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**Drivers of guest loyalty
in the hotel industry in New Zealand:
The role of staff loyalty, service quality, guest satisfaction
and commitment, and the influence of loyalty
programmes**

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of the requirements for the degree

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ABSTRACT

This study focused on investigating the drivers of guest loyalty in the hotel industry. Specifically, the study further explored the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. The research methodology used both qualitative and quantitative methods in a two-step process comprising focus groups and self-administered surveys. Data collected from the focus groups were analyzed using CATPAC. The survey was developed from the information collected from the focus groups and a review of the literature. Data collected from the survey were analyzed using both regression and structural equation modeling. A model of guest loyalty drivers (GLDM) was proposed and validated in the study. The study contributes to the present body of knowledge in hospitality management theory as it investigated the drivers of guest loyalty. Results from the survey showed that loyalty programmes have a significant impact on guest loyalty more than staff loyalty and staff interaction, but guest satisfaction and guest affective commitment had more significant impact on guest loyalty than loyalty programmes. This study suggests some implications for hotel managers to consider before introducing or developing a loyalty programme. For example, the research shows that there are some gender differences in relation to loyalty programmes. Male guests look for better service, special treatment and collecting points, while female guests look mainly for price incentives and experiencing a unique stay. These findings indicate that hotel managers need to consider the use of different loyalty schemes for different guests. The model proposed in the study (GLDM) provided a new insight for academics and practitioners. Although, it was evident from the study that staff loyalty, staff interaction (as a dimension of service quality), guest satisfaction and commitment, and loyalty programmes are directly linked to and are capable of predicting guest loyalty in the hotel industry as drivers for guest loyalty. The study also indicates that hotel managers should not overlook staff attitude in preference to loyalty programmes; in the sense that, hotels should focus on developing interpersonal relationships between staff and guests. This study demonstrates that hotels should allocate more resources to relational marketing at both the beginning and throughout the relational exchange. The new model is of considerable interest to both academics and practitioners alike; as it gives a new dimension to the interrelationship between service, staff, satisfaction and guest

loyalty, and lends itself to further research which will help gain a greater understanding of this interrelationship.

DEDICATION

To my father & mother

To my wife Amany

And to my children

Youssef, Nada and Seif

Thanks for your love and patience

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I would like to thank my two supervisors Professor Richard Varey (Marketing Department, University of Waikato), and Associate Professor Timothy Lockyer (Department of Tourism & Hospitality Management, University of Waikato) for their helpful comments and suggestions through all the PhD process. I would like to acknowledge the valuable contributions made by them to my PhD thesis.

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"It takes happy employees to make happy customers."

(Marriott Hotels, Barbee & Valerie, 1991)

"It will not suffice to have customers that are merely satisfied."

(Deming, as cited in Oliver, Rust & Varki, 1997)

CHAPTER 1

INTRODUCTION

In today's competitive hotel business environment, understanding guests' expectations, perceptions and demands along with the level of service that the hotel provides can have a significant impact on the sustained success of a hotel. These qualities or standards allow industry leaders to distinguish themselves from their competitors, and not only satisfy their guests, but also delight/surprise them through the level of service provided by meeting or exceeding their expectations. However, guest satisfaction is not a constant phenomenon but is indeed progressive in nature (i.e., time specific) and the ever-growing volume and pace of competition and the continuous increase in customers' expectations, services and products that are deemed satisfactory by the customer today will undoubtedly prove unsatisfactory to the same customer tomorrow (Kandampully, 1997).

We live in a world in which the demands on business are so much greater than ever before as a result of the continuous increase in customers' expectations. In response, organisations have to be more creative than ever before. Market competition now demands that organisations continuously seek means to gain customer loyalty. A few years ago, airline companies tended to highlight their near perfect punctuality as a competitive edge. Now, however, it would seem that, once the majority of airlines improved their punctuality, the on-time factor lost its significance; no individual operator had an edge. And as a result, today's customers have come to expect flights to be consistently on-time, as a matter of course. Therefore, organisations are now required to not only achieve their

primary need for profit by satisfying customers, they must go beyond that level – to that of exceeding their expectations – to delight their customers.

Organisations are required to meet this progressive effect in customers' expectations by setting goals to meet customers' demands for the future, not just achieving customer satisfaction in the mean time. These goals can be achieved by applying an ongoing quality upgrading process which will transform services to augmented levels of performance that should delight customers through offering greater and superior value than expected (Kandampully, 1997). This delight factor is in reality the organisation's ability to create a responsive relationship with the customer, and to demonstrate its ability to serve with loyalty. Chandler (as cited in Oliver, Rust & Varki, 1997) stated that customer delight "...is the reaction of customers when they receive a service/product that not only satisfies, but provides unexpected value or unanticipated satisfaction" (p.313).

It has been suggested that loyalty in this competitive environment, characterised by rising customer recruitment costs and retention, is the marketplace currency of this contemporary century (Sing & Sirdeshmukh, 2000). Loyalty is an elusive concept (Wetsch, 2005), and while most marketing research on loyalty has focused on frequently purchased package goods (brand loyalty), the loyalty concept is also important for industrial goods (vendor loyalty), retail establishments (store loyalty), and services (service loyalty) (Dick & Basu, 1994). Services particularly are subjectively experienced processes where interactions between the customer and the service provider take place including a series of moments of truth between them (Gronroos, 1990).

Academics and practitioners alike agree that loyalty is an integral part of doing business. Few, if any, businesses can survive without establishing a loyal customer base, especially when the cost of acquiring a new customer far outweighs that of maintaining a loyal customer (Gremler & Brown, 1996). Ndubisi (2004) argued that the cost of serving one loyal customer is significantly less than the cost of attracting and serving one new customer. Loyal guests are of special interest to hotels. They are less price sensitive, have a higher probability to stay, they usually recommend the service to others, and they don't seek other

alternatives offering the same service. There has been a lot of research investigating the relationship between staff commitment and guest loyalty in the hotel sector and whether guest loyalty is affected by staff commitment or other variables like service quality (Anderson & Weitz, 1992; Cronin & Taylor, 1992; Reichheld, 1993; Morgan & Hunt, 1994; Bowen & Chen, 2001; Fullerton, 2003).

Geddie, DeFranco and Geddie (2005) noted that in a world of increasing globalization and sophisticated and knowledgeable customers, relationship marketing is a way to allow customers to feel cared for, to acknowledge their individuality, and to provide personal attention. It was suggested that loyalty programmes as a mean of relationship marketing can represent an inexpensive means by which an organisation can collect information about its customers (Palmer, McMahon-Beattie & Beggs, 2000). Loyalty programmes based on the storage of individual consumer's demographic status and spending patterns can contribute significantly to an organisation's knowledge base. Knowing who the loyal customers are, what they buy and how often, can provide a way to gain strategic advantage. However, relatively little is known about customer loyalty especially in the service sector in spite of its obvious importance to all businesses. Experts have struggled to define precisely what being a loyal customer means and what specific factors can lead to customer loyalty. Gremler and Brown (1996) argued that although customer loyalty is considered the back bone of business, it is a mystery. Osman, Hemmington and Bowie (2009) noted that the shift in the focus of marketing, as with a shift in any discipline, has received both advocacy and criticism, and although it has captured the interest of scholars in many parts of the world such as North America, Europe, Australia and Asia, the exploration of alternative approaches to relationship marketing and customer loyalty in the hotel industry has largely been overlooked.

Linkage between staff and guest loyalty in the hotel industry is of considerable interest to both academics and practitioners alike; moreover, loyalty programmes have been identified as an important area of study in hospitality management (Sharp & Sharp, 1997; Bolton, Kannan and Bramlett, 2000; Palmer et al., 2000; Shoemaker & Bowen, 2003; Whyte, 2004; Nunes & Dreze, 2006; Liu, 2007). In recent years, there has been an increasing focus on employees and customers' long term relationship and loyalty with hotel organizations on the premise of

offering the firm a unique opportunity to gain market leadership (Kandampully, 1998). There has thus been an increasing interest in furthering understanding of the role of hotel employees' loyalty and service quality and the subsequent influence on customer loyalty. Although there have been numerous other studies on this topic, there has been very limited research on the role of employee loyalty (Reichheld, 1996; Wong & Sohal, 2003), service quality (Yieh, Chiao and Chia; 2007) and the influence of loyalty programmes in the hotel industry leading to customer loyalty (Sharp & Sharp, 1997; Bolton et al., 2000; Palmer et al., 2000; Shoemaker & Bowen, 2003; Whyte, 2004; Nunes & Dreze, 2006; Liu, 2007). Osman et al. (2009) noted that hotel managers consider guest loyalty as a complex matter, and it could be attributed to the purpose of stay, the rate paid, convenience or other criteria. Hence this research contribute to the body of knowledge in hospitality management theory as it investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes.

The study focused on the hotel industry in New Zealand, which is an important part of the accommodation industry. Kiwi consumers collect yearly more than \$100 million in loyalty points and vouchers ranging from Fly Buys to buy-one-get-one free vouchers. It is of particular note that there are about 2.5 million individual Fly Buys cardholders in New Zealand, one of the highest rates in the world for loyalty card programmes. According to statistics New Zealand (2009), hotels had the largest share of guest nights in March 2009 (33%), followed by motels (32%), and 18 percent for caravan parks/camping grounds. Regarding the occupancy rate (calculated by dividing stay unit nights occupied by stay unit nights available) for the same period, hotels had the highest occupancy rate (64%) of all the accommodation types, followed by motels (59%), and backpackers/hostels (55%). According to statistics New Zealand (2011), domestic guest nights decreased 2.8 percent in the South Island but increased 4.3 percent in the North Island. The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. This research aim was achieved through a number of research objectives that were presented in the study from the literature (Table 2-1). Table 2-1 showed also the hypothesis for each research objective that was presented in the theoretical

framework chapter, and tested in the study (Tables 6-27 & 6-30). A model of guest loyalty drivers (Figure 6-2) was proposed in the study.

This study is structured as follows: the literature review (chapter 2) outlines the drivers of guest loyalty from previous research, and the research objectives. Then, the theoretical framework (chapter 3) of the study is developed, followed by research methodology (chapter 4) outlining the design, collection, and analysis of data. The study concludes with a discussion of the results (chapter 5 & 6) in the context of the literature and theory and the development of a model of guest loyalty drivers and validating it. The managerial implications of this model for theory and practice are explored in the conclusion (chapter 7). Finally, limitations of the study and suggestions for future research (chapter 8) are presented.

1.1 RESEARCH AIM

Hotels that attempt to improve their market share by discounting their prices run a serious risk of having a negative impact on the hotel's identity and reputation, as well as on the hotel's medium and long-term profitability (Kandampully & Subartanto, 2000). However, quality of service, rather than price, has become the key to a hotel's ability to differentiate itself from its competitors and to gain guest loyalty (Lee, Barker, & Kandampully, 2003). One of the greatest challenges facing hotel organisations today is the ever-growing volume and pace of competition. In addition, there is little to distinguish one hotel's products and services from another. Thus it has become imperative for hotel organisations to gain a competitive advantage.

Kandampully & Subartanto (2000) suggested that the two strategies most commonly used by hotel managers in order to gain a competitive advantage are either low-cost leadership through price discounting/low cost service, or developing guest loyalty by providing unique benefits to guests. Kandampully & Subartanto (2000) argued that it is important that the hotel industry develops guest loyalty as opposed to relying solely on pricing strategies. Researchers (Reichheld & Sasser, 1990; Reichheld, 1993; Lee et al., 2003) have shown that a 5 per cent increase in customer loyalty can produce a profit increase of 25 per cent to 85 per cent. They also found that up to 60 per cent of increased sales to new customers could be attributed to customer recommendations, and this is considered a form of customer loyalty (Lee et al., 2003). Ndubisi (2004) argued that the cost of serving one loyalty customer is significantly less than the cost of attracting and serving one new customer. But discounting prices can put the hotel in a situation of not being able to cover costs and can become worse when all other hotels follow the same policy and the one-time factor loses its significance and no individual operator has an edge (Kandampully & Subartanto, 2000).

Gronroos (1990) introduced a definition for a service as "...an activity or series of activities of more or less intangible nature that normally, but not necessarily always takes place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which

are provided as solutions to customer problems” (p.27). Service quality is a total experience that can be evaluated by the server, but the customer’s evaluation is what motivates their action, it may have little to do with what the provider believes; rather, it may depend solely on the beliefs of the individual customer (Zeithaml, Berry & Parasuraman, 1988). Gronroos (as cited in Parasuraman, Zeithaml & Berry, 1985) noted that when a service provider knows how the service will be evaluated by the consumer, the service provider will be able to suggest how to influence these evaluations in a desired direction. Gupta, McDaniel and Herath (2005) added that employee commitment is essential for service quality, in the sense that there is a high correlation between employee commitment and the customers` evaluation of service quality.

Zeithaml, Berry and Parasuraman (1996) noted that the occurrence of a service problem can sometimes give the company the opportunity to demonstrate its commitment to customer service through excellent recovery efforts. For example, J. W. Marriott, chief executive officer of the Marriott hotel chain, stated “...sometimes those dissatisfied customers whom you make that extra effort to gain back become the most loyal customers that you have” (Lovelock, 1994, p.214). As noted before, good service may have little to do with what the provider believes; rather, it may depend solely on the beliefs of the individual customer (Davidow & Uttal, 1989). Owing to its very nature, where services are broadly defined as acts, performances, or efforts rather than objects, materials, or things (Berry, 1980; Berry and Parasuraman, 1992), and while customer satisfaction can occur when the customer’s perceived experience either matches or exceeds his/her expectations, customer loyalty occurs only when the perceived experience can be considered excellent, a level far exceeding merely good service (Ostrowski, O’Brien & Gordon, 1993).

Managers whose primary product is a service often find that their offering is particularly troublesome for customers to evaluate. Customers frequently have a difficult time evaluating something which is partially intangible (e.g., staying in a hotel, comfort, convenience, etc.) and even if the service provider does satisfactorily meet a customer’s needs during one encounter, ensuring the identical service will be provided in the next purchase may not be as easy, particularly for services heavily dependent upon the performance of people where

emotions and feelings interact, and what is true for products does not necessarily hold true for services (Kelly, 2006).

Customers in these situations must often rely on intangible cues when deciding whether or not to become a loyal customer. The Gremler and Brown (1996) study noted that little is known as to what factors are important to customers when making a decision that requires them to evaluate something intangible. Based upon the Gremler and Brown study, Lee et al. (2003) demonstrated that there is no established theoretical framework in the marketing literature that covers all aspects of customer loyalty, especially in the service industry, but still there has been a consensus among academics and practitioners that both service quality and customer satisfaction are antecedents for loyalty. However, regarding the hotel sector, although satisfaction is important, it does not necessarily indicate that the guest will be loyal to the hotel (Pullman & Gross, 2003).

According to Mittal and Lasser (1998), merely satisfying customers who have the freedom to make choices is not enough to keep them loyal. Since customer satisfaction is an individual's evaluation of the performance of the product/service in relation to his/her expectations, different people have different judgments regarding the same service providers (Torres & Kline, 2006). That's why building guest loyalty is one of the biggest challenges for the hotel sector (Bowen & Chen, 2001). The success of a hotel ultimately depends on services to reflect the relationship and trust it is able to build with its guests.

