Lumpur. Collected data were analyzed by structural equation modeling.*

**Findings** – *The statistical findings supported a relationship between process quality and outcome quality with perceived value and tourist satisfaction, and tourist loyalty with perceived value and tourist satisfaction. The results also indicated that process quality and outcome quality did not have a direct effect on tourist loyalty. Perceived value and tourist satisfaction mediated the relationship between process quality and outcome quality with tourist loyalty.*

**Originality/value** – *The finding of this study proposed that the hoteliers targeting international tourists with service quality including process and outcome quality should focus more on these factors to build loyalty. For instance, the tangible, responsiveness, reliability, empathy, assurance, and convenience as the dimensions of process quality and valence, waiting time, and sociability as the dimensions of outcome quality should meet the needs of the international tourists, therefore increasing tourist loyalty through perceived value and tourist satisfaction.*

**Keywords** *Service quality, Perceived value*

**Paper type** *Research paper*

## Introduction

Services are considered to be primarily experiential as they are intangible, hence, difficult to measure. The hotel is accommodation and a part of the service industry and hoteliers are required to be aware of the principles of service marketing (Lee and Cheng, 2018; Razalli, 2008). Hotels pursue customer loyalty by providing service quality and meeting their expectations and anticipations. Therefore, hoteliers need to know about their customers' expectations and try to meet their needs (Han and Hyun, 2017). According to Wu and Ko (2013), the hotel industry has problems in measuring and improving their service performances from a customer's viewpoint due to the lack of an integrative conceptual model and measurement scale. Based on Lin (2005), hotels which fail to perceive and meet their customers' expectations would be out of the market between seven and nine years.

Poor service quality contributes to losing an average of 12 percent of the customers (Riscinto-Kozub, 2008). Service quality is the key to a hotel's ability to differentiate itself from its competitors and gain customer loyalty (Kim *et al.*, 2008; Choi and Kim, 2013). Loyalty has

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become the most important strategic aim in today's competitive business environment (Chai *et al.*, 2015; Gursoy *et al.*, 2014; Oliver, 1999). Reichheld and Sasser (1989) argued that an increase of 2 percent of customers who purchase again can help an organization to decrease its costs by 10 percent, because 60 percent of new customers are attracted by word-of-mouth. A loyal customer in luxury hotels, for example, both returns and spreads positive words-of-mouth recommendation about the hotel to a median of ten people having a net present value of more than \$100,000 (Kotler *et al.*, 1999). However, Berezina *et al.* (2012) declared that the customers might not like to revisit the hotel because of the following reasons: first, the customer did not enjoy the trip to this destination and preferred to look for a new area. Second, the customer is interested to try new events from the other hotels. Third, they are affected by the price and service quality from the other hotels.

One of the important sources of income in Malaysia is the tourism industry (Salleh *et al.*, 2016). The hotel industry is one of the important parts of the tourism industry. The occupancy rate of the hotels in Singapore and Asia was 88.1 and 78.7 percent (Millenniumhotels, 2013), while in Malaysia this rate was 62.4 (MTSA, 2013). Furthermore, the occupancy rate of four- and five-star hotels in Malaysia was less than three-star hotels (Awang *et al.*, 2008), while the occupancy rate of four- and five-star hotels in comparison to all kinds of hotels was less than the neighboring countries (ETP, 2010).

Furthermore, from an interview with two sale managers of four- and five-star hotels in Malaysia, it was found that the loyalty rate was low. For example, the sales manager of the Marriot hotel believed that increasing loyalty affects the occupancy rate. The IOI resort's sales manager argued that the loyalty rate was low (3 percent) while the ideal loyalty rate for a hotel should be 10 percent. Therefore, it is assumed that loyalty is an important factor affecting four- and five-star hotels in Malaysia to attract more international customers and increase the occupancy rate.

What is the cause of such low loyalty rates? Service quality is a vital determinant of attracting frequent customers to a hotel (Akbaba, 2006; Lovelock, 1983; Rodger *et al.*, 2015; Saleh and Ryan, 1991; So *et al.*, 2013). Yet, the traditional scales of service quality provided in SERVQUAL, LODGSERV and HOLSERV might not be used suitably to evaluate service quality in the hotel industry (Ekinci *et al.*, 1998; Mei *et al.*, 1999; Wilkins *et al.*, 2007). Convenience is one of the important dimensions of service quality in the hotel industry, which is not considered in the LODGSERV scale (Akbaba, 2006; Ferreira *et al.*, 2014). In several empirical studies, the effect of convenience as a dimension of process quality on customer satisfaction has been supported (Chan and Wong, 2006; Kim *et al.*, 2006; Siu and Cheung, 2001; Yang *et al.*, 2003). Therefore, the issue is whether or not the convenience as a dimension of process quality is in synch with the LODGSERV scale of measuring customer satisfaction.

Moreover, researches on service quality have mainly focused on the importance of service quality, which is mentioned as the process quality (Ekinci *et al.*, 2003; Mei *et al.*, 1999; Mey *et al.*, 2006; Mola and Jusoh, 2011; Poon and Low, 2005; Razalli, 2008). However, scholars have criticized that most of the previous studies had a focus on process quality, while none of them highlighted whether or not the outcome quality was as important as the process quality (Akbaba, 2006; Dabholkar and Overby, 2005; Luk and Layton, 2004). Nonetheless, according to Powpaka (1996), the outcome quality in some industries was more important than the process quality. Therefore, there is a dearth of research to recognize that service quality, including process and outcome quality, simultaneously affects customer satisfaction, perceived value, and loyalty in four- and five-star hotels, where the guests are more sensitive to the quality of service.

Consequently, this study endeavors to cover this gap in the literature by introducing how the process quality and outcome quality affect the customer loyalty in four- and five-star hotels. Understanding the customer's perception of loyalty and its determinants will help the hotel managers to develop an appropriate competitive strategy. In Malaysia, as the tourism industry is important in the country, the hotel industry plays a vital role in attracting more international customers (ETP, 2010). By providing quality service including process and outcome quality, hotels in Malaysia can raise international customers' loyalty. This study has tried to provide a better understanding of the international customer loyalty in four- and five-star hotels in Malaysia. Furthermore, this study has investigated the effects of service quality (including process and

outcome quality) on customer loyalty in the hotel industry. The results of this study are expected to reduce the ambiguity surrounding the dimensions and determinants of service quality as well as the effect of service quality on customer loyalty.

In this study, customer loyalty was operationally defined as the answer of the respondents to six items developed by Deng *et al.* (2013) and So *et al.* (2013). The customer satisfaction scale which was used in this study consisted four items developed by Deng *et al.* (2013) and Back (2001). Perceived value scales consisted of 12 items, supported by Walls (2013). Moreover, the LODGSERV scale developed by Knutson *et al.* (1990) with one dimension (convenience) developed by Akbaba (2006) was used to determine the responses of the customers to "process quality." The scale developed by Wu and Ko (2013) was used to measure outcome quality.

## Literature review and hypothesis development

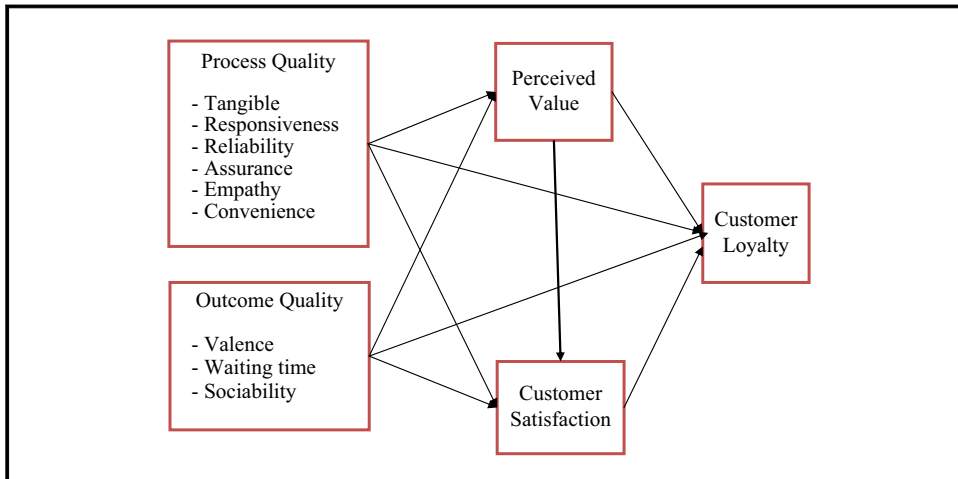
Several studies have adopted the loyalty model regarding the process quality, outcome quality, perceived value, satisfaction and loyalty in the hotel industry. In proposing the relationships between the process quality, the outcome quality, the perceived value, the customer satisfaction and loyalty, this study applied the comprehensive approach as proposed by Choi and Kim (2013), Cronin *et al.* (2000), and Kim (2011). Choi and Kim (2013) developed a model in which the influence of the outcome quality on customer satisfaction was investigated, revealing that the outcome quality had a direct effect on customer satisfaction. It was also concluded that customer satisfaction was a mediator variable between the outcome quality and the customer loyalty. Liat and Abdul-Rashid (2013) provided a model of customer loyalty in the hotel industry in which the loyalty was affected by satisfaction, while satisfaction was influenced by the process and outcome quality. Liat and Abdul-Rashid (2011) found that customer satisfaction mediated the relationship between the process and outcome quality with customer loyalty.

Cronin *et al.* (2000) carried out a study wherein the service quality, customer satisfaction, and perceived value were proposed to directly affect the behavioral loyalty. The service quality and the perceived value also influenced the behavioral loyalty indirectly via customer satisfaction. The reason for adopting this approach was that this model had been successfully tested in a variety of industries (Brady and Cronin, 2001; Cronin *et al.*, 2000; Hutchinson *et al.*, 2009; Lai *et al.*, 2009). Moreover, this comprehensive model was more robust compared to the other models which were focusing on customer satisfaction or perceived value as a mediator variable in the relationship between loyalty and its determinants (Brady *et al.*, 2005; Cronin *et al.*, 2000). However, this model had to be tested in the hotel industry.

A conceptual model was introduced and validated by Kim (2011). Indeed, the relationships between the service orientation, the service quality, the customer satisfaction, and the customer loyalty were integrated into this model (Kim, 2011). However, no model has been developed to simultaneously investigate the influences of the process quality and the outcome quality on the customer loyalty by the mediating effect of the perceived value and customer satisfaction in the hotel industry. Therefore, there was a need to conduct a research to integrate a model of the customer loyalty in the hotel industry by specifying the process quality and outcome quality as well as the perceived value and customer satisfaction as mediators to fulfill the critical gaps reported in the literature.

From the previous reviews of the literature, the theoretical model of the customer loyalty in the hotel industry in Malaysia involved the process quality, outcome quality, perceived value, customer satisfaction, and loyalty. The conceptual model showing the effects of the process and outcome quality on customer loyalty through the mediating role of the perceived value and customer satisfaction is provided in Figure 1. To design this model and test it based on the international guests' opinions staying in four- and five-star hotels in Kuala Lumpur, five dimensions of the process quality were derived from the LODGSERV scale provided by Knutson *et al.* (1990) which included tangible, responsiveness, assurance, reliability, and empathy. This scale was tested in the hotel industry, and all the LODGSERV dimensions were supported in affecting the perceived service quality by the guests. The convenience dimension of the service quality was supported by Akbaba (2006). In this dimension, the evaluations on the guests' attitudes toward the easiness to access, reaching information, and resolving the guests' complaints were not mentioned in the LODGSERV scale.

**Figure 1** Conceptual framework of the study



Although the service quality with different dimensions was evaluated to affect the customer satisfaction and loyalty in several studies, the outcome quality was ignored. However, few studies found that the outcome quality was important in evaluating the service quality by the customers as well as the process quality (Cronin and Taylor, 1992; Powpaka, 1996). Grönroos (1984) believed that the service quality was divided into two main components, namely, technical and functional quality. The process quality represented functional quality, and outcome quality connoted technical quality. Therefore, the outcome quality was provided as a variable with three dimensions affecting the customer satisfaction alongside the process quality.

It needs to be accentuated that the perceived value has been investigated in several studies (Ekinci *et al.*, 2003; Oh, 1999; Nasution and Mavondo, 2008; Zeleti *et al.*, 2016; Sabiote-Ortiz *et al.*, 2016; Joung *et al.*, 2016). Walls (2013) developed a model in which the effects of perceived value and loyalty were investigated in addition to reporting no relationship between service quality and perceived value. Moreover, this model was tested in the hotel sector. Finally, customer loyalty was provided in this research model as the dependent variable which was affected by the service quality (process and outcome quality), perceived value, and customer satisfaction. It is of note that most researches checked one component of loyalty such as attitudinal loyalty (Cronin *et al.*, 2000; Chitty *et al.*, 2007), or behavioral loyalty (Back, 2005).

To support the model, two theories were provided from the literature. The first theory related to the model was the expectancy-disconfirmation theory provided by Oliver (1980). Based on this theory, customer responses to the service quality were affected by the comparison between real services with expectation. Therefore, customer satisfaction occurred if they perceived service quality more than their expectations. The second theory provided in this study to support the relationship between the customer loyalty and its antecedents in the model was the comparison-level theory (Skogland and Siguaw, 2004). The foundation of this theory is the standard by which someone determines his or her satisfaction with a service that contributes to determine whether that person changes the company or remains in that relationship (Skogland and Siguaw, 2004).

Finally, to support the composite component of the customer loyalty in the model, the theory of reasoned action expanded by Fishbein and Ajzen (1975) was provided in this study. According to this theory, the attitude toward the behavior and the subjective norm are the two factors which form the behavioral intention. The attitude denotes to the person's own performance of the behavior, rather than the performance. The subjective norm is the customer's set of beliefs. The normative beliefs are concerned with the likelihood that important referent individuals or groups would approve or disapprove performing the behavior (Meskaran *et al.*, 2013).

According to Fishbein and Ajzen (1975), the behavior is assumed to be consistent or inconsistent with a person's attitude on the basis of largely intuitive considerations. They argued that attitudinal and behavioral entities may be viewed as consisting of four different elements: the action, the target

at which the action is directed, the context in which the action is performed, and the time at which it is performed. The behavioral criteria based on a single observation always involve four specific elements. An attitudinal predictor is said to correspond to the behavioral criterion to the extent that the attitudinal entity is identical in all four elements with the behavioral entity. They are not based on direct comparisons of the effects produced by variations in the degree of correspondence. According to McCain *et al.* (2005), loyalty is generated through a three-path process, including the belief about the quality of service, affect (satisfaction), and loyalty. Therefore, these three phases are provided in the model.

## Conceptualization and hypotheses

### *Process quality*

The links between the process quality and customer satisfaction have been supported by several studies (Ariffin and Maghzi, 2012; Hwang and Lambert, 2008; Lloyd *et al.*, 2011; Riscinto-Kozub, 2008; Yang *et al.*, 2003). It has been found that all the scales of service quality emphasized on the process quality (Ekinci *et al.*, 2003; Mei *et al.*, 1999; Mey *et al.*, 2006; Mola and Jusoh, 2011; Poon and Low, 2005; Razalli, 2008). Based on Poon and Low (2005), customer satisfaction is a whole assessment of the performance, consistent with prior experiences with a firm.

Ariffin and Maghzi (2012) argued that customer satisfaction depends on the degree to which the customers receive the services that match with their expectations. According to Kim *et al.* (2008) and Zeithaml *et al.* (2002), providing a service by new facilities and convenient ways can lead to an increase in the service quality of the hotel, and it enhances customer satisfaction. This discussion contributes to the development of the hypothesis in which the relationship between process quality and customer satisfaction in the hotel industry is examined as follow:

*H1.* Process quality has a direct positive effect on customer satisfaction.

To date, there have been numerous reports confirming the relationship between the service quality as a process, customer satisfaction, the perceived value, as well as loyalty. It is clear that out of the many issues, the amount of the customers' satisfaction of the quality of the product or services along with their perceived values would determine the level of their being loyal to a certain entity (Anderson and Sullivan, 1993; Back, 2005; Brodie *et al.*, 2009; Cronin *et al.*, 2000; Mohaidin *et al.*, 2017). The hotel guests would show satisfaction once distinguishing that the quality of the received service surpassed what they needed, or wanted, or expected. A high perceived value will be prompted by a superior quality of service in consort with a rational customer sacrifice, giving rise to the loyalty behavior. Such service consumption experience at the hotels denotes that there is a direct association between the process quality and loyalty, and that there is an indirect relationship between customer satisfaction and the perceived value.

As confirmed by the relevant literature (Zeithaml *et al.*, 2006), both the customer perceived benefit and the perceived sacrifice customer would specify the perceived value. Guided, by this conclusion, the hypothesis on the relationships between process quality and the perceived value is formulated as follows:

*H2.* Process quality has a direct positive effect on perceived value.

At this point, it is indispensable to declare that there are contradictory results reported by the surveys evaluating the service quality as the process quality and its effects on customer loyalty. As demonstrated by Zeithaml *et al.* (1996), a direct association exists between the service quality and behavioral intentions. It is evidently approved through testing in contexts such as manufacturing and trading settings, and the services where the service quality as a process quality affects loyalty; nonetheless, it is stated that the effect level differs from one context to another.

Once again, it needs to be underlined that there are inconsistencies in relation to the results of the empirical researches in the hotel setting investigating the relationships between the process quality and loyalty. While it was concluded by Kandampully *et al.* (2011) and Kim *et al.* (2008) that no significant correlation exists between the service quality as a process quality and loyalty, several studies supported the relationship between service quality as a process quality and customer loyalty (Choi and Kim, 2013; Cronin *et al.*, 2000; Hapsari *et al.*, 2017;

Siu and Cheung, 2001). Accordingly, the hypothesis on the association between process quality and customer loyalty is formulated as follows:

*H3.* Process quality has a direct positive effect on customer loyalty.