However, the effectiveness of this relationship is determined by each and every member of the hotel and his/her ability to become genuinely service-oriented. Hence in their commitment to please guests, every member in the organisation will be required to go beyond their specified job tasks in order to anticipate and surpass guest expectation (Kandampully, 1997). Satisfying the guest should represent the minimum standard of output and not the finite aim. Guest loyalty is indeed the goal; its prerequisite, however, is far from mere satisfaction. The term loyalty presupposes the establishment of trust and a long-term relationship; the only way to gain this trust and long-term relationship is by first offering it. Hotels will thus need to commit themselves to their guests – a commitment to offer loyalty of service (Kandampully, 2001).

In most services, quality evaluation occurs during service delivery, usually in an interaction between the customer and contact personnel of the service firm. For this reason, service quality is highly dependent on the performance of employees; which is an organisation resource that cannot be controlled to the degree that components of tangible goods can be engineered (Zeithaml, 1988). Many organisations are eager to provide good quality service, and to gain customer loyalty, but some of them fall short because they simply fail to have sufficient understanding of the expectations/standards of their customers. Service firms realising the value of keeping customers loyal, but still no one knows for sure how to do it (Mittal & Lasser, 1998).

Equally, Pullman and Gross (2003) demonstrated that there are many factors behind customer satisfaction that are beyond the control of management, such as: customers' expectations, prior experience, mood, and personality traits. Similarly, consumers do not necessarily buy the highest quality service; convenience, price, time spent at check-in and check-out, or sometimes, just the look of the place may enhance satisfaction (Barbee & Vakerie, 1991; Cronin & Taylor, 1992), and this is more obvious in the hotel industry where satisfaction can be derived from the intangible aspects of the product as well as the tangible aspect (Sparks, 1993). Zaltman (as cited in Pullman & Gross, 2003) indicated that the tangible attributes of a product or service have far less influence on customer preference and satisfaction than the emotional elements derived from the connection with the service provider. According to Pullman and Gross's study (2003), some of the hotel guests' comments were illustrative, for example "...I want the experience of staying at the hotel to be more like seeing a great movie, reading a wonderful book, or watching a memorable play – not just a place to sleep, but a place where you feel an honest, emotional connection – where you feel like you are integral part of the story unfolding around you" (p.220).

Lockyer (2002) conducted a study to identify the most important factors affecting business guests in their choice of hotel and what affected their satisfaction. The results of the study were consistent with the literature in the sense that there was a strong relationship for the business guests between staff and service. Moreover, other studies have demonstrated a strong correlation between employees' commitment and customers' loyalty. Barsky and Nash (2003) have suggested that

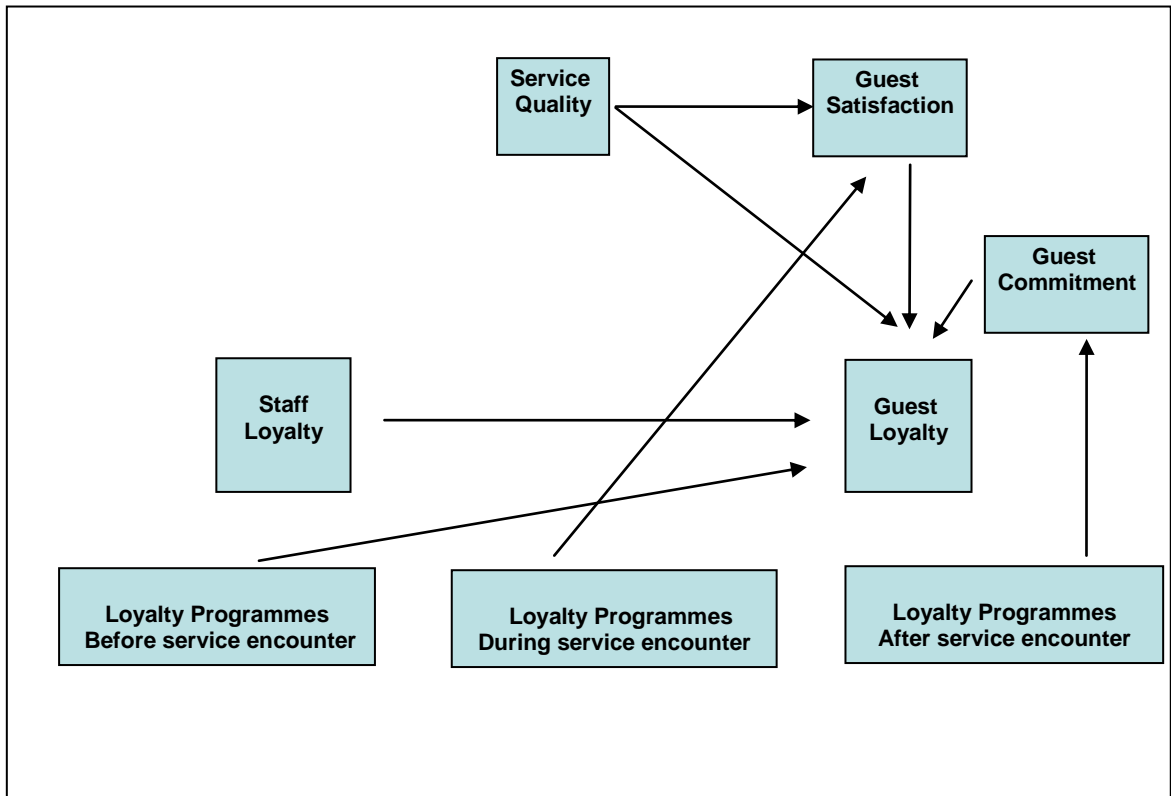
a hotel's staff members have a considerable influence on the feelings of comfort experienced by guests. Guests appreciate having friendly, knowledgeable and helpful staff members who they feel comfortable addressing.

A loyalty programme allows firms to create a relationship with their customers by advising them that they are special. Hotels provide loyalty programmes hoping to create or enhance guest loyalty. Loyalty programmes can provide recognition to selected guests by giving them prestige, distinction, partial celebrity standing and an elevated status (Shugan, 2005). Some researchers claim that loyalty programmes not only help build customers' commitment but also demonstrate a firm's commitment to establishing a long-term relationship with its customers (Liu, 2007). Other researchers argue that loyalty programmes cannot in any true sense create loyalty (Nunes & Dreze, 2006). Shoemaker and Lewis (1999) differentiated between frequency programmes and loyalty programmes. The primary focus of frequency programmes is to build repeat businesses, while for loyalty programmes the focus is to build an emotional attachment to the brand.

As discussed before, previous studies provide mixed support on the main reason for deriving guest loyalty. Some studies (Pullman & Gross, 2003) have indicated that the emotional connection with the service provider is the main reason. Other studies (Barbee & Vakerie, 1991; Bowen & Chen, 2001; Cronin & Taylor, 1992) have revealed that there are many factors other than the emotional connection with the service provider that enhance guest satisfaction and enhance loyalty. Therefore, the research aim of this study was to investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. This research aim was achieved through a number of research objectives that were presented in the study from the literature (Table 2-1). Further, a model of guest loyalty drivers in the hotel industry (Figure 6-2) was proposed in the study and validated.

1.2 RESEARCH MODEL

Figure 1-1: Guest loyalty drivers proposed model



The proposed model in the study (Figure 1-1) illustrates the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. The model presents the crucial role loyalty programmes play throughout three stages; before, during and after the service encounter. In addition, there is a direct link between staff loyalty and guest loyalty. The two main antecedents for loyalty as noted from the literature are satisfaction and commitment. Also, the model illustrates the direct and indirect impact (via guest satisfaction) of service quality on guest loyalty. The theoretical background behind the developing of this model will be explained later in chapter 3.

Shanker, Smith and Rangaswamy (2003) suggested that loyalty and satisfaction have a reciprocal relationship; each positively reinforces the other. Satisfaction builds loyalty, which reinforces satisfaction. In addition, due to the unique features that are inherent in services, and hotels are no exception, namely intangibility, perishability, and inseparability of production and consumption

(Parasuraman et al., 1985), other studies (Bowen & Chen, 2001) have indicated that there are many reasons that affect guest loyalty other than staff loyalty, including loyalty programmes (Melnyk, 2005). Therefore, the aim of this study was to investigate the drivers of guest loyalty in the hotel industry. The study further explored the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes.

CHAPTER 2

LITERATURE REVIEW

The thinking behind loyalty has always been much more complex than it first appears, with several conditions or cognitions at work in the construct (Jacoby & Kyner, 1973). The concepts of service quality, customer satisfaction and loyalty have been linked to each other in the literature. The expectancy/disconfirmation paradigm in process theory is the grounding for this linkage (Oliver & Swan, 1989; Prakash, 1984). From an organisation perspective, loyalty can be viewed as an organisation's commitment towards its customers, which is manifested in activities undertaken by the organisation for the development of a long-term relationship with the customers (Kandampully, 1998). In a world of globalization and ever-larger corporations, together with more sophisticated and knowledgeable customers, relationship marketing is a way to allow customers to feel cared for, to acknowledge their individuality, and to provide personal attention (Geddie et al., 2005). Shani and Chalasani (1992) defined relationship marketing as "an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized, and value-added contracts over a long period of time" (p.44). For example, hotels introduced loyalty programmes to establish a long-term relationship with guests with the hope of creating or enhancing guest loyalty. The hope of relationship marketing is to build a relationship in order to keep existing customers and encourage them to be even better customers, rather than having to constantly win over new customers, which is a more costly way to make sales (Geddie et al., 2005).

Chapter 2 for the literature review is organized as follows. First, the meaning of loyalty is explored from different perspectives (i.e., from the organisation and the customer viewpoint). Second, a theoretical background is provided for the different variables that can act as antecedents for loyalty. Third, the meaning of service quality and customer satisfaction is described as two main antecedents for loyalty. Then, the different measurements of loyalty as presented in the literature are explored. Afterwards, the crucial part that loyalty programmes play with customer loyalty is discussed. Finally, the research objectives are presented (Table

2-1). These research objectives will be linked specifically to the literature and the research hypotheses in the next chapter.

Linkage between staff and guest loyalty in the hotel industry is of considerable interest to both academics and practitioners alike; moreover, loyalty programmes have been identified as an important area of study in hospitality management (Sharp & Sharp, 1997; Bolton et al., 2000; Palmer et al., 2000; Shoemaker & Bowen, 2003; Whyte, 2004; Nunes & Dreze, 2006; Liu, 2007). In recent years, there has been an increasing focus on employees and customers' long term relationship and loyalty with hotel organizations on the premise of offering the firm a unique opportunity to gain market leadership (Kandampully, 1998). There has thus been an increasing interest in furthering understanding of the role of hotel employees' loyalty and service quality and the subsequent influence on customer loyalty. Although there have been numerous other studies on this topic, there has been very limited research on the role of employee loyalty (Reichheld, 1996; Wong & Sohal, 2003), service quality (Yieh et al., 2007) and the influence of loyalty programmes in the hotel industry leading to customer loyalty (Sharp & Sharp, 1997; Bolton et al., 2000; Palmer et al., 2000; Shoemaker & Bowen, 2003; Whyte, 2004; Nunes & Dreze, 2006; Liu, 2007). Osman et al. (2009) noted that hotel managers consider guest loyalty as a complex matter, and it could be attributed to the purpose of stay, the rate paid, convenience or other criteria. Hence this research contribute to the body of knowledge in hospitality management theory as it investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes.

In 1993, Reichheld argued that the understanding behind how or why a sense of loyalty develops in customers is one of the crucial management issues. Over recent years, marketing has been reconceptualized from a focus on transactions to a discipline based on relationships (Sheth & Paravatiyar, 1995 a, b). Osman et al. (2009) noted that the shift in the focus of marketing, as with a shift in any discipline, has received both advocacy and criticism, and although it has captured the interest of scholars in many parts of the world such as North America, Europe, Australia and Asia, the exploration of alternative approaches to relationship marketing and customer loyalty in the hotel industry has largely been overlooked.

Berry (1995) noted that ongoing relationships between businesses and their customers are receiving major interest in marketing, and the building of strong customer relationships has been suggested as a means for gaining a competitive advantage (Berry, 1995; Reichheld, 1993). Relationships emerge through interactions between the customer and the service provider happening over a single or multiple encounters and following each other in a continuous or isolated way (Gronroos, 2000). This makes services to be inherently relational; where the interactors come to know each other to some degree or other and have expectations of each other's behaviour. Thus, a relationship is a social phenomenon which exists when there is an intermittent interaction between two parties, involving interchanges over time, with some degree of continuity between successive interactions, and with some mutuality (i.e., the behaviour of each takes account of the behaviour of the other) (Hinde, as cited in Varey, 1998).

Relationships develop when customers perceive that a mutual way of thinking exists between them and the service provider, which makes them feel that they are tied somehow to the server; but whatever this glue is, this feeling does not develop out of nothing. Relationships are considered central to creating loyal customers, as loyalty is the end result of an on-going, long-term relationship (as well as an antecedent for acquiring a relationship), but this is not enough to maintain loyal customers (Kandampully, 1998). The only way to gain this trust and a long-term relationship is by first offering it.

Dwyer, Schurr & Oh (1987) argued about the importance of a relationship as a prerequisite for loyalty. Customers committed to a relational exchange virtually precludes considering other exchange partners – such customers have not ceased attending to alternatives, but maintain their awareness of alternatives without constant and distracted testing. Hotels as an example will thus need to commit themselves to their customers – a commitment to offer loyalty of service. But in reality, not all customers are created equal; some are inherently more loyal than others and seek a loyal relationship (Kandampully, 1998; Reichheld, 1996). This view reinforces Gremler and Brown's (1996) argument that loyalty is a matter of degree; ranging from the completely loyal customer to one who will never consider using a provider again in the future. That's why a buyer-seller interaction in a service industry is similar to a marriage in terms of quality and duration;

whether there will be continued or expanded business, or troubles and divorce (Levitt, 1983). Rowely (2005) argued that anyone individual is likely to exhibit the characteristics of either being a captive, contented, convenience-seeker or a committed consumer in relation to different products, services, outlets, and their associated brands.

In 1983, Levitt argued that this relationship depends mainly on the efficacy with which the organisation manages the relationship which can help in structuring an emotional connection between the buyer and the seller. This efficacy, for example, can be manifested through the relationship which most hotel chains create with guests through to the storage of systematic information about them. It can help the staff to treat guests in a customised mode even at their first visit to a specific hotel location (within the same chain); for example, by addressing each guest by name (Gummesson, 1994), and this is what motivates them to repeat their visit to the same hotel chain even at a different destination (Briggs, Sutherland & Drummond, 2007). Gummesson (as cited in Kandampully, 1998) noted that a social relationship is based upon the efficacy of the service provider interaction with the customer, which is how to make the customer feel attached to the service provider. Previous researchers have warned that a significant portion of customer loyalty to the firm is based on elements embodied in, associated with, and controlled by the firm's staff (Beatty, Mayer, Coleman, Reynolds & Lee, 1996; Berry, 1995) and that the customer-selling firm relationship can be undermined if a key contact employee no longer deals with the customer because the emotional connection is broken by the specific employee leaving the selling firm (Bendapudi & Leone, 2002).