### **Outcome quality**

To date, most studies have emphasized service quality as a key determinant of customer satisfaction and loyalty (Ekinci *et al.*, 2003; Mei *et al.*, 1999; Mey *et al.*, 2006; Mola and Jusoh, 2011; Poon and Low, 2005; Razalli, 2008). These studies have shown service quality as a process quality attribute to explain and/or predict the customers' satisfaction and loyalty. Regrettably, the importance of the outcome quality as a key determinant of satisfaction and loyalty has been sidelined (Akbaba, 2006; Luk and Layton, 2004). However, Kang (2006) and Wu (2009) noted that addressing the outcome quality in the service quality instruments seemed to be a daunting task.

According to Grönroos (1990), the outcome quality is concerned with what the customer receives from the service, whereas the process quality is related to the service approach or the manner in which the customer receives the service. It had been reported that "the inclusion of the outcome quality component into the model/measurement scale significantly improved the explanatory power and predictive validity" (Powpaka, 1996, p. 5). Not much research on hospitality service had recognized the importance of the outcome attributes to guest evaluation at the service quality (Luk and Layton, 2004).

Hsieh and Hiang (2004) argued that the customer's perception of the outcome quality is a critical factor in evaluating the service quality; hence, it affects customer satisfaction. Zhao *et al.* (2012) indicated that the outcome quality has significant and positive effects on the cumulative satisfaction, while it does not exert any effects on the transaction-specific satisfaction. Indeed, the relationship between outcome quality and customer satisfaction has been supported by several studies (Alexandris *et al.*, 2004; Choi and Kim, 2013; Liat and Abdul-Rashid, 2011). Thus, the hypothesis in which the link between the outcome qualities with customer satisfaction was examined and formulated as follows:

*H4.* Outcome quality has a significant effect on customer satisfaction.

The perceived value has also been assessed in association with the service outcome (Brodie *et al.*, 2009; Chang, 2008; Clemes *et al.*, 2009; Walls, 2013). Rust and Oliver (1994) assumed that the qualified service perception could lead to the value and enhance the satisfaction. Chang (2008) stated that value is dependent on the customer's needs. Patterson and Spreng (1997) found that the expected perceived value is a customer's expectation related to the outcome of buying a product or service based on their sacrifices and future benefits. Thus, product and service quality factors identified at the time of purchase influence the perceived value. However, customers also consider the potential of longer term losses when evaluating the value relative to the purchase price. Consumers consider the consequences of the performance of the services when developing the perceptions of value (Sweeney and Soutar, 2001).

Sweeney and Soutar (2001) regarded perceived value as an outcome of the perceived product or service quality. Service quality has been shown to be an antecedent of the perceived value (Bolton and Drew, 1991). However, it is unclear how the two dimensions of service quality, including functional and technical, relate to consumers' perceptions of the value. Sweeney and Soutar (2001) found that technical service quality, which is considered as the outcome quality by Grönroos (1984), had a significant direct influence on perceived value. Accordingly, the hypothesis of the relationship between the outcome quality and perceived value is formulated as follows:

*H5.* Outcome quality has a direct positive effect on perceived value.

According to Liat and Abdul-Rashid (2011), the outcome quality had a positive impact on customer loyalty through customer satisfaction. Recently, Choi and Kim (2013) found that the outcome quality had a significant influence on the customer satisfaction and customer loyalty. It was demonstrated that the outcome quality should be considered as the pivotal elements in creating customer satisfaction and that customer satisfaction should be treated as a strategic variable to enhance customer loyalty. Moreover, Gallarza and Gil (2006) found that outcome

quality is an antecedent of perceived value and satisfaction is the behavioral consequence of the perceived value, with loyalty attitude being the final outcome. Consequently, the hypothesis of the relationship between outcome quality and customer loyalty is expressed as follows:

*H6.* Outcome quality has a direct positive effect on customer loyalty.

#### ***Perceived value, customer satisfaction and customer loyalty***

A high customer value leads to high levels of customer retention (Naumann, 1995). Customer satisfaction and customer loyalty can be empirically acknowledged as the results of the perceived value (Brodie *et al.*, 2009; Gallarza and Gil, 2006; Hutchinson *et al.*, 2009). Chong (2017) found that Malaysian customers are loyal to the hotel since they find that the loyalty programs of the hotel were useful and would provide an advantage to them. As a whole, the mentioned surveys have agreeably underlined the perceived value as an imperative determining factor of loyalty (Gill *et al.*, 2007; Kim *et al.*, 2008; Poon and Low, 2005; Nasution and Mavondo, 2008; Oh, 1999). Cronin *et al.* (2000) found that the perceived value had a significant direct effect on the behavioral intention that was considered as an attitudinal concept of loyalty. Accordingly, the hypothesis on the association between the perceived value with customer loyalty is expressed as follows:

*H7.* Perceived value has a direct positive effect on customer loyalty.

There exists a paradigm known as the disconfirmation-of-expectation which asserts that satisfaction contributes to loyalty (Oliver, 1980). In detail, being satisfied by making use of a product or service grows and gives rise to the customer's belief in the quality of the product or service. This ends up with a tendency to repurchase. As proved through the results reported by various studies in a variety of industries, there is an established correlation between customer satisfaction and loyalty (Lai *et al.*, 2009; Ali *et al.*, 2016). Similarly, it is shown by the surveys of the hotel industry that there is a positive relationship between guest satisfaction and loyalty (Chitty *et al.*, 2007; Kim *et al.*, 2008; Yoon and Uysal, 2005). Yet, the majority of such researches have merely explored the correlation between customer satisfaction and conative (Chitty *et al.*, 2007; Oh, 1999), cognitive (Back, 2005), or the overall loyalty (Han *et al.*, 2008). However, Heskett *et al.* (1997) maintained that the relationship between customer satisfaction and customer loyalty was the weakest link. In fact, it was concluded that less than 40 percent of the hotel guests who rated a particular service as satisfactory were more likely to return, while 90 percent of them who rated a high rank of satisfaction intended to come back. Guided by this conclusion, the hypothesis on the relationships between customer satisfaction and customer loyalty is formulated as follows:

*H8.* Customer satisfaction has a direct positive effect on customer loyalty.

#### ***Mediating effect of customer satisfaction and perceived value***

Yet, indirect relationships between service quality and loyalty through the perceived value have been announced by several studies (Chitty *et al.*, 2007; Kim *et al.*, 2008; Hapsari *et al.*, 2016). As confirmed by Lai *et al.* (2009), there was an indirect correlation between the service quality and loyalty via the perceived value. Moreover, the importance of the perceived value as a variable which mediates the relationship between loyalty and its determinants such as service quality has been supported by several studies (Athanasopoulos, 2000; Brady *et al.*, 2005; Cronin *et al.*, 2000; Fornell *et al.*, 1996). In line with the model and the related literature review, the hypotheses related to the perceived value as a mediator between process and outcome quality and customer loyalty are formulated as follows:

*H9.* Perceived value has a mediating role in the relationship between process quality and customer loyalty.

*H10.* Perceived value has a mediating role in the relationship between outcome quality and customer loyalty.

The relationship between service quality and customer loyalty through customer satisfaction has been supported by several studies (Chitty *et al.*, 2007; Ekinici *et al.*, 2003; Oh, 1999). Brady and Cronin (2001) postulated that there were associations between service quality, satisfaction, perceived value, and behavioral intention. It was concluded that the service quality exerted a direct impact on the perceived value, satisfaction, and behavioral intention. Brady and Cronin also

revealed that service quality had an indirect impact on behavioral intentions via the perceived value and satisfaction. Furthermore, Cronin *et al.* (2000) highlighted that there existed an indirect association between service quality and behavior intention in numerous service settings. A significant indirect association was also reported between service quality and the behavior intention through the perceived value and customer satisfaction (Cronin *et al.*, 2000; Kim, 2011; Oh, 1999).

The service quality had a significant effect only toward the cognitive loyalty in the hotel, as affirmed by Han *et al.* (2008). Nonetheless, in the mentioned study conducted in two hotels in China, no significant relationships were observed among the other loyalty dimensions. It was approved through the findings that there existed indirect associations between the service quality and customer loyalty through the perceived value and customer satisfaction. Furthermore, the relationship between process quality and outcome quality with loyalty by the mediating role of customer satisfaction was supported by Liat and Abdul-Rashid (2011), Choi and Kim (2013) and Subrahmanyam (2017). In line with the review of literature, the hypotheses on customer perception on service quality including the process and outcome quality and customer loyalty by the mediating role of customer satisfaction are formulated as follows:

*H11.* Customer satisfaction has a mediating role in the relationship between process quality and customer loyalty.

*H12.* Customer satisfaction has a mediating role in the relationship between outcome quality and customer loyalty.

#### ***Mediating effect of customer satisfaction***

The concept of the customer value should be an important element in the design and implementation of corporate strategies (Naumann, 1995). According to Naumann (1995), a good value contributes to higher customer loyalty and retention. The indirect influence of the value on the behavioral intention via satisfaction was supported by service marketing researchers and postulated the value as a direct and indirect predictor of loyalty (Chen and Chen, 2010; Kim *et al.*, 2013). Moreover, it was supported that customer satisfaction plays a mediating role between the perceived value and loyalty in several industries (Cronin *et al.*, 2000; Lai *et al.*, 2009; Yang and Peterson, 2004). Accordingly, the hypothesis on the mediating role of customer satisfaction between perceived value and customer loyalty is formulated as follows:

*H13.* Customer satisfaction has a mediating role in the relationship between the perceived value and customer loyalty.

## **Methodology**

### ***Research instrument***

A questionnaire was designed in this study to collect the data from the international tourists who stayed at four- or five-star hotels in Kuala Lumpur. The questionnaire was divided into four sections. The first section was designed to collect the data dealing with international tourists' perceptions about the hotel's service quality (process and outcome quality). There were 39 questions in this part, and out of these, 25 items of the first five dimensions of service quality (tangible, reliability, responsiveness, assurance, and empathy) were concluded from the LODGSERV scale developed by Knutson *et al.* (1990). Some items of the LODGSERV scale modified by Ekinci *et al.* (1998) and Keith and Simmers (2013) were adopted in this study. Three items were related to the convenience dimension of the process quality developed by Akbaba (2006). The outcome quality had three dimensions (valence, waiting time, sociability) with 11 items developed by Wu and Ko (2013).

In the second section, four questions evaluate customer satisfaction, derived from Deng *et al.* (2013). The perceived value was divided into three parts, including emotive (six questions), cognitive (three questions), and social/self-concept (three questions), adopted from Walls (2013). The customer loyalty construct was evaluated by six questions that were originally designed by So *et al.* (2013) and Deng *et al.* (2013).

In the third section, the questions related to customer experience were provided including the star ranking of hotel where the tourists stayed, the purpose of the trip, the number of nights stayed at



the hotel, and the previous stay at the hotel. The demographic information was provided in the last section of the questionnaire which covered the demographic variables, including gender, age, nationality, marital status, income, education level, and occupation. In this study, in order to improve the survey's content validity, these items were reviewed twice by a group of professionals in the service industry and hospitality to ensure its adaptability to the local cultural context.

### *Population and sample method*

In this study, international tourists who stayed at least one night at four- or five-star hotels in Kuala Lumpur were the target population. There were 125 hotels and 26,751 rooms in Kuala Lumpur in 2013, which were more than all the other States in Malaysia. Moreover, 18,007 of all the rooms belonged to four- and five-star hotels, which were 67.3 percent of the total. Therefore, four- and five-star hotels constituted the majority of rooms in Kuala Lumpur, and were selected for this research. Furthermore, more than 9,260,000 international tourists stayed at these hotels which included 66 percent of all the guests (MTSA, 2013). Therefore, the international tourists who stayed at four- or five-star hotels were considered as the research population in this study.

### **Data collection**

To collect the data, several steps were undertaken as follows: first, the list of four- and five-star hotels was obtained from the Malaysian Association Hotel. Second, the hotels were contacted to collect the e-mail addresses of the human resource managers. Third, the e-mails were sent to the human resource managers of all the hotels and the permission for data collection was sought. Since it was found that the human resource managers were responsible for researches in the hotel, the permission for research in the hotel was under the authority of the human resource managers. None of them allowed data collection in the hotel place. Therefore, the questionnaires were distributed in the top public areas and places of interest introduced by the Ministry of Tourism Malaysia, including the Petronas Twin towers, Aquaria, Jamek Mosque, Central market, Putrajaya Mosque, and Times Square in Kuala Lumpur during August and September 2014. These places were selected randomly and 480 questionnaires were distributed based on a 1.25 rate, suggested by Fincham (2008).

The sample size was 384. Since it was mentioned in the previous studies that the response rates of the tourists from public places such as malls and airport were around 80 percent (Ariffin and Maghzi, 2012; Poon and Low, 2005; Liat and Abdul-Rashid, 2011), the distributed rate of the questionnaire was selected as 1.25 and 480 ( $384 \times 1.25$ ) questionnaires were distributed to collect at least 384 valid questionnaires.

Out of a total of 480 distributed survey questionnaires, 445 were collected. 28 of the returned questionnaires were removed in the data coding phase because they were only partially completed, returned blank, or had outliers data. Having eliminated the unusable questionnaires, 417 (87 percent) questionnaires were used for analyzing, which was larger than 384 that was mentioned as the sample size. The data were analyzed by structural equation modeling via AMOS statistical software.

To collect the data from the international tourists, three questions were provided as the screening question by the researcher, including: Are you an international tourist? Have you stayed at a four- or five-star hotel in Kuala Lumpur in your current trip? and Are you interested to answer this questionnaire? If the answers to all three questions from the respondents were yes, the questionnaires were provided to them.

## **Results**

### *Sample characteristics*

Table I illustrates the demographic characteristics of the respondents. Of the 417 respondents who provided their gender information, 291 (69.8 percent) were male, and 126 (30.2 percent) were female. The largest age group of the respondents was 25 to 34 years (34.3 percent). Around 50.8 percent of the respondents were from Asian countries, followed by Middle East

**Table I** Demographics

<i>Respondents</i>	<i>Frequency</i>	<i>Percent</i>
<i>Sex</i>		
Male	291	69.8
Female	126	30.2
<i>Age</i>		
18-24	65	15.6
25-34	143	34.3
35-44	106	25.4
45-54	72	17.3
55-64	27	6.5
65 and more	4	1
<i>Nationality</i>		
Asian countries	212	50.8
Middle East countries	86	20.6
European countries	76	18.2
Others	43	10.3
<i>Marital status</i>		
Married	268	64.3
Single	140	33.6
Divorced	8	1.9
Separated	1	0.2
<i>Earning</i>		
Less than \$20,000	152	36.5
\$20,001-\$40,000	93	22.3
\$40,001-\$60,000	57	13.7
\$60,001-\$80,000	45	10.8
\$80,001-\$100,000	25	6
More than \$1,000,000	45	10.8
<i>Education level</i>		
High school degree	108	25.9
Junior college graduate	60	14.4
Bachelor degree	107	24.7
Master degree	83	19.9
PhD	46	11
Others	13	3.1
<i>Occupation</i>		
Student	77	18.5
Retired	32	7.7
Housewife	10	2.4
Business owner	98	23.5
Government officer	107	25.7
Others	93	22.3

(20.6 percent), Europe countries (18.2 percent), and respondents from other countries were the least (10.3 percent). The majority of the respondents reported that they were married (64.3 percent). In terms of the level of education, 25.9 percent of the respondents held a high school degree, 39.1 percent had college or university degrees, and 30.9 percent of the respondents had post-graduate education, while only 3.1 percent of the respondents were in other education levels. Concerning the respondents' annual household income, 36.5 percent reported to have an annual household income of \$20,000 or less, whereas only 10.8 percent of the respondents had an annual household income of \$100,000 or more. In terms of occupation, the majority of the respondents were governmental officers or business owners (49.2 percent), followed by others (22.3 percent), students (18.5 percent), retired (7.7 percent), and housewives (2.4 percent).

In terms of hotel ranking, most of the respondents were staying at four-star hotels (53.7 percent), while below than half were staying at five-star ones (46.3 percent). Most respondents (80.8 percent)

traveled to Malaysia with the purpose of leisure, followed by business (12.7 percent) and other (6.5 percent). The largest group of the respondents were staying at the hotels for three to four nights (29.3 percent), followed by seven nights and more (27.1 percent), five to six nights (24.5 percent), and one to two nights (19.2 percent). The vast majority of the respondents had never stayed before at the hotel where they were staying at the time of the data collection (65.9 percent) (Table II).

#### Assessment of the measurement model

According to the results of the MI, one indicator of reliability (Rel2), one indicator of tangible (Tan1), two indicators of empathy (Emp4, Emp8), one indicator of waiting time (Wit2), and two indicators of loyalty (Loy4 and Loy5) were deleted because of the highest MI between these items. The fit indices exhibited that the data fit the model successfully.

All the constructs have the standardized factor loading which was more than 0.60. The composite reliability (CR) ranged from 0.818 to 0.959, exceeding the recommended threshold level of 0.70. The average variance extracted (AVE) values exceeded the recommended level of 0.5. and all the squared root of the AVEs were larger than the correlation coefficients between the constructs, indicating that the construct was more strongly correlated with its own items rather than with items of the other constructs in the model. The results signify sufficient discriminant validity at the construct level (Table III).