In many service industries, including hotels, emotions and feelings are considered integral elements of the service delivery process (Kandampully, 1997) which plays an important role in shaping the customer's evaluation of service quality. This emotional bond leads the customer to purchase repeatedly or exclusively from a particular service provider (Butz & Goodstein, 1996). The services management literature repeatedly emphasizes the association between guest evaluations of service quality and the level of service provided, and the emotional connection that is created through the personal interaction between the hotel's guest and its staff (Kandampully, 1998), and how these have an enduring effect on

guest loyalty. The service personnel have been referred to as the human element in the services management literature (Crosby & Stephens, 1987; Kandampully, 1998).

While early interest in loyalty sought to understand why customers repeatedly preferred certain brands of low-priced retail goods, attention has since shifted to look at this feature in the service industry (Pritchard, Havitz & Howard, 1999). But Jacoby and Kyner (1973) argued that the thinking behind loyalty had always been much more complex than what appears, with several conditions or cognitions at work in the construct. That's why the concepts of service quality, customer satisfaction and service loyalty have been linked to each other in the literature for many years, which illustrates why these concepts have gained notable recognition among academics and leading service organisations interested in studying the drivers behind loyalty.

Theoretically, the expectancy/disconfirmation paradigm in process theory (Oliver & Swan, 1989; Prakash, 1984) can provide the grounding for this. Consumers initially hold standards preceding the service experience regarding the level of service quality, observe service performance, compare performance with standards and form confirmation or disconfirmation perceptions (Bearden & Teel, 1989; Oliver & DeSarbo, 1988). They combine these perceptions with standard levels, and then form summary of satisfaction judgments (Gummesson, 1987; Oliver, 1980) which have an enduring effect on loyalty. In this paradigm, service quality acts as an antecedent construct and service loyalty as an outcome variable of customer satisfaction (Caruana, 2002).

Service loyalty is more dependent on the development of interpersonal relationships as opposed to loyalty with tangible products (Macintosh & Lockshin, 1997). However, Fruchter (2005) argued that under certain conditions, transactional and relational marketing are complementary; in the sense that the seller should allocate more resources to relational marketing at the beginning of a relational exchange and later on, should allocate more resources to transactional marketing. It should be noted that there have been agreed definitions for service quality and customer satisfaction to some extent in the service industry; however, there are still doubts about the suitability of the application of loyalty concept in

the same perspective (Jacoby & Chestnut, 1978; Dick & Basu, 1994; Oliver, 1999; Uncles, Dowling & Hammond, 2003).

2.1 STAFF AND GUEST LOYALTY

The Oxford English Dictionary defines loyalty as "...being true and faithful" (Hornby, 1974, p.507). Loyalty means faithfulness and consistent devotion. If you are loyal to something (e.g., a concept, a person, a product, or a service), you stick with it even when doing so runs counter to your interests (Nunes & Dreze, 2006). The conceptualisation of the loyalty construct has evolved over years. In the early days, the focus of loyalty was on brand loyalty with respect to tangible goods (Cunningham, 1956; Day, 1969). Cunningham (1956) defined brand loyalty simply as the proportion of purchases of a household devoted to the brand it purchased most often. The focus has continued to expand over time reflecting the wider perspective of marketing to include other types of loyalty such as vendor loyalty. Gremler and Brown (1996) extended the concept of loyalty to intangible products, and few studies since have looked at customer loyalty of services (Oliver, 1997).

Scholars have argued that service loyalty differs from product loyalty on a number of dimensions. First, service providers have the ability to create stronger loyalty bonds with their clients than do suppliers of more tangible goods (Zeithmal, as cited in Gremler & Brown, 1996, p.172). Loyalty is greater or more prevalent among service consumers than among goods consumers. Services provide more opportunities for person-to-person interactions which in turn often provide opportunities for loyalty to develop (Parasuraman et al., 1985). Perceived risk is often greater when purchasing services rather than goods (Murray, 1991), providing an atmosphere more likely to lead to customer loyalty. Zeithmal (as cited in Gremler & Brown, 1996, p.172) noted that loyalty in service encounters is often used as a risk reducing device.

The definition of service loyalty has varied widely and there has been no generally accepted definition for it (Lee et al., 2003). However, by reviewing the literature, service loyalty can alternatively mean: a service organisation's commitment to its customers which is manifested in activities undertaken by the organisation for the development of a long-term relationship with the customer, offering loyal service, every time, all the time (Bowen & Chen, 2001). In other

words, firms should give loyalty before they can expect it from customers (Kandampully, 1997). Gremler and Brown (1996) introduced a definition for service loyalty which is "...the degree to which a customer exhibits repeat purchasing behaviour from a service provider, passes on positive recommendations, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises" (p.173).

Similarly, Kandampully (1998) stated that service loyalty can be viewed as an organisation's commitment towards its customers, which is manifested in activities undertaken by the organisation for the development of a long-term relationship with the customer. Also, a Bowen & Chen study (2001) has reinforced that idea within the service industry by stating that service loyalty can be manifested through an employee's commitment to give quality service to the customers which generates their loyalty. Commitment is recognised when an exchange partner (service provider or customer) believes that an ongoing relationship is so important as to warrant special effort for maintaining, enhancing, and developing it (Morgan & Hunt, 1994).

Gronroos (2000) noted that loyalty does not only mean that the customer should stay loyal to the firm, but that the firm should stay loyal to the former also; it is a two-way commitment between the service provider and the customer. Employees who are not loyal are unlikely to build an inventory of customers who are. For example, the Marriott hotel chain can treat guests in a customised mode even at their first visit to a specific hotel location by storing information about their preferences and guests on the other hand conform this way of treatment by positive word of mouth (Gummesson, 1994). Similarly, other researchers (Kandampully, 1998; Lee et al., 2003) have suggested that it is a two-way relationship, where service organisations aim to gain customer loyalty, and the customer, on the other hand, seeks an organisation's service loyalty, which is the assurance of a consistent and superior quality of service as proof of the organisation's commitment to offering and producing this kind of service for both the present and the long term. Berry (1987) proposed the idea of earning loyalty by being loyal.

Customer loyalty is also difficult to define as it has long been realised that loyalty is a complex phenomenon (Cunningham, 1956; Sheth, 1968; & Jacoby, 1971, 1975). Kandampully and Suhartanto (2000) defined a loyal customer as the customer who repurchases from the same service provider whenever possible, and who continues to recommend or maintains a positive attitude towards the service provider (p.346). Gremler and Brown (as cited in Caruana, 2002, p.813) defined loyalty as the degree to which a customer exhibits repeat purchasing behaviour from a service provider, possess a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service exists.

A number of attempts have been made to conceptualise customer loyalty (Oliver, 1996). Some researchers (Bass, 1974) have defined it behaviourally in terms of the frequency with which people repeat their purchases of the same brand. Other researchers have paid more attention to attitudinal aspects relating loyalty to degree of expressed preference (Day, 1969), while others combined the behavioural (i.e., repetitive purchase) and cognitive (i.e., favourable attitude) measures (Assael, as cited in Alonso, 2000). Some studies suggested that loyalty to a brand or store means it comes up first in a consumer's mind when the need for making a choice as to what to buy or where to go arises, which has been termed a cognitive form of loyalty (Newman & Werbel, 1973).

Consumer research studies conducted in the 1960s and 1970s interpreted patterns of repeat purchasing behaviour as a manifestation of loyalty (Jacoby & Chestnut, 1978; Ruyter, Wetzels & Bloemer, 1998). Scholars have questioned the adequacy of using behaviour as the sole indicator of loyalty. Some researchers like Jacoby and Chestnut (1978) asserted that before one could speak of loyalty s/he must have the opportunity to be disloyal. Other researchers noted that the commonly-used definition of loyalty as repeat purchase behaviour was not sufficient and can be misleading because it does not fully reflect consumer's resistance to switch to a competitor (Oliver, 1999).

Behavioural measures solely do not explain why repeat buying behaviour occurs and can be influenced by a variety of situational constraints. Low levels of repeat buying may merely indicate different usage situations, variety seeking or lack of

brand preference on the part of the consumer (Dick & Basu, 1994). For example, consumers might regularly shop at multiple stores – a phenomenon known as polygamous loyalty while repeat purchase behaviour might just indicate habitual buying – a phenomenon known as inertia (Melnik, 2005). Day (1969) criticised the behavioural approach for a lack of a conceptual basis and viewed customer loyalty as a customer's consistent and devoted relationship with a service provider. Similarly, Lilijander and Roos (2002) argued that although it is assumed that customers who are behaviourally loyal to a firm display more favourable attitudes towards the firm, in comparison to competitors. Other factors might exist that prevent customers from defecting, and thus behavioural loyalty does not necessarily reflect attitudinal loyalty.

Day (1969) noted that loyalty develops as a result of a conscious effort to evaluate competing brands. Other researchers (Kumar & Shah, 2004) argued that behavioural loyalty (i.e., repeat purchase) alone is too simplistic and does not capture the multidimensionality of the construct of loyalty. Day (1969) argued that in order to be truly loyal, the consumer must hold a favourable attitude toward the brand in addition to repeatedly purchasing it. Attitudinal approaches to defining loyalty have frequently used customer satisfaction as an indicator of loyalty (i.e., proxy measure) on the grounds that satisfaction leads to repurchase intention. However, it may be too simplistic to say that dissatisfied customers will defect while those who express satisfaction will continue to be loyal (Richheld, 1993). Sometimes satisfied customers can still defect or shop around for better deals, while dissatisfied customers may not defect at all.

Similarly, other researchers have asserted that a distinction has to be made between customer loyalty and repeat purchasing behaviour even though both components can be highly related (Jacoby & Kyner, 1973; Jacoby & Chesnut, 1978). Loyalty implies repeat purchasing based upon cognitive, affective, evaluative and dispositional factors (Day, 1969; Jacoby, 1971). Dick and Basu (1994) suggested that both a favourable attitude that is high compared to potential alternatives and repeated patronage are required for loyalty. Thus, they viewed customer loyalty as the strength of the relationship between an individual's relative attitude toward an entity (brand, vendor, store, or service) and repeat patronage, while Shoemaker and Lewis (1999) stated that loyalty occurs when the

customer feels so strongly that the provider can best meet his/her needs, while the provider's competition is virtually excluded from the consideration set. In a situation where a number of service providers offering the same service provide customer satisfaction, loyalty is likely to occur only at an effective level when there is a superior delivery of value to the customer (Palmer et al., 2000).

Loyal customers are customers who hold favourable attitudes toward the company, commit to purchase the product/service, and recommend the product to others (Bowen & Chen, 2001; Shanker et al., 2003). From an economic point of view, customer loyalty is described as an irrational behaviour. This is based on the assumption that loyal people often stick to a status quo option despite having an opportunity to switch to a better one even when sometimes the price difference covers the switching costs. Such irrational loyal behaviour may include, for example, increase in expenditures, knowing that it would not be rewarded, or voluntarily choosing to pay a higher price for the same product/service (Melnik, 2005). Similarly, Jacoby and Kyner (1973) defined loyalty as "...a biased (i.e., non random) behaviour (i.e., purchase) which is expressed over time by an individual with respect to one or more alternatives and is a function of psychological (i.e., decision-making evaluative) processes" (p.4).

Shoemaker & Bowen, 2003) argued that loyal customers don't switch for small variations in price or service, however, they consolidate the bulk of their category purchases with the company, they never abuse the company's personnel and they provide enthusiastic referrals. Oliver (1999) presented a definition for loyalty involving three components, namely, cognition, affect, and behavioural intention, and this is the most recent comprehensive definition. Oliver defined loyalty as "...a deeply held commitment to rebuy or repatronise a preferred product/service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour" (1999, p.34). Regarding guest loyalty in the hotel sector, loyal guests have been identified as those who stay on average six nights a year in the same hotel chain (McCaskey & Symes, 2004), while Osman et al. (2009) noted that the period of custom vary from two to three years.

Therefore, we primarily view employee/customer loyalty as the extent to which employees/customers go beyond economic rationale in their devotion (e.g., being faithful providing they have the opportunity to be disloyal and choose not to). In this view and to our best knowledge, staff loyalty in the hotel sector can be defined as ‘a deeply held commitment of being genuinely service-oriented with the attitude of building a consistent and devoted relationship with the guest’. On the other hand, guest loyalty can be defined similarly as ‘a deeply held commitment to repeatedly use a hotel’s services consistently in the future with the attitude of considering only the same hotel when a need for this service arises’. Both definitions are modifications to those presented previously by Day (1969), Oliver (1999), and Shoemaker and Lewis (1999).

2.2 ANTECEDENTS OF LOYALTY

This section provides a theoretical background for the different variables that act as antecedents for customer loyalty. Customer satisfaction has been highlighted in the literature as one of the main variables behind customer loyalty. Several studies have indeed found satisfaction to be a (and often the) leading factor in determining loyalty (e.g., Gremler & Brown, 1996; Bowen & Chen, 2001; Boullusar, Camison-Zornoza & Escrig-Tena, 2001). Other studies, however, suggested that satisfied customers may not be sufficient to create loyal customers (e.g., Cronin & Taylor, 1992; Reichheld, 1993; Ball, Coello and Vilares, 2006). Macintosh & Lockshin (1997) argued that interpersonal relationships between employees and customers can enhance customer loyalty. Employees' empathy (as a service quality dimension) shown to be the most significant predictor of customer loyalty (Wong & Sohal, 2003). Also, Yieh et al. (2007) noted that perceived quality is an antecedent for loyalty.

Lee et al. (2003) demonstrated (based upon Gremler and Brown study, 1996) that there is no established theoretical framework covering all aspects of customer loyalty, but still there has been a consensus among academics and practitioners that both service quality (Dick & Basu, 1994) and customer satisfaction are antecedents for loyalty (Gremler & Brown, 1996; Bowen & Chen, 2001; Boullusar et al., 2001). Much of the marketing literature gives the impression that satisfied customers automatically are loyal customers. The thinking is a satisfied customer, as a result of his/her satisfaction will naturally become a loyal customer and satisfaction is the only catalyst necessary for developing such loyalty (Fornell, 1992). That is, satisfaction is a necessary and sufficient condition for developing service loyalty. Research, however, provides mixed results in analyzing the relationship between satisfaction and loyalty. Several studies have indeed found satisfaction to be a (and often the) leading factor in determining loyalty (e.g., Gremler & Brown, 1996). Other studies, however, suggested that satisfied customers may not be sufficient to create loyal customers (e.g., Cronin & Taylor, 1992; Reichheld, 1993). Yieh et al. (2007) introduced a comprehensive model to understand how customer loyalty is formed. A pilot study was conducted from 87 respondents who had actually used three services within the past three months. It

was found that perceived price fairness, perceived product quality, overall customer satisfaction, and trust all play an important role in the formation of customer loyalty. Moreover, perceived price fairness, perceived product quality, perceived service quality (including employees' interaction with customers and employees' apparent empathy with customers) have significant indirect effect on customer loyalty by way of customer satisfaction or trust. In the hotel industry, Osman et al. (2009) noted that hotel managers consider guest loyalty as a complex matter, and it could be attributed to the purpose of stay, the rate paid, convenience or other criteria.