**Table II** Characteristics of the respondents' recent experiences

Variables	Frequency (n = 417)	Percent
<i>Raking the hotel</i>		
4-star	224	53.7
5-star	193	46.3
<i>Main purpose</i>		
Leisure/vacation	337	80.8
Business/convention	53	12.7
Other	27	6.5
<i>Stay at hotel</i>		
1-2 nights	80	19.2
3-4 nights	122	29.3
5-6 nights	102	24.5
7 nights and more	113	27.1
<i>Stay before</i>		
Never	275	65.9
Less than 3	68	16.3
3-5 times	40	9.6
6-10 times	15	3.6
More 10 times	19	4.6

**Table III** Means, standards deviations and correlation matrix

	M	SD	$\alpha$	CR	AVE	1	2	3	4	5
1. PQ	3.15	0.714	0.971	0.865	0.640	0.80				
2. OQ	3.35	0.691	0.921	0.873	0.687	0.447	0.829			
3. PV	3.54	0.953	0.965	0.937	0.804	0.626	0.398	0.897		
4. TS	3.74	0.919	0.933	0.924	0.752	0.560	0.592	0.485	0.867	
5. TL	2.83	0.844	0.941	0.895	0.685	0.601	0.525	0.727	0.716	0.828

**Notes:** PQ, process quality; OQ, outcome quality consists of three dimensions; PV, perceived value; TS, customer satisfaction; TL, customer loyalty;  $\alpha$ , Cronbach's  $\alpha$ ; CR, composite reliability; AVE, average variance extracted. Values at the diagonal line are squared root of AVE

### *Assessment of the structural model*

The structural model was developed to investigate the effect of exogenous/independent variables of the process quality (including the six dimensions of reliability, assurance, responsiveness, tangible, empathy, and convenience) and the outcome quality (including the three dimensions of valence, waiting time, and sociability) on the endogenous/dependent variables of perceived value, customer satisfaction, as well as customer loyalty, and the influence of the perceived value and customer satisfaction on customer loyalty.

The results demonstrated that based on the fit indices, the relative  $\chi^2/df$  (2.105,  $p < 0.001$ ) was less than the recommended value of five. The incremental fit indices, TLI, IFI, and CFI, had a value more than the recommended value of 0.9 (0.937, 0.921, and 0.937, respectively). Furthermore, the RMSEA and RMR values (0.048 and 0.066, respectively) were less than the recommended range of 0.08, therefore, the model fitted the data perfectly, supporting the perfect level of the model fit.

Moreover, multicollinearity is the situation in which two or more independent variables are highly correlated. Highly multicollinearity represents the same underlying construct. The criterion for determining multicollinearity is a correlation of more than 0.85. As research models show, outcome quality and process quality had a correlation of 0.51 which was less than 0.85, as recommended by Awang (2012) (Figure 2).

Each influential effect is discussed as follows under a specific hypothesis. The results indicated that the exogenous construct of process quality was significantly and positively associated with customer satisfaction ( $\beta = 0.315$ ,  $CR = 6.568$ ,  $p < 0.001$ ). Therefore, the first hypothesis was supported. That is, the international tourists who highly perceived process quality were more likely to be satisfied. This result was consistent with the previous findings where a positive relationship existed between process quality and customer satisfaction (Ariffin and Maghzi, 2012; Fornell, 1992; Hwang and Lambert, 2008; Lloyd *et al.*, 2011; Riscinto-Kozub, 2008; Yang *et al.*, 2003).

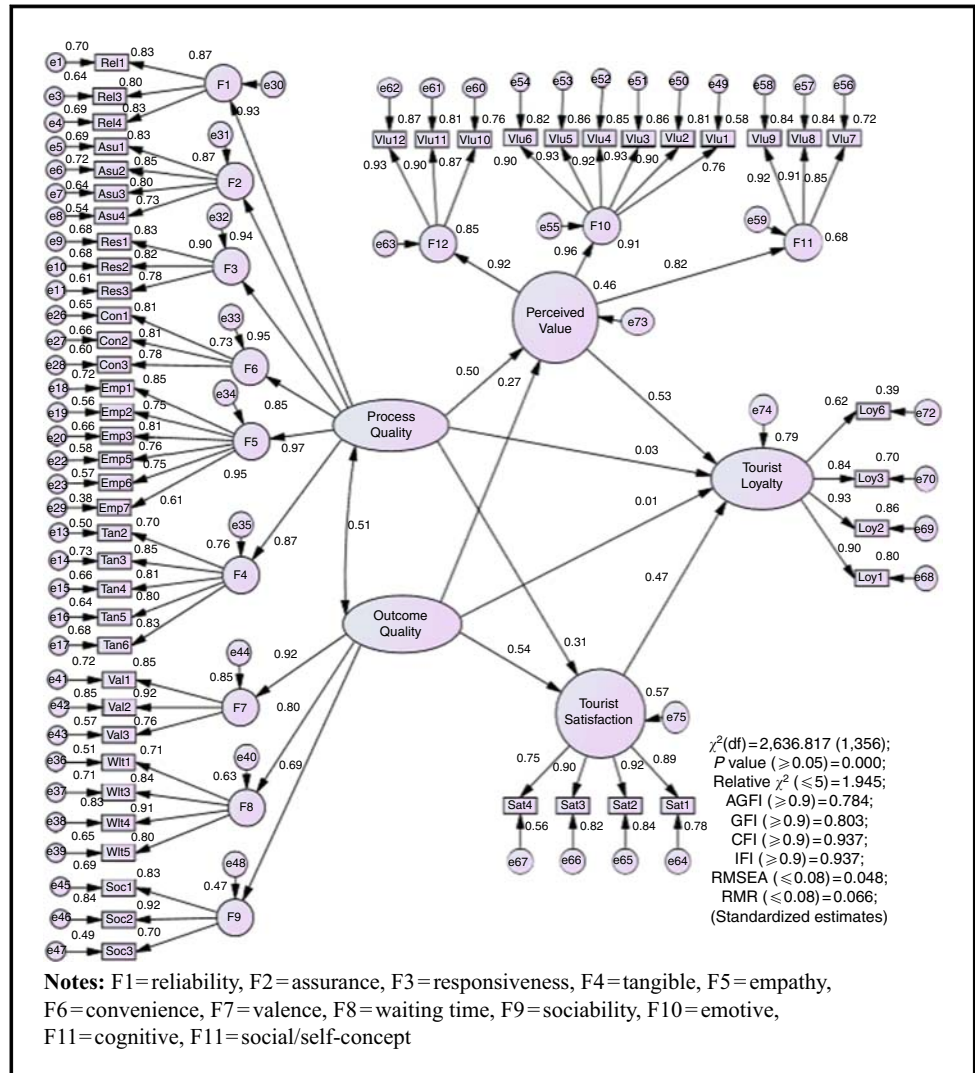
It was shown from the results that since  $\beta = 0.497$ , critical ratio ( $CR$ ) = 8.761, and  $p < 0.001$ , the second hypothesis was supported and process quality significantly and positively affected the perceived value. The international tourists who perceived highly process quality were more likely to perceive that the services provided by the hotel were valuable. This result was consistent with the previous findings, confirming that a positive relationship existed between process quality and perceived value (Chang, 2008; Walls, 2013; Zeithaml *et al.*, 2006).

The results proved that the construct of process quality did not have a significant influence on customer loyalty directly ( $\beta = 0.028$ ,  $CR = 0.645$ ,  $p > 0.5$ ). Therefore, hypothesis three was not supported. However, the result was not consistent with the previously reported findings, implying that there was not any significant relationship between service quality and customer loyalty (Choi and Kim, 2013; Cronin *et al.*, 2000; Liat and Abdul-Rashid, 2011; Siu and Cheung, 2001; Wilkins *et al.*, 2007). Although the cited surveys supported the relationship between service qualities and customer loyalty, they did not divide service quality into two categories, process and outcome quality. Therefore, dividing service quality into process and outcome quality may affect them not to influence customer loyalty directly.

On the other hand, this finding was consistent with the results reported by Kandampully *et al.* (2011) and Kim *et al.* (2008), in which no significant correlation existed between the service quality and the loyalty. The result of this study supported Ariffin's and Maghzi's (2012) findings, in which the customers were not interested in rebooking the same hotel for the second time because of variety-seeking behaviors.

It was illustrated from the result that the standardized regression coefficient ( $\beta$ ) between the outcome quality and customer satisfaction was 0.54, the  $CR$  was 9.699, and the  $p$ -value was less than 0.001. Therefore, outcome quality had a significant and positive effect on customer satisfaction, and hypothesis four was supported. That is, the international tourists who perceived highly outcome quality were more likely to be satisfied. The result was consistent with the results reported by the Luk and Layton (2004) reporting that outcome quality was recognized as an important part of the service providers in the hotel industry.

**Figure 2** The structural model of process and outcome quality toward customer loyalty



The results revealed that the exogenous construct of outcome quality was significantly and positively associated with the perceived value ( $\beta = 0.269$ ,  $CR = 4.997$ ,  $p < 0.001$ ) to support the fifth hypothesis. In other words, the international tourists who perceived highly outcome quality were more likely to identify that these services had a high value. This result was consistent with the previous findings which showed that a positive and significant relationship existed between outcome quality and the perceived value (Brodie *et al.*, 2009; Clemes *et al.*, 2009; Kim *et al.*, 2008). The result of this study showed that it was important for the international tourists to have services provided on time, although the favorability of the services delivered in the hotel played an important role. Furthermore, sociability was another factor that affected the international tourists to find services that were more valuable. However, the majority of the international tourists could not create any social contact in the hotels.