Caruana (2002) used a questionnaire divided equally between three instruments that each measured service quality, customer satisfaction, and loyalty. The questionnaire was used to test whether customer satisfaction performs a mediating role in the link between service quality and service loyalty. The results of the study demonstrated that service quality acts on service loyalty via customer satisfaction. This demonstrates that service quality takes place before, and leads to, overall customer satisfaction and overall satisfaction with an experience does lead to customer loyalty. However, Pullman and Gross (2003) argued that satisfaction is important, but it does not necessarily indicate that the guest will be loyal. Guest satisfaction measures how well guests' expectations are met; while guest loyalty measures how likely a guest is to return (Bowen & Shoemaker, 1998).

Bowen and Shoemaker (1998) stated that although customer satisfaction is a prerequisite for loyalty, satisfied customers may not become loyal customers, and some of the reasons for the failure of satisfaction to translate into loyalty are unrelated to either satisfaction or loyalty. Some hotels' guests do not regularly visit a particular area, while others seek variety. That is why those customers cannot be loyal to an individual property, simply because they never return to the same area again. Dowling and Uncles (1997) argued that loyalty is relative, which has been referred to in the literature as polygamous loyalty (i.e., divided loyalty). Research suggests that a 100 per cent loyalty is difficult, if not impossible to achieve and that polygamous loyalty is far more common (O'Malley, 1998). This has been seen in the multiple memberships of loyalty schemes. For example, surveys of European business airline travelers showed that more than 80 per cent

of them are a member of more than one airline loyalty scheme. Moreover, Melnyk (2005) noted that repeat purchase might just indicate habitual buying (i.e., inertia) rather than loyalty.

Inertia on the other hand, refers to consumer reluctance to switch away from a previously purchased brand, all other things being equal (Corstjens & Lal, 2000). Inertia is a rational behaviour that just helps consumers to simplify their decision making rule by choosing the status quo option, provided that they were satisfied with it. However, whenever something changes, e.g., another company lowers its price; consumers are likely to switch to this more attractive option given that the price difference covers the switching costs (Shugan, 1980).

Many of the reasons for polygamous loyalty are fairly straight-forward and quite similar to inertia. For example, people buy different brands for different use or occasions or because they want some variety (as mentioned before). Alternatively, customers may have been offered better value-for-money at the time of purchase because of a special deal. In other circumstances, big brands tend to have slightly more buyers, and more of these (more) buyers are frequent buyers, while small brands suffer double jeopardy (DJ), in the sense that these small brands tend to have fewer buyers who buy less frequently (Ehrenberg, Goodhardt & Barwise, 1990). In other words, small brands generally attract less loyalty among their buyers than large brands because they are small (i.e., have lower market shares). The DJ phenomenon often occurs when customers choose between items that although similar to each other, differ in their popularity. A small brand typically has fewer buyers than a larger brand, and its buyers tend to buy it less often. Thus, small brands suffer in two ways which explains the DJ phenomenon (Ehrenberg et al., 1990).

According to Mittal and Lasser (1998), merely satisfying customers that have the freedom to make choices is not enough to keep them loyal. Since customer satisfaction is an individual's evaluation of the performance of the product/service in relation to his/her expectations, different people have different judgments regarding the same product/service providers (Torres & Kline, 2006). That's why building customer loyalty had been viewed as one of the biggest challenges for the hotel sector (Bowen & Chen, 2001), and although service firms are realising

the value of keeping customers loyal, still no one knows for sure how to do it properly (Mittal & Lasser, 1998; Osman et al., 2009).

Several studies have been undertaken by researchers in an attempt to determine the reasons behind customer satisfaction and the relationship between customer satisfaction and loyalty (Barsky & Nash, 2003; Bowen & Chen 2001; Cronin & Taylor 1992). Cronin and Taylor study (1992) tested the significance of the relationships between service quality, consumer satisfaction and loyalty measured through purchase intentions. The results of the study demonstrated that service quality is an antecedent of consumer satisfaction, in the sense that service quality had a significant effect on consumer satisfaction. However, consumer satisfaction had a significant effect on loyalty, more than service quality did. Similarly, Getty and Thompson's (1994) study examined the relationship between the quality of lodging services and satisfaction, and the resulting effect on customers' intentions to recommend the lodging to other customers. The results of the study demonstrated that customers' intentions to recommend are a function of their perception of both their satisfaction and service quality with the lodging experience. These results provided support the Cronin and Taylor study (1992), in the sense that there is a positive relationship between service quality, customer satisfaction and loyalty.

The Bowen and Chen study (2001) explored the relationship between customer satisfaction and customer loyalty in the hotel industry. The site for the study was the Lenox Hotel in Boston. The researchers used a two-step process which involved a focus group study and survey research. The focus groups at the hotel allowed the researchers to have in-depth information about some of the hotel's features that customers considered important. This information helped them to develop specific questions for the survey. The survey was developed based on the findings of the focus groups. Customers' intention to return and their willingness to perform marketing activities were used as measures for customer loyalty. Based on 564 completed surveys from hotel guests, it was found that customer satisfaction does not equal customer loyalty and the relationship between them is non-linear, in the sense that a minor change in satisfaction can lead to a substantial change in loyalty. Furthermore, Shanker et al. (2003) reinforced Bowen and Chen's findings and found that satisfaction and loyalty have a

reciprocal relationship in that each positively affects the other; satisfaction builds loyalty, which reinforces satisfaction. However, Cengiz, Ayyildiz & Er (2007) suggested that merely satisfying customers is still not sufficient to secure customer loyalty.

Ball et al. (2006) noted that customer satisfaction is considered a necessary step but not sufficient for gaining full loyalty. Similarly, Reichheld (1996) argued that customer satisfaction is not a surrogate for customer retention or customer loyalty as satisfied customers can still defect or shop around for better deals, while dissatisfied customers may not defect. Therefore, increasing customer satisfaction does not necessarily lead to increased customer loyalty to an organisation. According to Oliver (1999), satisfaction transforms into loyalty much like a caterpillar becomes transformed into a butterfly. After this metamorphosis, the two creatures are not the same and share virtually no common characteristics except for their biological origins.

Similarly, Oliver (1999) argued that loyalty never can return to mere satisfaction. Jones and Sasser (1995) argued that there are different false loyal groups based on the level of satisfaction and loyalty. They presented an intuitive classification of an individual's link between satisfaction and loyalty, and classified customers into four different groups: first, loyalist/apostle (high satisfaction – high loyalty); second, defector/terrorist (low satisfaction – low loyalty); third, mercenary (high satisfaction – low loyalty); and the fourth one which was hostage (low satisfaction – high loyalty). Other researchers (Kandampully & Subartanto, 2000) conducted a study in an attempt to extend the understanding of the relationship between customer loyalty, customer satisfaction, and image. Using data collected from chain hotels in New Zealand, the findings of the study indicated that hotel image and customer satisfaction with reception, housekeeping, food and beverage, and price are important factors in determining a customer's intention to repurchase, to recommend, and exhibit loyalty. The findings of the study were consistent with previous studies (Ostrowky et al., 1993) which showed that the image of a location, employee attitude, facilities and services of a hotel constitute important factors in determining customer loyalty.

Reichheld (1996) suggested that loyalty is a two-way rapport, in the sense that, there is a cause-and-effect relationship between customer and employee loyalty. Berry (1987) proposed the idea of earning loyalty by being loyal. Also, Reichheld (1993) stated that "...in order to build up a profitable base of faithful customers, try loyal employees" (p.64). In other words, employees' commitment, combined with their knowledge and experience leads to better service to customers which induces them to stay loyal to the company (Reichheld, 1993). Scitovsky (1976) argued that some human satisfactions are obtained without help from others, while most satisfactions stem from personal contact with others, and that is why it has been argued that service loyalty as compared to loyalty to tangibles, is dependent on the development of interpersonal relationships (Macintosh & Lockshin, 1997). This argument is consistent with Oliver's, which says that "...when customers display certain loyalty behaviours, they have achieved a state not unlike the concept of love" (1999, p.38). Research found that people in loyal relationships perceived their partner to be superior to alternative partners, spoke publicly about these virtues to others and were altruistic (i.e., willing to recommend their partner) (Finkel & Campbell, 2001). Petrick (2005) indicated that there are factors behind customer satisfaction other than the service provider commitment, specifically; demographic characteristics such as gender and age do have an effect on customer satisfaction. For instance, females were found to be more loyal to a leisure experience than males.

For a long time it has been assumed that female consumers are more loyal than male consumers due to the important differences in cognitive processes and behaviour between them. Fournier (1998) noted that women have more and stronger interpersonal brand relationships than men, which suggest that women are more faithful than men. However, recent studies (Melnyk, 2005) have revealed that contrary to the common wisdom, males are not inherently less or more loyal than females. Instead, male and female consumer loyalty has shown to be fundamentally different in nature. Similarly, Melnyk, Osselaer and Bijmolt (2009) demonstrated that female consumers do not always show stronger customer loyalty than male consumers. In contrary, Ndubisi (2006) argued that women tend to be more loyal than men. Melnyk et al. (2009) reported conditions under which the reverse is found, depending on the object of customer loyalty.

Melnyk et al. (2009) found that although female customers are relatively more loyal to individuals, such as individual service providers, male customers are relatively more loyal to groups and group-like entities, such as companies. This was consistent with the work of Gabriel and Gardner (1999) who found that when participants were asked to describe an emotional experience, women were more likely to describe a relational experience with specific individuals, whereas men were more likely to mention a collective experience with larger groupings of people. This was consistent again with Baumeister and Sommer's (1997) proposition that women tend to focus more on establishing and maintaining a small number of close relationships with specific individuals (relational interdependence) whereas men tend to focus more on establishing and maintaining relationships with more abstract and larger groupings of people (collective interdependence).

Bitner, Booms and Tetreault's study (1990) used critical incident technique (CIT) to identify the events and employee traits that led to satisfactory and dissatisfactory outcomes. Bitner et al. (1990) studied 700 incidents from customers of airlines, hotels and restaurants. It was revealed that employees' willingness to respond to a problem, employees' responsiveness to customer needs and requests and unsolicited employee actions were the key employee actions that elicit both satisfaction and dissatisfaction. The study focused on the actions of employees and so had only limited coverage of customer perceived service quality. Another study was undertaken by Smith, Weatherly and Tansik (as cited in Johnston, 1990a) using CIT and cluster analysis. The study sample comprised graduate and undergraduate students from an American university. The study data came from a single industry – retail services – and the analysis was based on 35 satisfying incidents and 36 dissatisfying incidents. It found that satisfaction was generally generated by service going beyond expectations and dissatisfaction resulted from failure, slowness, disinterest and rudeness of staff.

A survey of guest-comment cards was done by Barsky and Labagh (1992) from a 1,000-room hotel in San Francisco. One hundred guests were selected at random to receive the guest-comment cards; 40 of the surveys were filled out by repeat customers. Employees' attitudes received the highest customer satisfaction scores, while services provided, convenient parking, food and beverage received the

lowest scores. Next, the researchers separated the surveys into two groups based on whether a customer was willing to return to the hotel or not, and calculated the customers' satisfaction scores for the two groups. The findings supported the analysis conducted before in the study, employees' attitudes received the largest difference in customer satisfaction scores between the two groups, while other factors, for example price, recorded the smallest difference between the 'will return' and 'won't return' groups.

Further, Gwinner, Gremler and Bitner (1998) conducted a study to identify from a customer's perspective, the benefits of maintaining a relationship with a service firm. Data were collected from personal in-depth interviews followed by 300 surveys. This study revealed social benefits to be one of the most important benefits consumers experience in long-term relationships with service firms. Social benefits are associated with personal recognition by employees, customer familiarity with employees, and the development of friendship. Similar studies have demonstrated a strong correlation between employees' commitment and customers' loyalty (Bove & Johnson, 2006; Wong & Sohal, 2003).

Barsky and Nash (2003) have suggested that hotels' staff members have a considerable influence on the feelings of comfort experienced by guests. Guests appreciate having friendly, knowledgeable and helpful staff members whom they feel comfortable addressing. Moreover, Bove and Johnson (2006) demonstrated that personal relationships between customers and service personnel reflect positively on the organization in the sense that the positive feelings customers have towards service employees tend to 'rub off' on the service organisation, so customers feel more positively disposed towards the company as well (Beatty et al., 1996). Similarly, Macintosh and Lockshin (1997) found that there is a positive relationship between personal loyalty (customer-to-employee) and service loyalty (customer-to-firm), and the former is an antecedent of the latter.

According to Barsky and Nash's study (2003), the emotional connection with the service provider plays an important role in hotel guests' satisfaction and loyalty, and those emotions are a better predictor of guest loyalty than are traditional measures of product/service satisfaction. Barsky and Nash concluded that guests

are willing to pay substantially more per night for the promise of experiencing certain emotions during the stay. Likewise, guests often equate employees with the service they are delivering; it is the interaction between the service provider and the customer that eventually determines the quality judgments and satisfaction of the customer (Gupta et al., 2005).

Ndubisi's study (2006) investigated the role of gender in the association of relationship marketing underpinnings (namely trust, commitment, communication, and conflict handling) with customer loyalty. Data for the study were collected through a survey of customers of banks in Malaysia. The results showed that there is a significant direct relationship between trust, commitment, communication, conflict handling, and customer loyalty. Morgan and Hunt (1994) suggested that the relationship between consumer trust and loyalty is supported by reciprocity arguments; when service providers act in a way that builds consumer trust, the perceived risk with the specific service provider is likely reduced, which enables the consumer to make confident predictions about the provider's future behaviours (Sirdeshmukh, Singh, & Sabol, 2002). Trust is presented when one party has confidence in an exchange partner's reliability and integrity (Moorman, Deshpande & Zaltman, 1993; Morgan & Hunt, 1994). Trust can be an expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied upon (Rotter, as cited in Varey, R. J., 1998). Moorman et al. (1993) defined trust as "...a willingness to rely on an exchange partner in whom one has confidence" (p.82). While Mayer, Davis and Schoorman (1995) noted that organisational trust is "...the willingness of a party to be vulnerable to the actions of another party based on the expectations that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (p.712). Wong and Sohal (2003) demonstrated that customers' positive feelings about the employee do translate into positive feelings about the whole company.

Similarly, Fullerton (2003) investigated the roles played by different forms of commitment in the relationship between customers and their service provider. The study used an experimental design to examine the direct and interactive effects of the components of customer commitment to the service provider on a number of consumer relational intentions. It was found that when customer commitment is

based on shared values and identification, it has a uniformly positive impact on customer loyalty. But when customer commitment is based on switching costs and dependence, it has mixed effects on customer loyalty. The study also demonstrated that committed customers are less likely to switch than consumers who lack commitment to the organisation. The study indicated that commitment has a positive effect on consumer willingness to pay more and accept price increases. Consumers experiencing high levels of affective commitment to the seller are more likely to accept price increases than consumers who don't feel affectively committed to the selling organisation. Likewise, a substantial body of research has demonstrated that commitment of an affective nature is positively related to customer retention (Anderson & Weitz, 1992; Morgan & Hunt, 1994; Bendapui & Berry, 1997; Gwinner et al., 1998) and more powerful determinant of customer retention than continuance commitment (Fullerton, 2003).