The results revealed that the exogenous construct of the outcome quality was not significantly associated with the customer loyalty ( $\beta = 0.012$ ,  $CR = 0.251$ ,  $p > 0.05$ ). Therefore, hypothesis six was not supported. That is, the international tourists who perceived highly outcome quality were not loyal to the hotel directly. The result was consistent with the previous findings (Choi and Kim, 2013; Liat and Abdul-Rashid, 2011). Since the loyalty in this study was considered as both the aspects of attitudinal and behavioral, it may affect the result of this hypothesis to not support the

findings reported by Gallarza and Gil (2006), in which the outcome quality influenced the loyalty attitude. Moreover, in this study, the service quality was divided into two categories, namely, the process quality and outcome quality. Therefore, it may not affect the customer loyalty directly.

It is demonstrated from the outcomes that since the standardized regression coefficient ( $\beta$ ) between the perceived value (with three dimensions of emotive, cognitive, and social/self-concept) and customer loyalty was 0.525, CR = 10.634, and the  $p$ -value was less than 0.001,  $H7$  was supported. The result of this hypothesis was consistent with the previous findings (Gill *et al.*, 2007; Kim *et al.*, 2008; Poon and Low, 2005; Nasution and Mavondo, 2008; Oh, 1999).

The results showed that the construct of customer satisfaction significantly and positively affected customer loyalty ( $\beta = 0.471$ , CR = 9.300,  $p < 0.001$ ). Therefore,  $H8$  was supported. That is, the international tourists who were satisfied with the high-quality services provided by the hotel were more likely to be loyal to the hotel. The mentioned result was consistent with the previous findings highlighting that a positive relationship existed between satisfaction and loyalty (Back, 2005; Chitty *et al.*, 2007; Ekinci *et al.*, 2003; Han *et al.*, 2008), but it was against the results of a few studies such as Heskett *et al.* (1997) in the hotel industry.

### **Assessment of the mediation model**

The mediation model was used in this survey to analyze the mediating roles of the perceived value and customer satisfaction in the effect of process quality and outcome quality on customer loyalty. Although both full mediation and indirect models fitted the data adequately, the full mediation model had a smaller Akaike Information Criterion (AIC) compared to the indirect model (2,894.817 and 3,610.623, respectively). Moreover, the parsimony normed fit index (PNFI) value for the full mediation model (0.832) was greater than the PNFI value for the indirect model (0.804). Based on Hooper *et al.* (2008), the smaller value of AIC and a greater value of PNFI suggest a good-fitting model. Therefore, the full mediation model was preferred to be compared with the direct model.

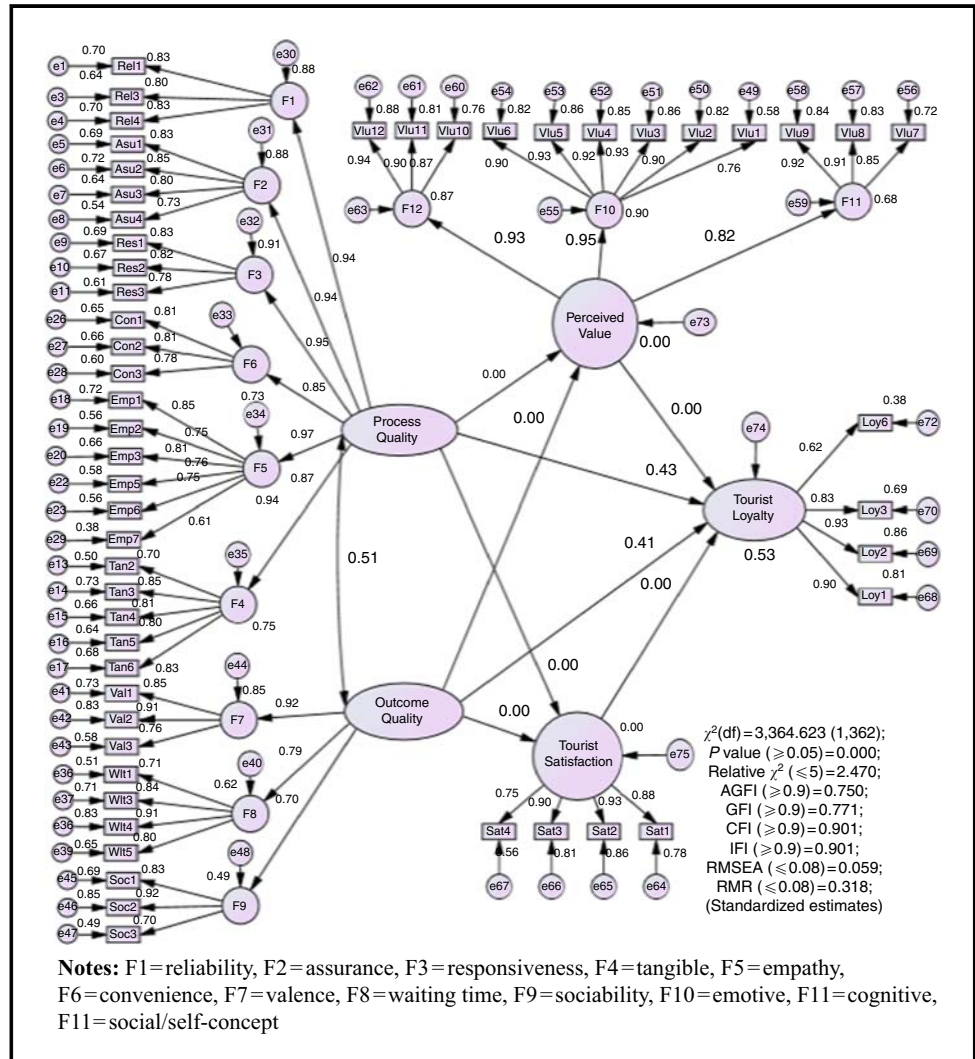
In the direct model, process quality and outcome quality as independent variables explained 53 percent of the variance of customer loyalty, while in the full mediation model, the variance of customer loyalty was 79 percent. This indicated that the perceived value and customer satisfaction had key roles in mediating the relationships between process quality and outcome quality with customer loyalty (Figure 3).

The results are explained as follows: there was a significant relationship between process quality and customer loyalty ( $\beta = 0.417$ ,  $p < 0.001$ ); however, in the full mediation model, this path was not significant ( $\beta = 0.001$ ,  $p > 0.05$ ). Hence, the perceived value fully mediated the relationship between process qualities with customer loyalty. This might be because in the hotel industry, a guest would expect to be loyal if he/she believed that the tangible, reliability, assurance, responsiveness, empathy, and convenience dimensions of process quality affected his/her perceived value. This matched with the findings of past research works (Athanassopoulos, 2000; Brady *et al.*, 2005; Cronin *et al.*, 2000).

It can be inferred from the results that there was a significant relationship between outcome quality and customer loyalty in the direct model ( $\beta = 0.430$ ,  $p < 0.001$ ). However, in the full mediation model, this path was not significant ( $\beta = 0.031$ ,  $p > 0.05$ ). Hence, the perceived value fully mediated the relationship between outcome quality and customer loyalty. This might be because, in the hotel industry, a guest would expect to be loyal if he/she believed that valence, waiting time, and sociability as the dimensions of outcome quality affected his/her perceived value. The result was consistent with the previous findings (Cronin *et al.*, 2000; Fornell *et al.*, 1996).

The results revealed that there was a significant relationship between process quality and customer loyalty in the direct model ( $\beta = 0.417$ ,  $p < 0.001$ ). Nevertheless, in the full mediation model, this path was not significant ( $\beta = 0.001$ ,  $p > 0.05$ ). Hence, customer satisfaction fully mediated the effect of process quality on customer loyalty, implying that the international tourists who perceived highly process quality were more likely to be satisfied; hence, they were loyal to the hotel. The current result was consistent with the previous findings (Chitty *et al.*, 2007; Ekinci *et al.*, 2003; Kim, 2011; Oh, 1999).