Further, Hansen, Sandvik & Selnes (2003) presented a model for understanding the role of customers' commitment to service employees and their intentions to stay with the firm. The model consisted of two kinds of commitment – calculative and affective – to both the service employee and the service firm. Calculative commitment is derived from switching costs or lack of alternatives, while affective commitment is based on emotions and is grounded on the customers' liking and positive feelings for the relationship partner. The model was tested with a sample of bank customers and the results of the study indicated that affective commitment to an employee has a positive carryover effect to affective commitment to a firm. Affective commitment to a firm has a positive strong effect on loyalty (measured through customers intention to stay), and the effect of a customer's commitment to the employee on loyalty operates through commitment to the firm. It was also found that affective commitment to the service firm has a positive effect on the intention to stay, while calculative commitment didn't turn out to have any effect on the intention to stay. Further, Rowley (2005) proposed a model of loyalty based on Dick and Basu's (1994) categorization, and introduced four different categories – captive, contented, convenience-seeker and committed. Captive customers continue to patronise a brand or service because they have no real choice. Captive customers remain customers and are satisfied by the brand, while convenience-seekers' loyalty is driven by a range of convenience factors. Contented loyals have a positive attitude toward the brand, but are inertial (i.e.,

neutral) in their behaviour. Rowley (2005) argued that only committed customers are positive in both attitude and behavior. They are the true loyalists, which indicate the significant impact of commitment on loyalty.

Gremler and Brown's (1996) study examined service loyalty and factors expected to influence its development. Gremler and Brown formed over 40 in-depth interviews to develop a model of service loyalty that included three antecedents – satisfaction, switching costs and interpersonal bonds. Data were collected in two phases. In the first phase, in-depth interviews were conducted with 21 customers in order to gain a better understanding of service loyalty and to identify salient factors affecting its development. In the second phase of the study, 20 service organisation employees were also interviewed. Customers were interviewed to define what loyalty meant to them and to discuss what factors in general led them to become loyal to service providers. Employees' interviews focused on determining whether or not the same factors leading to customer loyalty were identified by those providing the service.

The results of the Gremler and Brown (1996) study highlighted five prominent themes. Service loyalty is a multidimensional construct composed of at least three dimensions (behavioural loyalty, attitudinal loyalty, and cognitive loyalty). Loyalty begins only after a certain level of satisfaction has been achieved. At least six different types of switching costs (habit, setup costs, search costs, learning costs, contractual costs, and continuity costs) were found to have a significant role in the development of customer loyalty to a service organisation. Five specific relationship factors (familiarity, care, friendship, rapport, and trust) were found to have a significant influence on service loyalty. Also, customers in the study noted that they perceive they receive several benefits from being a loyal customer. These benefits can include a feeling of optimal satisfaction, a knowledge of what to expect from the service provider, confidence in the provider, friendship with employees, time savings from not having to search for a provider, and various types of special treatment. The study concluded that loyalty is influenced by satisfaction, interpersonal bonds (customers want to be loyal), and switching costs (customers have to be loyal). This study suggested that people stay in

relationships for two major reasons; because they want to (i.e., for social/affective reasons) and because they have to (i.e., for economic/technical reasons).

Similarly, Lee, Lee and Feick study (2001) examined the moderating role of switching costs in the customer satisfaction-loyalty link. Lee et al. (2001) used an empirical example from the mobile phone service market in France to support the moderating role of switching costs after classifying the subjects of the study into three levels of plan type according to the amount of calling time that the customer chose from the mobile phone service providers; economy (less than two hours), standard (from two to four hours), and mobile lovers (more than four hours). The results of the study demonstrated that switching costs play a significant moderating role in the satisfaction-loyalty link for the economy and standard groups only, while for mobile lovers groups, switching costs did not affect loyalty. Consumers in the mobile lovers group may be true loyalists or hostages depending on their satisfaction level. Also, the study indicated that the overall satisfaction-loyalty link is significant for all plan types. However, heavy users (mobile lovers group) were less sensitive to the pricing aspects of services than regular users and indicated their willingness to pay more.

Moreover, Jones and Taylor (2007) utilised theory from the psychology literature on interpersonal relationships to provide theoretical guidance for examining the nature of service loyalty and whether the same structure holds for loyalty to different types of service providers. In total, 348 adult consumers of services completed a paper-based survey that asked them to respond to questions relating to the relationship that they have with one service company. The Jones and Taylor (2007) study found that eight different consumer responses reflect two dimensions: a behavioural element (consisting of repurchase intentions, switching intentions, and exclusive purchasing intentions), and a combined attitudinal/cognitive element (consisting of consumers' strength of preference, advocacy, willingness to pay more, and identification with the service provider), thus suggesting that the two-dimensional structure holds for service loyalty regardless of the type of services examined. The findings of this research highlighted that service loyalty is similar to loyalty in interpersonal relationships; in the sense that service provider-customer relationships can approximate friendships or even romantic partnerships in terms of loyalty-like responses.

Lee and Cunningham (2001) examined the determinants of service loyalty under the assumption that consumers perform a cost/benefit analysis when deciding whether or not they want to be regular customers. Data were collected through personal interviews with people who were asked to complete a questionnaire while considering the service provider that they are using, and then they filled in measures of service quality, transaction and switching costs, and service loyalty. The results of the study supported the notion that service loyalty is determined not only by customers' perceived service quality, but also by cost considerations that arise from present transactions and future switching possibilities. Other researchers (Lemmink & Mattsson, 2002) studied the relationship between employees' behaviour and short- and long-term customer perceptions. They introduced three propositions that formed a general framework; first, short-term employee behaviours are instantaneously processed by customers into an emotional response. Second, this emotional response will impact short-term perceptions. Third, these short-term perceptions will form long-term perceptions over time. Warmth was used as an emotional construct in the study. Two experiments were conducted focused on routine and non-routine service encounters. The results of the study supported the three propositions. Further, Castro, Armario and Ruiz (2004) proposed a model to analyze the effect that service company employee behaviour has on customers' perceptions of the quality of service received. They suggested that organisational citizenship behaviour (OCB) has positive effects on customers' perceptions of service quality, but a study of the Spanish financial industry, where a total of 182 employees and 3,263 customers were interviewed using different questionnaires, demonstrated that the relationship between OCB and customers' perceptions was not significant.

Other researchers have investigated the impact of loyalty programmes on customer loyalty (Uncles, 1994; Sharp & Sharp, 1997; Showemaker & Lewis, 1999; Whyte, 2004; Nunes & Dreze, 2006; Liu, 2007). Meyer-Waarden and Benavent (2009) defined loyalty programmes as "...an integrated system of individualised marketing actions that aims to increase customers' loyalty through personalised relationships that stimulate their purchase behaviour" (p.346). Liu (2007) argued that loyalty programmes not only help build customers' commitment but also demonstrate a firm's commitment to establishing a long-

term relationship with its customers. However, Nunes and Dreze (2006) argued that loyalty programmes cannot in any true sense create loyalty, while Whyte (2004) suggested that loyalty schemes actually create an illusion of loyalty through continued repurchase, but yet there are other factors affecting the relationship, including how the relationship is formed. Oliver (1999) noted that loyalty is a multidimensional construct and different people have different judgments regarding the same service providers (Torres & Kline, 2006). Hallberg (2004) introduced the notion that not all consumers are created equal, as some are inherently more loyal than others (Reichheld, 1996). A good service may have little to do with what the provider believes (Ostrowski et al., 1993); it may depend solely on the beliefs of the individual customer (Cina, 1990). Several studies have been conducted to assess the effect of customers' perceptions regarding the service provider on their loyalty (Lee & Cunningham, 2001; Lemmink & Mattsson, 2002).

This section concludes that customer loyalty is a multidimensional construct (Oliver, 1999) and has presented various variables acting as predecessors. These factors include customer satisfaction (Gremler & Brown, 1996; Bowen & Chen, 2001), employee loyalty (Reichheld, 1996; Macintosh & Lockshin, 1997; Wong & Sohal, 2003), service quality and customers' evaluation of quality (Yieh et al., 2007) and loyalty programmes (Uncles, 1994; Liu, 2007). Service quality and customer satisfaction will be explored in great detail in the following section. It should be noted that although loyalty programmes have been identified from the literature as one of the important factors behind customer loyalty, they will be discussed later in a separate section (section 2.5) because of their crucial impact upon customer loyalty.

2.3 SERVICE QUALITY AND CUSTOMER SATISFACTION

This section explores in detail service quality and customer satisfaction as two important factors behind customer loyalty in the service sector and how perceived service quality (i.e., evaluated) differs from objective quality as suggested by Gronroos (1984). How service quality as perceived by customers has two dimensions; technical dimension which can be measured objectively by customers, and functional dimension which cannot be evaluated as objectively as technical dimension and is frequently perceived subjectively (Gronroos, 1990). This section also presents the SERVQUAL, introduced by Parasuraman et al. (1985, 1988), as an instrument for measuring customers' evaluations of service quality based on five dimensions (i.e., reliability, responsiveness, assurance, empathy, and tangibles) labeled as service quality determinants.

Since the 1980s, the underlying paradigm in services marketing has been that services are different from goods (Lovelock & Gummesson, 2004). This paradigm was supported by an in-depth literature review conducted by Fisk, Stephen, and Bitner (1993), who concluded that four specific features - intangibility, heterogeneity, inseparability, and perishability (collectively referred to as IHIP) – are what make services differ from goods and consequently create a difference between goods and service quality. As a result, service quality may have little to do with what the provider believes; rather, it may depend solely on the beliefs of the individual customer (Davidow & Uttal, 1989). Buzzell and Gale (1987) stated that "...quality is whatever the customer says it is, and the quality of a particular product or service is whatever the customer perceives it to be" (p.111). Although quality is a total experience that can be evaluated by the server, the customer's evaluation is what motivates their action (Zeithaml et al., 1988), and that's due to the unique features that are inherent in services, and hotels are no exception (Parasuraman et al., 1985).

It should be noted that services are performances rather than objects which cannot be either controlled by scientific means or objectively measured by a set of standards (Berry, 1987), and because of service intangibility, service providers find it more difficult to understand how consumers perceive services and service

quality (Parasuraman et al., 1985). However, in 2004, Lovelock and Gummesson conducted a study which concluded that the claim that services are uniquely different from goods on the four IHIP characteristics was not supported by the evidence; it was only true for some services, as it was for some goods. Lovelock and Gummesson (2004) asserted that it is inappropriate to continue to generalise one of the IHIP features – namely intangibility as being a distinctive characteristic that sets all services apart from goods. Lovelock and Gummesson (2004) argued that there are some services that can be evaluated before use, which involves the delivery of tangible elements. Lovelock and Gummesson (2004) based their argument on the premise that intangibility primarily is associated with pre-purchase activities where customers have no prior experience with the service in question, a situation that is equally valid for some goods as well.

Efforts in defining and measuring quality have come largely from the goods sector, where the prevailing Japanese philosophy – quality is zero defects; that is, doing it right first time. Other researchers have defined quality as conformance to requirements (Crosby, as cited in Parasuraman et al., 1985). Quality in the service sector on the other hand has been the subject of considerable interest by practitioners and researchers in recent years, starting with the original work by Parasuraman et al. (1985). Quality can be either objective or subjective; it can be measured objectively in terms of deviations from standards, or subjectively, where it hinges on the judgments of individual customers (Schneider & White, 2004). Unlike goods quality, which can be measured objectively by such indicators as durability and number of defects, service quality is an elusive and indistinct construct which is often mistaken for imprecise adjectives like goodness, or luxury, or shininess (Brady & Cronin, 2001; Parasuraman et al., 1988). Customers know when they receive quality and when they do not, but definitions, determinants and robust delivery of service quality still remain elusive (Briggs et al., 2007). Parasuraman et al. (1988) suggested that in the absence of objective measures for service quality, an appropriate approach to measure the quality of a service provider is to measure consumers' perceptions of quality.

Perceptions can be defined as the consumers' beliefs concerning the service experienced (Parasuraman et al., 1988), which is a result of evaluating their

experience against some personal and social standards/expectations. It is a post experience reflection drawn from or based on prior expectations, and it can also be prejudgments. Zeithaml, Berry and Parasuraman (1993) viewed the expectations construct as two levels of expectations. The first level is desired service, which is the level the customer hopes to receive, consisting of a blend of what the customer believes can and should be delivered. The second, lower level of expectations is adequate service, which is the level of service the customer will accept. Adequate service is the minimum service a company can provide and still hope to meet customers' basic needs.

A zone of tolerance, which is the range of service performance that a customer considers satisfactory, bounded on the lower level end by adequate service and on the upper end by desired service, captures the range of service within which a company is meeting customer expectations. Beyond this zone exceptional results, such as greater loyalty (known as customer delight), can be obtained from delivering an unexpected quality service. The importance of the zone of tolerance is that customers may accept variation with a range of performance and any increase in performance within this area will only have marginal effect on perceptions, but performance will only have a real effect on perceived service quality when it moves outside this range (Johnston, 1995b).

Gronroos (1984) demonstrated that perceived service quality differs from objective quality (which can be measured using indicators such as durability and number of defects), and results from an evaluation process, where customers compare their expectations with the service they perceive to have experienced. Services are performances rather than objects; therefore, precise manufacturing specifications for uniform quality rarely can be established and enforced by the firm in advance. Furthermore, the performance of service, especially those with high labour content, often differs among employees and among customers, where emotions and feelings interact and customers' evaluations differ and change from day to day (Zeithaml, 1988).

Similarly, Kandampully (1998) noted that service quality is a measure of the degree to which the service delivered matches customer expectations. Delivering

quality service means conforming to customer expectations on a consistent basis (Lewis & Booms, as cited in Parasuraman, 1985). It has been recognised that customers evaluate service quality by comparing the service provider's actual performance (evaluations) with what they believe service performance ought to be (expectations) in their service experience (Iglesias, 2004; Tsang & Qu, 2000). A hotel guest will be provided with a room and a bed to sleep in, the consumer of a restaurant's services will get a meal, while the airline passenger will be transported from one place to another. All of these services represent a quality experience.

The concept of perceived service quality and the model of total perceived quality were introduced by Gronroos in 1982 (Gronroos, 1984). Gronroos (1984) proposed a model which illustrates how the quality as it is perceived by customers has two dimensions, namely, a technical (or output) dimension, and a functional (or process) dimension as occurring prior to, and resulting in, outcome quality (i.e., total quality). Technical quality refers to what is delivered to the customer after experiencing the service (i.e., what the customer receives/experiences); that is, what the customer is left with when the buyer-seller interactions are over. On the other hand, functional quality is concerned with how the end result of the process experience was transferred to the customer (i.e., how the customer receives/experiences the service) (Gronroos, 1990). Gronroos (1990) argued that the technical quality dimension can be measured objectively by customers, because of its character as a technical solution to a problem, but the functional quality dimension cannot be evaluated as objectively because frequently it is perceived subjectively.

On the other hand, Lehtinen and Lehtinen (as cited in Parasuraman et al., 1985) noted that service quality is produced in the interaction between the customer and elements in the service organisation. Lehtinen and Lehtinen suggested that there are three quality dimensions; physical quality which includes the physical aspects of the service, corporate quality which involves the company's image and profile, and interactive quality which derives from the interaction between contact personnel and customers as well as between some customers and other customers. Gronroos (1990) argued that in order to measure the quality of a service, a model

should be formed on how the quality of services is perceived by customers. When the service provider understands how the services will be evaluated by the users, it will be possible to identify how to manage these evaluations and how to influence them in a desired direction.

Quality constitutes an integral and expected part of the service from a customer's point of view. Quality and service cannot exist independently; without quality there is no service, and without service there is no quality (Kandampully, 1997). This argument is substantiated by the fact that customer consumption of a service is increasingly founded solely on the expectation or assumption of good service. Moreover, services cannot be returned if they fail to comply with customers' expectations, nor can they be reworked to enhance the quality. It can thus be argued that service and quality are therefore synonymous and uncompromising. Service is something which can be bought and sold but which you cannot drop on your feet (Gummesson, 1987). It is not a material object, but an experience of action, change, or enhancement, and that is what makes service quality a measure of how well the service level matches customer expectations (Parasuraman et al., 1985).

Delivering quality service means conforming to customer expectations/standards on a consistent basis (Lewis & Booms, as cited in Parasuraman, 1985). Customers can identify the level of service quality through a process of evaluative judgment; where they make a comparison between their expectations about a service and their perceptions of the way the service has been performed (Parasuraman et al., 1958, 1988). Levels of expectations are the reason why two different organisations in the same business can keep their customers happy, although they are offering different levels of service. A great service provider is the one who informs customers about what to expect and then exceeds the promise. Davidow and Uttal (1989) asserted that not all customers necessarily want high levels of service; rather, they are entitled to what they have been promised either explicitly or implicitly.

Berry and Parasuraman (1992) noted that owing to the very nature of services (where they are performances rather than objects), service quality can be viewed

as a total experience which may have little to do with what the provider believes; rather, it may depend solely on the beliefs of the individual customer (Zeithaml et al., 1988). On the other hand, Gronroos (1990) argued that a service can be viewed as a product, that is, a package or bundle of services, tangibles and intangibles, which together form the total product. The package can be divided into two main categories; the main services, often is called the core service or substantive service, and auxiliary services or extras which are often referred to as peripheral services (sometimes also known as facilitator services).

A hotel service may include the lodging element as the main or core service, and reception service, room service, restaurant services, and the concierge services as auxiliary or peripherals in the package. However, a customer may not consider this wholistic view while perceiving/experiencing a service; only a customer recognises what is supposed to be done from his/her point of view. As Davidow and Uttal (1989) noted, a good service results when the provider meets or exceeds a customer's expectations. Doing less than the customer expects means the service is bad, while doing what is expected can mean the service is good. The service is superior if it exceeds what is anticipated by a great amount. The met-expectations model proposes that exceeding customer expectations causes customer delight. According to the met-expectations model, delight is the outcome of the initial experience of positive surprise; that is, a customer's expectations are positively disconfirmed, which activates an aroused state that is quite positive or pleasant. The customer experiences this pleasant state as the emotion of delight (Schneider & Bowen, 1999).

Gronroos (1984) demonstrated that perceived service quality results from an evaluation process, where customers compare their expectations with the service they perceive to have experienced. In 1990, Gronroos argued that good perceived quality is obtained when the experienced (perceived) quality meets the expectations of the customer which is the expected quality. Experienced quality is determined by two dimensions – technical and functional quality – while the expected quality is a function of a number of factors; namely, market communication, corporate image, word-of-mouth, customer needs, and past experience with the service (if any). Market communication (including advertising

and sale campaigns) is under the control of the firm, while customer's experience, the image and word-of-mouth are indirectly controlled by the firm. Thus, the level of total perceived quality is not determined by the level of technical and functional quality dimensions only, but rather, it is the result of the evaluation of what was expected by the customer and what was experienced. This is what Vickers (1984) termed appreciation, which leads the customer to a choice of a course of action; either stay again or find an alternative.

This evaluation process identifies any gap between the expected and experienced quality which often results in one of four possible outcomes; under quality, confirmed quality, positively confirmed quality, and over quality (Gronroos, 1990). Similarly, Kandampully (1998) noted that service quality is a measure of the degree to which the service delivered matches customer expectations. It has been recognised that customers evaluate service quality by comparing the service provider's actual performance (evaluations) with what they believe service performance ought to be (expectations) in their service experience (Tsang & Qu, 2000).

In order to understand service quality; a number of quality factors or determinants should be highlighted. A number of researchers (Parasuraman et al., 1985, 1988; Armistead, 1990; Gronroos, 1990; Sparks, 1993; Johnston, 1995a) have provided lists of quality determinants, but the best known determinants emanate from Parasuraman et al. (1985, 1988) who first introduced an instrument named SERVQUAL for measuring customers' evaluations of service quality based on ten categories (access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding, and tangibles). These were labeled service quality determinants, which were subsequently collapsed into five criteria (reliability, responsiveness, assurance, empathy, and tangibles). A number of other researchers (Armistead, 1990; Gronroos, 1990; Sparks, 1993; Johnston, 1995a) have postulated their own determinants of service quality. Walker (as cited in Johnston, 1995a) suggested that the key determinants are product reliability, a quality environment and delivery systems that work together with good personal service – staff attitude, knowledge and skills.

Gronroos (1990) suggested only six criteria of perceived good service quality: professionalism, skills; attitudes and behaviour; accessibility and flexibility; reliability and trustworthiness; recovery; reputation and credibility, while Albrecht and Zemke (as cited in Johnston, 1995a) suggested care and concern, spontaneity, problem solving and recovery as their criteria for good service quality. In contrary to quality determinants suggested by Parasuraman et al. (1985, 1988), Armistead (1990) divided the dimensions into firm and soft. The firm dimensions are time (including availability, waiting time and responsiveness); fault freeness (including physical items, information and advice); and flexibility (ability to recover from mistakes, to customise the service or add additional services). The soft dimensions are style (attitude of staff, accessibility of staff and ambience), steering (the degree to which customers feel in control of their own destiny) and safety (trust, security and confidentiality).

Moreover, Sparks's study (1993) revealed three key determinants of service quality; reliability, responsiveness, and empathy. For instance, reliability for the guest can be demonstrated when the front office employees in a hotel recognise s/he as a return customer and acknowledges that the hotel has for example, allocated their preferred room. Similarly, guests will feel that the hotel is responsive to their needs if the hotel is able to anticipate and respond to the guests' needs, while staff empathy is recognised by customers when employees are able to understand their requirements. Johnston (1995a) signaled that there are as many as eighteen determinants – access; aesthetics; attentiveness/helpfulness; availability; care; cleanliness/tidiness; comfort; commitment; communication; competence; courtesy; flexibility; friendliness; functionality; integrity; reliability; responsiveness; and security.

According to the SERVQUAL (Parasuraman et al. (1985, 1988), the five determinants were tested through a multiple-item scale covering 22 items over a two-part questionnaire. Respondents in the first part were instructed to indicate the level of service that should be offered (i.e., expectations) by firms within the service category in question. For the second part, respondents were instructed to express their perceptions about the firm offering the service. For each item, a difference score for quality (representing perceived quality along that item) was

calculated as the difference between the ratings on perception and expectations items within the two parts for each of the 22 pairs of items. The average of the difference scores for items making up a dimension serve as a measure of that dimension, while the average score across all items serves as the overall measurement of service quality.

Reliability is defined according to SERVQUAL instrument as the ability to deliver the promised service dependably and accurately. Responsiveness can be described as the willingness to help customers and provide prompt service. Assurance is the service quality dimension that focuses on the knowledge and courtesy of employees and their ability to inspire trust and confidence. Empathy is the service aspect that stresses caring, which is the individualised attention the firm provides its customers (i.e., the treatment of customers as individuals), while the tangibles dimension focuses on the elements that support the service physically, including physical facilities, equipment, and appearance of personnel (Bloemer & Wetzels, 1999).

An important advantage of the SERVQUAL is that it has proven valid and reliable across a large range of service contexts, but despite the popularity of the SERVQUAL, several analysts have suggested that the measure has serious shortcomings that limit its usefulness. The contention that service quality consists of five basic dimensions (Parasuraman et al., 1988) is, according to some researchers, questionable and they suggest that SERVQUAL's dimensions are contextual and not universally applicable (Brown, Churchill & Peter, 1993; Cronin & Taylor, 1992). For example, Carman (1990) argued that SERVQUAL needs to be customised to the service in question, in spite of the fact it was originally designed to provide a generic measure that could be applied to any service. Cronin and Taylor (1992) suggested that performance scores alone may be as reliable as those obtained by subtracting expectations from perceptions; that is, the estimation of a firm's perceived performance might already lead a respondent through a mental process of comparing his/her perceptions to his/her expectations. Also, it has been suggested that for some services the SERVQUAL instrument needs considerable adaptation (Dabholkar, Thorpe & Rentz, 1996) and that items used to measure service quality should reflect the specific service

setting under investigation, and that it is necessary in this regard to modify some of the items and add or delete items as required (Carman, 1990).

Brown et al. (1993) argued that the use of difference scores often demonstrates poor reliability. Brown et al. (1993) demonstrated that when the reliability of either component score decreases or the correlation between the component scores increases, the reliability of the difference score itself decreases primarily because when two responses are taken from the same respondent and then subtracted to form a measure of a third construct, only rarely will the difference score components not be positively correlated. Lenka, Suar and Mohapatra (2009) questioned the reliability of the SERVQUAL as an instrument for measuring the service quality of a firm because it measures customers' perception and expectation using two separate scales. They proposed an assessment instrument that captures both perception and expectation on human, tangible and technical aspects of service quality.

Lenka et al. (2009) examined whether service quality of Indian commercial banks increases customer satisfaction that fosters customer loyalty. Data were collected from 350 valued customers of scheduled commercial bank branches in Orissa (India). Human aspects of service quality were found to influence customer satisfaction more than the technical and tangible aspects, while customer satisfaction furthers customer loyalty. Due to the psychological and physical closeness that exists between employees and customers in service encounters, employees' attitudes often have a spillover effect on customer satisfaction (Lenka et al., 2009). If employees experience favourable affective responses in their jobs, their customers are likely to receive positive service experiences. However, in general, quality is an ambiguous term; everyone knows (or thinks they know) what quality is (Schneider & White, 2004). It was described by Oliver (1997) as "I know it when I see it, but I can't describe it when I do" (p.166).

Zeithaml and Bitner (2000) argued that customers perceive service on the basis of the attributes of service personnel and those of a service firm. Customer-oriented attributes of service personnel are reliability, responsiveness, assurance and empathy that reflect the soft quality attributes of service providers. Favourable

interpersonal interactions between customers and employees based on these attributes can improve customer satisfaction (Parasuraman et al., 1985). Zeithaml et al. (1996) offered a conceptual model of the impact of service quality on particular behaviours that signal whether customers remain with or defect from a company. When a customer assesses service quality as high, the customer's behavioural intentions turn to be favourable, this strengthens his/her relationship with the company. But when service quality assessments are low, the customer's behavioural intentions are unfavourable and the relationship is more likely to be weakened.

There has been a consensus among academics and practitioners that both service quality and customer satisfaction are antecedents for loyalty. While there is still an absence of a consensus as to what constitutes satisfaction, it has been defined within the expectancy/disconfirmation paradigm in process theory as "...the consumer's response to the evaluation of the perceived discrepancy between prior expectations (or some norm or performance) and the actual performance of the product as perceived or judged (for a service) after its consumption" (Tse & Wilton, 1988, p.204). Consumers compare their prior expectations against the service performance received to evaluate how it would or should perform (Kee & Lee, 2006). However, when customers experience shortfall from their expectations, negative disconfirmation is experienced (Oliver, 1997). The comparison standards paradigm between expectations and disconfirmation has persistently assumed that consumers have existing and stable standards to compare with product/service performance in deriving satisfaction judgments (Oliver, 1980).

However, Fournier and Mick (1999) argued that sometimes satisfaction is not derived from meeting or exceeding pre-purchase standards, especially if there is no previous experience with the product/service. Rather, they suggest, standards arise simultaneously with the product consumption or service experience. This argument is consistent with other researchers (Cadotte, Woodruff & Jenkins, 1987; Woodruff, Cadotte & Jenkins, 1983) who noted that experience-based norms are more appropriate than expectations to serve as a benchmark against which product experiences are compared. Researchers (Oliver, 1980) have also

made the distinction that disconfirmation can vary in terms of its unexpectedness. For example, performance experience outside a range of experience-based norms can result in three categories of confirming/disconfirming events: confirmed performance, where slight performance deviations are considered normal; disconfirmed performance which is plausible, but experienced infrequently; and disconfirmed performance which is slightly unlikely based on past experience, and hence is unexpected or surprising (Woodruff et al., 1983). It is this latter category that has been described as evoking surprise disconfirmation and provides a basis for understanding the cognitive foundation of delight (Oliver et al., 1997). Delight has been characterised as a combination of joy and surprise (Oliver et al., 1997).

From the services literature it appears that there are some similarities in the definitions of service quality and customer satisfaction, which can create considerable confusion in the differentiation between service quality and customer satisfaction (Caruana, 2002; Cronin & Taylor, 1992). However, service quality and customer satisfaction are distinct constructs (Bitner, 1990) and a number of distinctions can be made between them. Customers' satisfaction is a combination of their cognitive and affective response to service encounters. Service quality is the overall evaluation of a firm's service delivery. Service quality is the managerial delivery of services while satisfaction is customers' experiences with those services (Bitner, Booms & Mohr, 1994; Cronin & Taylor, 1992).

Satisfaction is a post-decision customer experience which leads to the subjective experience, while quality is not (Parasuraman et al., 1988). Further, expectations are defined differently in the quality and satisfaction literature. Expectations in the service quality literature are conceptualised as a normative or ideal standard of future wants that remain unaffected by the full range of marketing and competitive factors. In the service quality literature, expectations can be viewed as desires or wants of consumers (i.e., what they feel a service provider should offer rather than would offer). In contrast, expectations in the customer satisfaction literature are viewed as predictions made by consumers about what is likely to happen during an impending service (Parasuraman et al., 1988).

According to Oliver (1981), expectations are consumer-defined probabilities of the occurrence of positive and negative events if the consumer engages in some behaviour. They reflect anticipated performance made by the customers about the levels of performance during a service which are subject to change and are as diverse as their education, values, and experience (Caruana, 2002; Davidow & Uttal, 1989). Parasuraman et al. (1988) suggested that the difference between service quality and customer satisfaction lies in the way confirmation/disconfirmation is operationalised; in the sense that in measuring perceived service quality, the level of comparison is what the consumer should expect, whereas in measuring satisfaction, the appropriate comparison is what the consumer would expect. However, such a differentiation appears to be inconsistent with Woodruff et al. (1983) suggestion that expectations should be based on experience norms – what consumers should expect from a given service provider given their experience with that specific type of service organisation.