**Figure 3** Direct model of customer satisfaction and perceived value

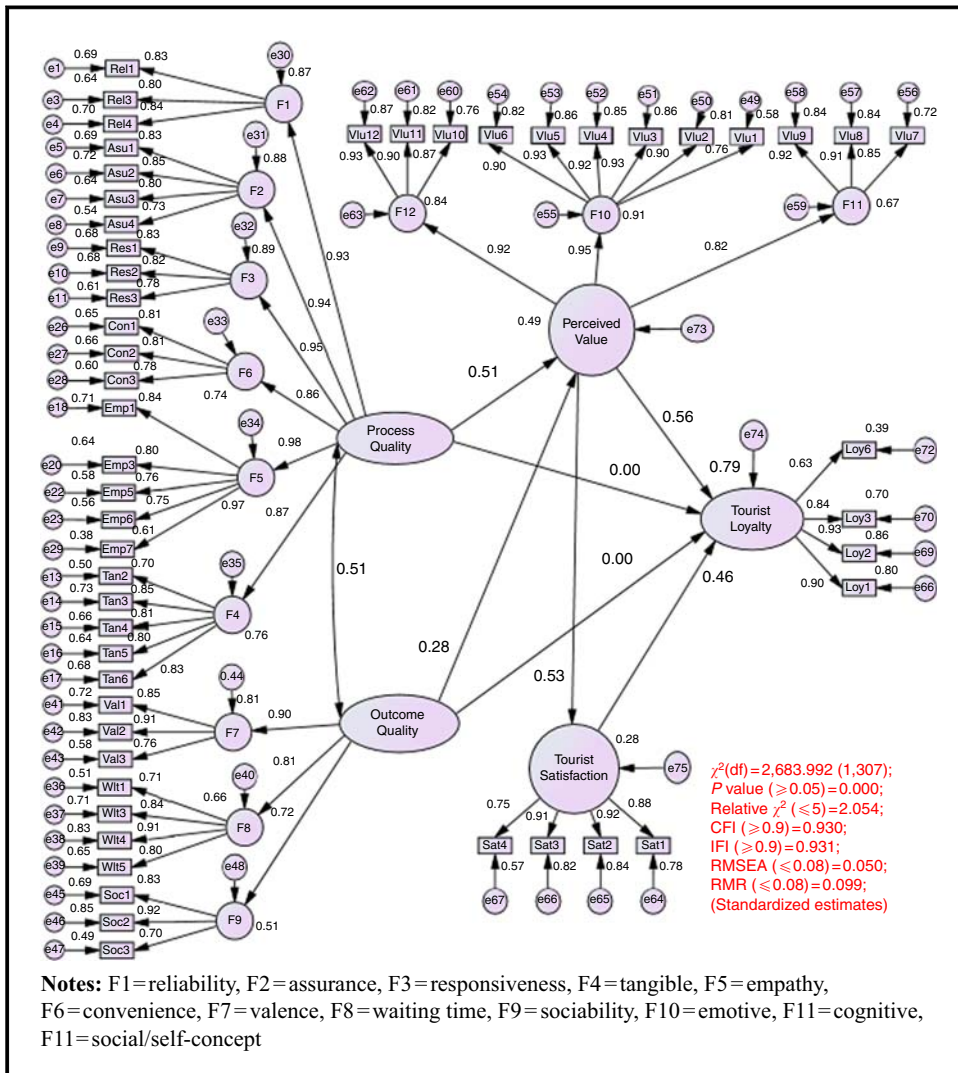


The results publicized that there was a significant relationship between outcome quality and customer loyalty in the direct model ( $\beta = 0.430, p < 0.001$ ). However, in the full mediation model, this path was not significant ( $\beta = 0.031, p > 0.05$ ). Hence, customer satisfaction fully mediated the relationship between process quality and customer loyalty. That is, the international tourists who perceived high outcome quality were more likely to be satisfied; therefore, they preferred to be loyal to the hotel. The obtained result was in accordance with the earlier findings (Choi and Kim, 2013; Liat and Abdul-Rashid, 2011).

The new mediation model was developed to investigate the mediating role of customer satisfaction in the relationship between the perceived value and customer loyalty (Figures 4 and 5).

The results showed that there was a significant relationship between the perceived value and customer loyalty in the direct model ( $\beta = 0.797, p < 0.001$ ). However, in the full mediation model, this path was significant, but there was a decline in the regression weight for the direct relationship between perceived value and customer loyalty ( $\beta = 0.555, p < 0.05$ ). Hence, customer satisfaction partially mediated the effect of perceived value on customer loyalty. That is, the international tourists who perceived valued services were more likely to be satisfied; therefore, they preferred to be loyal to the hotel, although they would be loyal to the hotel directly if they perceived the services as valuable. The result was consistent with the previous findings (Cronin *et al.*, 2000; Kim *et al.*, 2013; Lai *et al.*, 2009; Yang and Peterson, 2004).

**Figure 4** Full mediation model of customer satisfaction



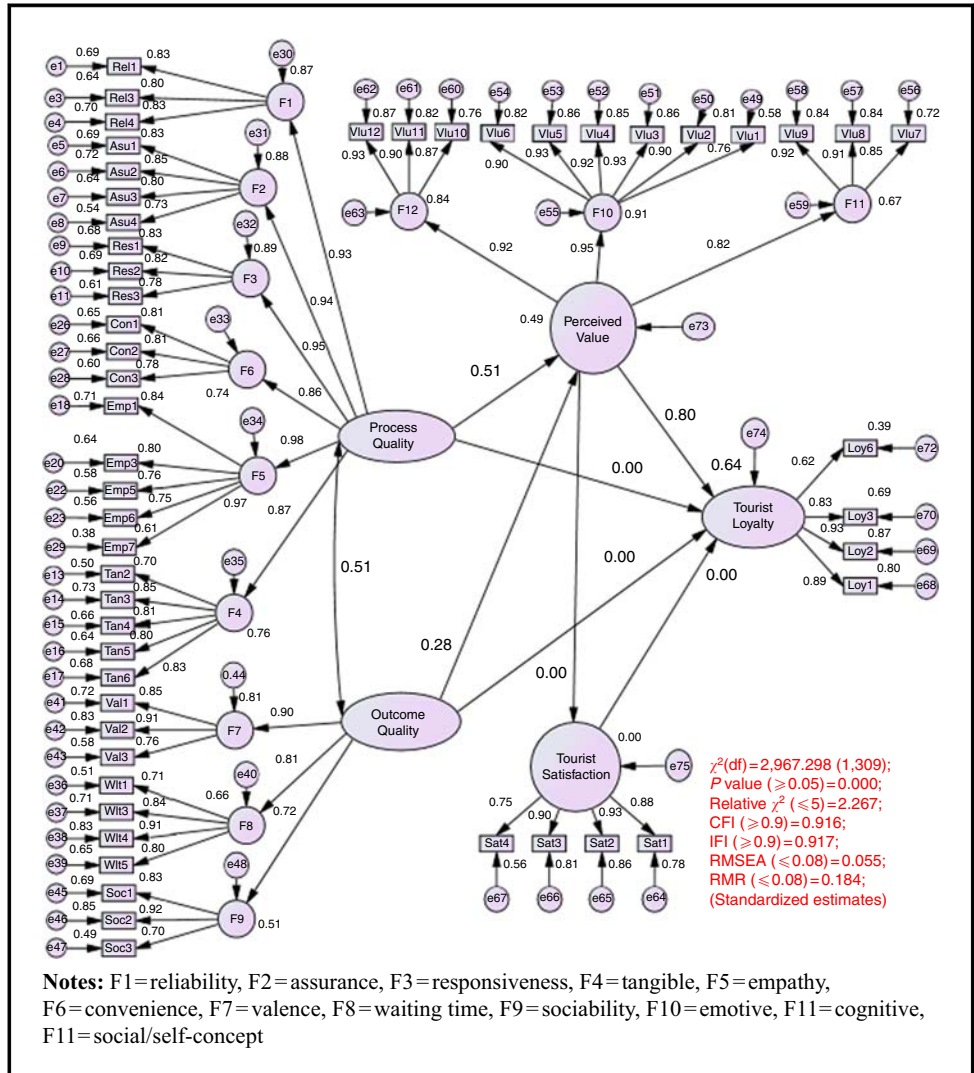
## Results

Five constructs including process quality, outcome quality, perceived value, customer satisfaction, and customer loyalty were discussed in this study with the purpose of generating a more comprehensive perception on the effect of service quality, namely, the process and outcome quality on customer loyalty. Numerous contributions can be drawn by elaborating on the objectives established in this study with the ultimate goal of boosting the theoretical understanding of the hotel industry. The premier contribution was a clamor for further scrutiny for reviewing the dimensions of service quality in the hotel industry, having accomplished research objective one which *per se* had provided support for Luk and Layton's (2004) study. Indeed, the current study can be considered as a more thoroughgoing examination of customer perceptions of the hotel industry which introduced supplementary information to the current hotel literature. Moreover, accomplishing the research objectives could support Chitty *et al.*'s (2007) and Kim *et al.*'s (2008) recommendations to appraise the relationship between perceived value, satisfaction, and loyalty.

Third, the results of study could support the recommendations of a number of hotel researchers (Alexandris *et al.*, 2004; Ekinci *et al.*, 2003; Oh, 1999; Skogland and Siguaw, 2004) to investigate whether the perceived value and customer satisfaction mediated the effect of service quality (process and outcome) on customer loyalty.