The most common explanation of the difference between service quality and customer satisfaction is that service quality is perceived by customers as a form of attitude before experiencing the service (i.e., long-run overall evaluation), while satisfaction is perceived as an emotional reaction following a confirmation/disconfirmation experience (i.e., transaction-specific measure) (Bitner, 1990; Parasuraman et al., 1988). Similarly, Oliver (1981) noted that attitude is “...the consumer’s relatively enduring effective orientation for a product/service while satisfaction is the emotional reaction following a confirmation/disconfirmation experience which acts on the base attitude level and is consumption-specific” (p.42). Therefore, attitude is measured in terms more general to the product/service and is less situationally oriented. Customers initially take an attitude toward the quality of a service before experiencing it, and thus must trust the service provider to deliver the promised service, while satisfaction normally occurs after experiencing the service (Berry & Parasuraman, 1992). This explanation is consistent with Oliver’s study (1980) that considered service quality as an attitude, and suggested that expectations initially define the level of perceived service quality in the absence of prior experience with a service provider and, upon the first experience with the service provider, the

dis/confirmation process leads to a revision in the initial level of perceived service quality.

Since services are performances/acts rather than objects, they are difficult for customers to evaluate prior to purchase because customers cannot try on services for fit and feel (Berry & Parasuraman, 1992). However, this view was challenged by Lovelock and Gummesson (2004) who argued that there are some services which involve the delivery of some tangible elements and thus can be evaluated before use. For instance, the core product in a hotel is the room. Guests can check out the hotel room, or the appearance and attitude of the staff or even the feel of the bed before registering. Services once experienced, can affect customers' expectations. This confirmation/disconfirmation process leads to a revision in the initial level of perceived service quality following the first experience with the service provider. Subsequent experiences with the service provider may lead to further confirmation/disconfirmation, which again modifies the level of perceived service quality, and the redefined level of perceived service quality similarly modifies consumers' purchase intentions toward that service provider (Oliver, 1980). Therefore, the dis/confirmation appears only to mediate, not define, consumers' perceptions of service quality (Bolton & Drew, 1991).

Thus, service quality and customer satisfaction may be distinct constructs (Bitner, 1990; Oliver, 1980; Parasuraman et al., 1988), but still are related. Service quality is an antecedent of customer satisfaction (Cronin & Taylor, 1992), while prior satisfaction/dissatisfaction with service sets an expectation that may or may not be met, leading to further satisfaction/dissatisfaction which intermediates the effect of prior-period perceptions of service quality to cause a revised service quality perception to be formed. Thus, satisfaction is linked to service quality by mediating the early perceptions of customers toward service quality which leads to the formation of revised perceptions.

This section concluded that quality constitutes an integral and expected part of the service from a customer's point of view. Quality and service cannot exist independently; without quality there is no service, and without service there is no quality (Kandampully, 1997). This argument is substantiated by the fact that

customer consumption of a service is increasingly founded solely on the expectation or assumption of good service. Moreover, services cannot be returned if they fail to comply with customers' expectations, nor can they be reworked to enhance the quality. It can thus be argued that service and quality are therefore synonymous and uncompromising.

As Davidow and Uttal (1989) noted, a good service results when the provider meets or exceeds customer's expectations/standards. Doing less than the customer expects and the service is bad, while doing what is expected, the service is good. Exceeding what is anticipated by a great amount, and the service is superior. Throughout this section, a clear distinction has been made between service quality and customer satisfaction. Satisfaction is a post-decision customer experience which leads to the subjective experience while quality is not (Parasuraman et al., 1988).

2.4 MEASUREMENTS OF LOYALTY

This section explores the different factors that can be used to measure the extent of loyalty. Some studies use behaviour as an indicator for loyalty (Jacony & Chestnut, 1978), while other scholars have questioned the adequacy of using behaviour as the sole indicator of loyalty (Day, 1969) and incorporated behavioural and attitudinal components (Jacoby, 1971; Jones & Taylor, 2007). Recently, researchers have argued for a third dimension of loyalty – a cognitive element (Oliver, 1996; 1999). Te Peci (1999) argued that a sense of commitment should be realised before loyalty develops. Similarly, Pritchard et al. (1999) viewed commitment as resistance to change and demonstrated how the tendency to resist changing preference was a key predecessor to loyalty. Dowling and Uncles (1997) argued how loyalty programmes, as a form of commitment between a firm and its customers, can actually enhance customer loyalty.

A review of the literature indicates that much of the initial research emphasized the behavioural dimension of loyalty. This is clear by Tucker's (1964) definition that "...no consideration should be given to what the subject thinks nor what goes on his central nervous system, his behaviour is the full statement of what brand loyalty is" (p.23). Zeithaml et al. (1996) used five items to measure loyalty in their operationalisation of the loyalty to company factor. The five items include saying positive things about the company, recommending the company to someone who seeks advice, encouraging friends and relatives to do business with the company, considering the company the first choice to buy services, and doing more business with the company in the next few years. Prior studies have focused entirely on behavioural outcomes and ignored consideration of what went on in customers' minds (Jacoby, 1971). Behavioural loyalty is defined as the consumer's tendency to repurchase a brand revealed through behaviour that can be measured and which impacts directly on brand sales (Hammond, East, Ehrenberg, 1996). Loyalty was simply measured in terms of its outcome characteristics (Jacony & Chestnut, 1978). This involved determining the sequence of purchase (Tucker, 1964), proportion of purchase devoted to a given brand (Cunningham, 1956) and probability of purchase. However, behavioural measures for loyalty do not provide any insight into the customer's attitude

toward buying a particular brand. All that behavioural loyalty can reveal is that a consumer has purchased a brand on multiple occasions. Thus, a customer may be behaviourally loyal but be indifferent or even dislike the brand (i.e., being compelled to repeatedly purchase because of lack of alternative options) (Hartel & Russell-Bennett, 2010).

Day (1969) argued that there is more to brand loyalty than just consistent or repeat buying of the same brand. In this respect, habitual/convenience buying as well as purchases induced primarily by promotional incentives have been termed false or spurious loyalty (Dowling & Uncles 1997). This points to why loyalty programmes will be more effective for high as opposed to low involvement products/services. The primary reason for this suggestion is that low involvement products/services are often bought by consumers out of habit, while for high involvement products/services; consumers are more receptive to forming a relationship with the supplier/service provider. O'Malley (1998) noted that loyalty programmes can play an important role in situations where there is either no loyalty or spurious loyalty, but that role is diminished considerably in situations where latent or sustainable loyalty is displayed.

In fact, the behavioural measurement of loyalty that considers repetitious purchase behaviour an indicator of loyalty ignores the possibility that repeat purchases are not always the result of psychological commitment toward the brand (Te Peci, 1999). Stochastic components (i.e., randomness that could not be explained) do occur in repeat purchasing patterns (Bass, 1974). A customer may repeatedly purchase a product or prefer a store for many reasons other than loyalty. For instance, lower price alternatives easily produce repeated purchases, while other customers may remain loyal because there are no alternatives. Only customers who don't look for alternatives (assuming there are plenty of them) are viewed as true loyal customers even if sometimes the provider falls short of expectation and that's why researchers began to question the adequacy of using behaviour as a measure of loyalty (Alonso, 2000). Similarly, Bowen and Chen (2001) noted that a traveler may stay at a hotel because it is the most convenient location, but when a new hotel opens across the street, s/he may switch because the new hotel offers better value. Thus, repeat purchase does not always mean commitment, but for

loyalty to build up, it needs a degree of commitment to be developed. Commitment is recognised when an exchange partner believes that an ongoing relationship is so important as to warrant special effort for maintaining, enhancing, and developing it (Morgan & Hunt, 1994).

Assael (as cited in Alonso, 2000) asserted that customer loyalty is a repeat purchasing because of commitment, while repeat buying without commitment denotes habit or laziness. Repurchase is necessary but not sufficient evidence of loyalty. Loyal behaviour is an overt act of selective repeat purchasing based on an evaluative psychological decision process (Jacoby, 1971) and the purchasing practice should be intentional (Tepeci, 1999). Therefore commitment provides an essential basis for distinguishing between loyalty and other forms of repeat purchasing behaviour (Bowen & Chen, 2001; Jacoby & Kyner, 1973), because loyal relationships are built on the foundation of mutual commitment between the customer and the provider. Commitment has been recognised as an essential ingredient for successful long-term relationships (Dwyer et al., 1987; Morgan & Hunt, 1994), and it has been defined as an enduring desire to maintain a valued relationship (Morgan & Hunt, 1994; Moorman, Zaltman & Deshpande, 1992). Anderson and Weitz (1992) noted that commitment to a relationship entails a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship. Day (1970) argued that when customers are confident about their judgments, it stabilises their attitude.

Likewise, Rylander, Strutton and Pelton (1997) considered commitment as "...an enduring desire to develop and maintain exchange relationships characterised by implicit and explicit pledges and sacrifices for the long-term benefit of all parties involved" (p.60). From this definition, Martin, Gutierrez and Camarero (2004) have drawn three different aspects of commitment; one referring to the true current behaviour, promises and sacrifices – behavioural dimension, another that contemplates desires and feelings – affective dimension, and a third one that indicates the intention of future commitment – temporal dimension. Allen and Meyer (1990) concluded that customer commitment entails two components, the first based on liking and identification, which they have termed affective

commitment and the second based on dependence and switching costs, which they have termed continuance commitment. A single relationship could be based on either affective or continuance commitment, both forms of commitment, or (if it was a very weak relationship) neither form of commitment (Fullerton, 2003).

In contrast to behavioural loyalty, attitudinal loyalty focuses on the customer's attitude toward the brand, not their behaviour. Although referred to as commitment loyalty by some scholars, attitudinal loyalty includes attitudinal preference, commitment towards the brand and intention to purchase the brand (Hartel & Russell-Bennett, 2010). Behavioural commitment normally refers to the emission of signals, to the investment and to the concern and help for the other partner (Rylander et al., 1997). The affective dimension indicates the extent to which each partner wishes to maintain relations with the other, a generalised feeling of positive respect, a desire to be tied to a relationship and a feeling of belonging and loyalty (Christy, Oliver & Penn, 1996; Geyskens, Steenkamp, Scheer & Kumar, 1996; Jaros, Jermier, Koehler & Sincich, 1993).

Allen and Meyer (1990) noted that affective commitment is built on the "...affective or emotional attachment to the organisation such that the strongly committed individual identifies with, is involved in, and enjoys membership in the organisation" (p.2), while Mowday, Steers and Porter (1979) used a similar definition to refer to the employee commitment to a job by stating that employee's commitment is "...the relative strength of an individual's identification with and involvement in a particular organisation" (p.225). Although the affective commitment construct was first developed as a means of explaining employee attachment to work groups and the organisation, it can be applied in situations when there is a consumption relationship between a customer and an organisation (Fullerton, 1993).

Marketing scholars have made explicit reference to the affective nature of customer commitment, in the sense that it represents an enduring desire to maintain a valued relationship (Morgan & Hunt, 1994). Affective commitment is rooted in identification, shared values, belongings, dedication, and similarity (Pritchard et al., 1999). Fullerton (2003) noted that when consumers come to like

(or in some cases, love) brands or service providers, they are experiencing the psychological state of affective commitment. Friendship (Price & Arnould, 1999), rapport (Gremler & Gwinner, 2000), and trust (Morgan & Hunt, 1994) are also closely associated with the affective commitment construct.

However, feelings of attachment and identification (i.e., affective commitment) are very different from feelings of dependence and entrapment (i.e., continuance commitment). The continuance commitment construct was developed as a means of explaining the extent that employees feel bound to an organisation (Fullerton, 2003). Anderson and Weitz (1992) noted that parties become committed when one party takes specific actions that will bind it to another party. These actions include pledges, contracts, as well as service agreements that limit free choice for the period of the contract (Anderson & Weitz, 1992). Pledges are actions undertaken by members in the relationship that demonstrate good faith and bind the members to the relationship. In 1960, Schelling developed a compelling argument on how parties can strengthen a relationship by tying their hands. On that premise, loyalty programmes were created by various companies to tie the buyers of a wide range of consumer goods and services to a particular brand or supplier (Dowling & Uncles, 1997).

A loyalty programme allows firms to create a relationship with their customers by advising them that they are special. Loyalty programmes can provide recognition to selected customers by giving them prestige, distinction, partial celebrity standing and an elevated status (Shugan, 2005). It is an integrated system of marketing actions which aims to make customers more loyal (Bolton et al., 2000; Sharp & Sharp, 1997). In marketing relationships, a consumer is likely to be committed to a relationship if s/he faces concrete switching costs or if the benefits that s/he receives from the partner are not easily replaceable from other potential exchange partners (Bendapudi & Berry, 1997). Switching costs, dependence, and lack of choice are the core of the continuance commitment construct in a marketing relationship (Fullerton, 2003). Finally, the temporal commitment normally refers to the desire for continuity in the relationship and stability through time (Anderson and Weitz, 1989; Gundlach, Achrol & Mentzer, 1995).

Beatty and Kahle (1988) noted that commitment is an emotional or psychological attachment that develops before a customer can determine that his/her repeat purchase behaviour was derived from a sense of loyalty. Similarly, Jones and Sasser (1995) viewed customer loyalty as a feeling of attachment to or affection for a company's people, products, or services, while Pritchard et al. (1999) study viewed commitment as resistance to change, and demonstrated how the tendency to resist changing preference to be a key predecessor to loyalty. Emotional loyalty is the psychological preference for buying a brand which consists of positive feelings about an affective attachment to continually purchasing a brand (Hartel & Russell-Bennett, 2010).

Earlier work by Salancik (as cited in Pritchard et al., 1999) provided an interesting argument regarding how commitment is formed. Salancik argued that people become committed when three perceptual states – revocability, publicness, and volition are engaged. Commitment was strengthened and supported when people sensed that their decision was not easily reversed (i.e., revocability), known to significant others like family and friends (i.e., publicness), and undertaken as an exercise of free choice (i.e., volition). Volition choice can be best described as a process that involves freedom from constraints and a freedom to choose (Pritchard et al., 1999). When customers engage in a volition choice, they develop a sense of resistance to change in which they become prepared to continue with their initial decision even though sale incentives are withdrawn (Cialdini, Cacioppo, Bassett & Miller, 1978). Pritchard et al. (1999) confirmed that when people sense that their choices are unhindered, the resulting commitment is likely stronger and more deeply held, which is contrary to Anderson and Weitz (1992) who noted that members in a relationship become more committed when they were limited in their choices. Pritchard et al. (1999) study demonstrated that resistance to change as principal evidence of commitment provides the best explanation of why loyalty develops.

Building on Day's work (1969), Jacoby (1971) provided a conceptualisation of brand loyalty that incorporated both behavioural and attitudinal components. The behavioural approach has been supplemented by the concept of relative attitude which reflects the degree to which the consumer's evaluation of one service dominates that of another (Ruyter et al., 1998). The behavioural and attitudinal

aspects of loyalty are reflected in the conceptual definition of loyalty offered by Jacoby and Kyner (1973), which hold that loyalty is "...a biased (i.e., non random) behaviour (i.e., purchase) which is expressed over time by an individual with respect to one or more alternatives and is a function of psychological (i.e., decision-making evaluative) processes" (p.4). Behavioural loyalty that is based on attitudinal and/or emotional loyalty is what constitutes true customer loyalty (Alonso, 2000).