**Figure 5** Direct model of customer satisfaction



Finally, the results of this study supported several scholars' (Cronin *et al.*, 2000; Lai *et al.*, 2009; Yang and Peterson, 2004) calls for analyzing the mediating role of satisfaction in the influence of the perceived value on customer loyalty. Moreover, the model introduced for the hotel industry in a Malaysian context could yield a cherished framework for the hotel management to recognize the variables essential for the international tourists once they assessed their experiences in a hotel.

## Implications

### Theoretical implications

The findings in this study advocated the exploitation of a multi-level structure like the models developed by Choi and Kim (2013) and Liat and Abdul-Rashid (2011) to conceptualize and evaluate service quality and its influence on customer loyalty by mediating the role of the perceived value and customer satisfaction. However, the six dimensions of process quality and three dimensions of outcome quality acknowledged in this research might fail to generalize the whole service industries. The dimensions recognized in this research were to be substantiated for other service industries by employing proper surveys due to the fact that such dimensions might vary in other industries.

The study was also valuable in its ability to compare the importance of the 32 items of nine dimensions of the service quality constructs in the hotels recognized in the current research with the significance of these dimensions acknowledged in other surveys. Process quality with six dimensions (tangible, reliability, assurance, responsiveness, empathy, and convenience) and outcome quality with three dimensions (valence, waiting time, and sociability) were two variables of service quality identified in this research. Nonetheless, these two variables did not exert a significant direct effect on customer loyalty. This result may have been obtained since service quality in this research was divided into two categories, including process quality and outcome quality, in addition to providing a new dimension to the process quality presented in the LOGSERV scale.

This study yielded a framework to better understand the mediating effect of the perceived value and customer satisfaction on the relationship between service quality (including process and outcome) and customer loyalty. Cronin *et al.* (2000), Kim (2011), Oh (1999), and Pizam *et al.* (2016) postulated that there were correlations between the service quality and loyalty through satisfaction and perceived value. In addition, this study also provided a model for understanding the influence of the perceived value on customer loyalty by the mediating role of customer satisfaction, supporting the finding of Cronin *et al.* (2000), Lai *et al.* (2009), and Yang and Peterson (2004).

The findings of this study supported the theory of reasoned action expanded by Fishbein and Ajzen (1975). According to Fishbein and Ajzen (1975), attitudinal and behavioral entities may be viewed as consisting four different elements: the action, the target at which the action is directed, the context in which the action is performed, and the time at which it is performed. Behavioral criteria based on single observations always involve four specific elements. An attitudinal predictor is said to correspond to the behavioral criterion to the extent that the attitudinal entity is identical in all four elements with the behavioral entity. They were not based on direct comparisons of the effects produced by variations in the degree of correspondence. Therefore, the attitudes of the international tourists from the quality of service in four- and five-star hotels in Kuala Lumpur affected them indirectly to revisit the hotel and suggest this hotel to the others.

### ***Managerial implications***

The results approved that customer loyalty depended on the satisfied customers, the perceived value and the process and outcome quality. The outcomes would then assist the hoteliers to devise more competitive tourism service schemes. For escalating the level of customer loyalty, the customer's perception toward service quality including process and outcome quality were critical practical criteria for assessment. All the dimensions of the process quality influenced customer perception, however, empathy had more impacts than the other dimensions. Valence is one of the dimensions of outcome quality which had more effects. Therefore, hotel managers must pay attention to all the dimensions of the process quality and the outcome quality, especially the empathy and valence.

All factors of service quality and outcome quality, such as qualified equipment, on time services, high quality of food, beverages, lobbies, buildings, public areas, and rooms, reduced bureaucracy, and social interaction opportunity affects customers to perceived service quality. However, good experience of international visitors who stay in four- and five-star hotels is one of the most important factors of valence. Moreover, employees sympathetic and reassuring are the important factors of empathy. Therefore, hotel managers must know that qualified employees who understand the customers' needs and programs which contribute to a good experience in the hotel affect customers to perceived valuable services, hence affect to their loyalty to the hotel by word of mouth and revisit intention.

Moreover, the loyalty of the customers to the hotel increased when they felt that the provided services were valuable or they were satisfied with the quality of those services. In other words, the international tourists should be able to experience the qualified services, which affected their perception of value and satisfaction, hence improving their loyalty. Emotive had more effects on the customer perception of the value. Factors such as pleasurable, feeling relaxed, enjoyment, feeling positive, and comfortable experience were the important items of emotive, considered as the important factors by the customers.

The findings of this study proposed that the hoteliers targeting the international tourists with service quality including process and outcome quality should focus more on these factors to build loyalty. For instance, the tangible, responsiveness, reliability, empathy, assurance, and convenience as the dimensions of process quality and valence, waiting time, and sociability as the dimensions of outcome quality should meet the needs of the international tourists, therefore increasing customer loyalty through perceived value and customer satisfaction.

The results of this study concluded that the service quality, including process quality with six dimensions and process quality with three dimensions affected customer loyalty. Although in the previous studies, the effects of service quality on customer loyalty had been found, the different dimensions of service quality such as convenience with five other dimensions of LODGSERV were not considered together. Therefore, the hotel managers must know all the dimensions of the service quality. The results of this research specified that the outcome quality was the most important factor affecting customer satisfaction, while the process quality was the most important factor affecting the perceived value. Moreover, the perceived value exerted more influences on customer loyalty; consequently, the results observed in this study were helpful for policymakers in the tourism industry to understand that both aspects of the service quality including the process quality and outcome quality affected the international tourists in having valuable experiences in the hotel and being satisfied, hence becoming loyal to the hotel as one of the important parts of the tourism industry.

### Limitations of the research

The current research introduced several noticeable contributions to the marketing theory as well as hotel management and the tourism industry which could exploit the findings with respect to particular strategic decisions; nevertheless, it seemed indispensable to take into account the diverse features of the study which might restrict its applicability. According to So *et al.* (2013), there were other variables which also affected the customer loyalty (e.g. customer identification, and trust). It was likely that not all of the factors that influenced the customer loyalty had been included into the conceptual model of this research.

Second, this study was limited to evaluating service quality by two constructs, including process quality and outcome quality. However, Wu and Ko (2013) and Zhao *et al.* (2012) suggested that there were other constructs which were also considered as substantial factors in service quality (such as the environment quality and interaction quality). Third, in this study, the participants were limited to the international tourists who were staying at least one night at a four- or five-star hotel in Kuala Lumpur. Fourth, this research was conducted in four- and five-star hotels in Kuala Lumpur using convenience sampling. Therefore, the results of this study may only be generalized to a similar hotel industry, with similar stars, customer characteristics, and services.

Fifth, there were no equal numbers of males and females who responded to the survey. Since most international tourists who stayed in four- and five-star hotel were families, most of the questionnaires were answered only by males (69.8 percent). Therefore, the sex demographic characteristics may limit to how applicable the results were to the other sex groups. Finally, this study focused only on the perceptions of the international tourists who were staying in four- and five-star hotels in Kuala Lumpur and did not evaluate the perceptions of the staff and managers regarding customer loyalty and the relevant constructs.

### Recommendations for future research

Some additional study areas of interest are proposed. Future research could explore process quality and outcome quality in various hotel ratings as well as other regions. This might bring about a chance to establish a comparison between the quality of service consistent and diverse hotel ratings (e.g. three-star hotels) as well as other regions. Besides, the conceptual model acknowledged in this study could be employed in different groups of accommodation, among which are hostel, caravan parks, bed and breakfast motels, backpacker hostels, inns, resorts, and lodges. Second, future scholars can analyze the importance of the dimensions of process quality and outcome quality. For example, longitudinal research should emphasize the hotel guests from check-in to check-out, which may ultimately represent more information about their

levels of loyalty and the importance of the related variables over time. As mentioned by Victorino *et al.* (2005), new services have an important effect on a customer's hotel choice.

Third, since hotels in Kuala Lumpur did not allow the researcher to collect the data from their customers in the hotel, this study made use of convenience sampling which was considered as a non-probability sampling method and should not generalize the results on all international four- and five-star hotel guests. Consequently, a future study could employ the probability sampling methods with the aim of making the sample more representative of the population. Fourth, because of the statistical limitations, in this study the mediating role of perceived value in the relationship between process quality and outcome quality was not examined. Future study can use a conceptual model to recognize the mediating effect of the perceived value on the relationship between process quality and outcome quality with customer satisfaction. Fifth, this study calculated the differences between leisure and business tourists while taking into account the demographic characteristics; nevertheless, dissimilarities between domestic and international tourists and their effects on the perceptual measure of service quality in hotels were not recognized. Future studies may concentrate more thoroughly on the differences between domestic and international tourists. Additionally, the effects of these differences on the perceptions of service quality, satisfaction, perceived value, and loyalty may also vary.

Since it is valuable to compare the customer perception regarding four- and five-star hotel services, it is suggested to future research works to have comparative analyses by conducting the separate testing to recognize customer perceptions of service quality, satisfaction, and loyalty in four- and five-star hotels separately.

Finally, future studies can consider the association between customer loyalty and other factors which might direct the customers to use services at a hotel, like the hotel's reputation, special services, promotion, and location.

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