Other researchers (Dick & Basu, 1994; Javalgi & Moberg, 1997) classified customer loyalty into four conditions according to the relationship between relative attitude and repeat patronage (at two levels – high and low for each). The first condition is that no loyalty exists when a customer has neither strong preference towards a company's brands nor exhibits high repeat patronage, which signifies an absence of loyalty. If this customer were a member in a loyalty programme, s/he would still be open to other offers from competitors and only belong to the scheme to collect rewards. Thus, there is little or no emotional bond or feeling of commitment to the firm (Whyte, 2004). Spurious loyalty occurs when a consumer frequently purchases a brand, but sees no significant differences among brands, thus showing low relative attitude towards the company's brands (Whyte, 2004). As a member in a loyalty programme the customer continues to repurchase the company's product because they are locked-in for some reason. It is not a two-way relationship as there is no feeling of loyalty or commitment by the individual. The third condition, which is latent loyalty, is a form of hidden loyalty (Whyte, 2004), which exists when a customer has a strong preference for, or attitude towards, a company's brands, but does not exhibit high repeat patronage due to some situational or environmental variables.

Sustained loyalty which is the fourth condition signifies a favourable correspondence between relative attitude and repeat patronage. It is the most ideal form of loyalty and means total commitment to the product/service, a strong feeling of attachment, emotional bond and trust. It exists when the customer exhibits high repeat purchase and does so because they have strong preference. In sustained loyalty, the individual desires a two-way relationship (Whyte, 2004). This loyalty is achieved when the company has developed and communicated a value proposition that clearly has long-term benefits for the customer. Hence,

customer loyalty was approached as an attitudinal construct (Ruyter et al., 1998) being comprised of both relative attitude and behavioural intentions (Jones & Taylor, 2007).

Attitude denotes the degree to which a consumer's disposition towards a service is favourably inclined (Azjen & Fishbein, 1980). This is reflected for instance, in the willingness to recommend a service provider to other consumers (Butcher, Sparks & O'Callanhan, 2001; Zeithaml et al., 1996), saying positive things about the service provider (Zeithaml et al., 1996), considering the service provider the first choice among alternatives (Mattila, 2001; Zeithaml et al., 1996), the strength of preference (Mitra & Lynch, 1995), the commitment to repatronise a preferred service provider (Jain, Pinson & Malboitra, 1987) the feeling of attachment to a product, service or organisation (Fournier, 1998) and the altruistic behaviour such as assisting the service firm and other customers (Patterson & ward, as cited in Jones & Taylor, 2007). Based on a favourable attitude towards a service provider customers may develop preference loyalty (Ruyter et al., 1998). Zeithaml et al. (1996) noted that when customers praise the firm, express preference for the company over others, increase the volume of their purchases, or agreeably pay a price premium, they are indicating behaviourally that they are bonding with the company.

In addition to the attitudinal dimension, recently researchers have argued for a third dimension of loyalty – a cognitive element (Oliver, 1996; 1999). Cognitive loyalty was defined as the psychological preference for buying a brand which consists of positive beliefs and thoughts about continually purchasing a brand (Hartel & Russell-Bennett, 2010). Under this third dimension, loyalty was operationalised as a conscious evaluation of brand attributes or the conscious evaluation of the rewards and benefits associated with repatronage (Lee & Cunnuingham, 2001; Ruyter et al., 1998), leading the consumer to consider this service provider at the expense of others (Dwyer et al., 1987). The cognitive component of attitudinal loyalty refers to the beliefs and opinions about a particular object where the preference for the brand comes from decision-making and evaluation (Hartel & Russell-Bennett, 2010).

The operationalisation of the cognitive element of loyalty has taken a number of forms including top of mind (Dwyer et al., 1987), first choice (Ostrowky, O'Brien & Gordon, 1993), exclusive consideration (i.e., considering only one service provider when needing this type of service), and identification of the service provider as an extension of one's self and acknowledging this by references to "my" service provider, or by collective representations such as us and we (Butcher et al., 2001). Gremler and Brown (1996) suggested that a loyal customer is one who regularly uses a service provider, really likes the organisation, thinks very highly of it, and does not ever consider using another service provider for this service, while a non-loyal person may not use the provider again, has negative feelings toward the organisation, welcomes suggestions about other providers and is willing to try any other provider.

In contrast to the recent theorizing in marketing discussed before suggesting a multi-dimensional loyalty construct, a long history of research in psychology suggested a two-dimensional loyalty construct – behavioural and cognitive (Jones & Taylor, 2007). In addition, services management literature has repeatedly emphasized the association between customers' perceptions of exceptional service and the service provider and the existence of an emotional connection between them (Kandampully, 1998), as well as the importance of the human element in the delivery of superior service (Crosby & Stephens, 1987). Bowen & Chen's study (2001) has reinforced that idea by stating that service loyalty through employee commitment precedes customers' loyalty through their satisfaction. Other researchers (Kandampully, 1998; Lee et al., 2003) have suggested that it is a two-way relationship, where service organisations aim to gain customer's loyalty, and the customer, on the other hand, seeks an organisation's service loyalty. Dowling & Uncles (1997) argued that loyalty programmes as a form of commitment between a firm and its customers can actually enhance customer loyalty, and this will be discussed in detail in the following section.

This section showed that loyalty was first conceptualised as a behavioural outcome – typically repurchasing or switching behaviour (Jacoby & Chestnut, 1978). Afterwards, as loyalty research developed, two-dimensional conceptualisations appeared that included both repurchase behaviour and

attitudinal dispositions toward the provider (Dick & Basu, 1994). Recently, three-dimensional conceptualisations have been proposed to include behavioural, attitudinal and cognitive components, where the latter reflects consumers' brand beliefs and exclusive consideration of one service provider (Bloemer, De Ruyter & Wetzels, 1999). Recent marketing research suggests that the different types of loyalty can be captured in three loyalty dimensions (behavioural, attitudinal, and cognitive) while the psychology literature suggests two (behavioural and combined cognitive/attitudinal), but the majority of research in marketing now represents loyalty as a multi-dimensional construct while the agreement on whether loyalty has two or three dimensions is still lacking (Jones & Taylor, 2007).

2.5 LOYALTY PROGRAMMES

This section explores in detail the origin of loyalty programmes introduced first by airlines in the early 1980s and later picked up by hotels. Loyalty programmes were introduced on the premise of creating a devoted customer, and thus enhance customer loyalty. Throughout the literature a clear distinction has been made between frequency programmes and loyalty programmes. The primary focus of frequency programmes is to build repeat businesses, while for loyalty programmes the focus is to build an emotional attachment to the brand (Shoemaker & Lewis, 1999). This section provides a review of the marketing literature covering empirical studies which present mixed support for loyalty programmes. There is a continuing debate about whether simple rewards schemes (i.e., through discounts and savings) enhance customer loyalty more than sophisticated loyalty programmes (i.e., through customisation) which are based on the storage of individual customer's demographic status and spending patterns (O'Malley, 1998; Humby, Hunt & Philips, 2004; Melnyk, 2005). Other scholars (Sharp & Sharp, 1997) argued that loyalty programmes are concerned mainly with behavioural loyalty rather than attitudinal loyalty because practically, loyalty programmes only reward behaviour. Customers are not given points, prizes, discounts or any other reward/incentive for changing their attitudinal loyalty.

In the 1970s, European researchers studying business-to-business marketing discovered that suppliers who form close working relationships with their customers tend to have close customers, in the form of customers who are more loyal and who give greater share of their business to suppliers, while the customers also reported having loyal suppliers (Dowling & Uncles, 1997). As a result, loyalty programmes were created by various companies to tie these repeat buyers of a wide range of consumer goods and services to a particular brand or supplier. Thus, loyalty programmes were introduced on the premise that repeat buying behaviour of customers is an indicator of loyalty. Underlying the developments of loyalty programmes were two widely-held beliefs about the behaviour of customers. First, in most markets there is a segment of buyers who are loyal; that is some customers consciously and deliberately choose one brand rather than another and they continue to choose in this way one time after another.

Furthermore, it should be possible to make these loyal buyers even more loyal by encouraging them up a loyalty ladder (Uncles, 1994). Second, that small segments of customers generate most of company sales, and these customers can be locked-in forever. The Pareto 80/20 law is often invoked in support of this viewpoint. This law says that typically 80% of revenue comes from just 20% of customers. With such a skewed distribution of customers, it appears to make sense to concentrate most marketing resources on this 20% (Uncles, 1994; Dowling & Uncles, 1997). But the problem behind this law for loyalty programmes is that the best 20% are not necessarily loyal buyers, especially in the sense of exclusive loyalty.

The ultimate goal of loyalty programmes is to create or enhance customer loyalty (Bolton et al., 2000). The airlines introduced frequent flyer programmes (FFPs) in the early 1980s, and hotels followed in the mid-1980s, offering frequent-guest programmes. Airlines were able to introduce loyalty schemes because fundamentally they market a perishable product; that is, most airlines operate somewhere in the 70 per cent plus year-round load factor, therefore many flights will have spare, unsold seats. Thus, the airlines regard it as marginal extra cost to operate FFPs and provide an incentive for repurchase (Whyte, 2004). However, very often these programmes fail to stimulate the desired increase in customer loyalty (Sharp & Sharp, 1997). Loyalty programmes imply that participating customers are able and willing to defer some of the benefits of a transaction to the future (Mowen, 1995).

However, introducing and maintaining loyalty programmes is often very costly (Kumar & Reinartz, 2005; Shugan, 2005). Some researchers claim that loyalty programmes not only help build customers' commitment but also demonstrate a firm's commitment to establishing a long-term relationship with its customers (Liu, 2007). Other researchers argue that loyalty programmes cannot in any true sense create loyalty (Nunes & Dreze, 2006). Some researchers have criticised loyalty schemes as a form of commercial bribery. Whyte (2004) suggested that loyalty schemes actually create an illusion of loyalty through continued repurchase, but yet there are other factors affecting the relationship, including how the relationship was formed.

According to Geddie et al. (2005), the hope of relationship marketing is to build a relationship in order to keep existing customers and to encourage them to be even better customers, rather than having to constantly win over new customers, which is a more costly way to make sales. Berry (1995) argued that there are two levels of relationship marketing; the first level relies on economic incentives or offers tangible rewards over time to develop and maintain relationships (e.g., frequency marketing programmes). The second level of relationship marketing focuses on social aspects of a relationship and offers social and psychological benefits to customers (e.g., special treatment programmes and club marketing programmes). Similarly, Shoemaker and Lewis (1999) differentiated between frequency programmes and loyalty programmes. The primary focus of frequency programmes is to build repeat businesses, while for loyalty programmes the focus is to build an emotional attachment to the brand. There is a continuing debate concerning whether simple rewards schemes (i.e., through discounts and savings) enhance customer loyalty more than sophisticated loyalty programmes (i.e., through customisation) which are based on the storage of individual customer's demographic status and spending patterns (O'Malley, 1998; Humby et al., 2004; Melnyk, 2005). The following is a review of the marketing literature covering empirical studies which provide mixed support for loyalty programmes.

Loyalty programme adoption is a part of an emphasis on defensive marketing; that is, activities which focus on holding on to existing customers and getting more custom from them opposed to activities that focus on winning new customers (Sharp & Sharp, 1997). The mention of loyalty programmes usually raises an image of a pay-for-play or points schemes, where customers are rewarded for their purchases with various incentives, primarily additional products or services or other gifts, but also recognition as a valued customer (Hallberg, 2004; Morais, Dorsch & Backman, 2004). A very popular form of loyalty programme is the quantity discount or volume rewards. The key to volume rewards programmes is that rewards are linked to volume; when a customer purchases at least X number of units, then the customer receives the next unit free or at some designated discount (Palmer et al., 2000). Sharp and Sharp (1997) argued that loyalty programmes are concerned mainly with behavioural loyalty rather than attitudinal loyalty because practically, loyalty programmes only reward behaviour.

Customers are not given points, prizes, discounts or any other reward/incentive for changing their attitudinal loyalty. Some researchers have coined these programmes as frequency programmes (Shoemaker & Lewis, 1999).

Although a loyalty rewards programme is a multidimensional construct, it can be defined in its simplest form as "...a programme that allows customers to accumulate rewards when they make repeated purchases with a firm" (Liu, 2007, p.20). It is an identifiable package of benefits offered to customers that rewards repeated purchases (Palmer et al., 2000). It is an integrated system of marketing actions that aims to make member customers more loyal (Sharp & Sharp, 1997; Bolton et al., 2000). Meyer-Waarden and Benavent (2009) defined loyalty programmes differently as "...an integrated system of individualised marketing actions that aims to increase customers' loyalty through personalised relationships that stimulate their purchase behaviour" (p.346). A customer must become a member and identify as such at every purchase to take advantage of the loyalty programme (Leenheer, Heerde, Bijmotel & Smidts, 2002). Such a programme rarely benefits customers in one purchase but is intended to foster customer loyalty over time. Thus, promotions that work as one-shot deals, such as instant scratch cards are not considered loyalty programmes (Liu, 2007). Loyalty programmes imply that participating customers are able and willing to defer some of the benefits of a transaction to the future (Mowen, 1995). Instead of acquiring the entire benefit of a purchase at the time of the transaction, customers implicitly choose to defer the receipt of the rewards or other valuable benefits.

Airline frequent flyer programmes (FFPs) are the essence of this kind of loyalty programme. They were first introduced in the early 1980s and offered free trips and upgrades on the airline (Hallberg, 2004). In the wake of industry deregulation in 1979, American Airlines were looking for a cost-effective marketing proposition which could fulfill the dual objectives of promoting customer loyalty and providing consistency of demand. The airline industry discovered that the best way to build customer loyalty was to reward customers for their patronage through frequent flyer award programmes. The NZ Fly Buys programme is an example. It offers points to shoppers that can be redeemed for free air travel or accommodation. Typically, customers earn one point for every \$20 spent, though

the points' barriers vary across the participating stores (Sharp & Sharp, 1997). Uncles (1994) argued that customers are motivated to participate in such programmes because, fundamentally, most people like to get something from nothing. The mechanics of airline frequent-flyer promotion are simple; individuals enrol, usually at no charge, and accumulate mileage credits by flying on the airline or its affiliates, by staying at designated hotels, or by renting cars from specific firms. When the person accumulates a given level of credits, those credits can be exchanged for free tickets or flight upgrades (Toh, Rivers & Withiam, 1991).

Frequent flyer programmes used by airlines created an incentive for companies to accelerate revenues in the current period while deferring costs to future periods. However, promises of rewards in the form of future services, future upgrades, future gifts and any other forms of credits in return for immediate revenues will create future obligations that may or may not appear on any company balance sheet (Shugan, 2005). For example, at the end of 2003, United Airlines estimated that its loyalty programme (i.e., outstanding programme awards) represented a liability of US \$717 million the airline would have faced serious financial troubles at that time if their so-called valued customers cashed-in their accumulated credits.

Another example is Fly Buys, which was launched in Australia in 1994 (and in New Zealand in 1996) accompanied by considerable promotion and press interest. About 10.8 million brochures were printed for the launch, and 2.4 million plastic (magnetic swipe) membership cards were produced. Fly Buys is Australia's largest consumer loyalty programme and one of the world's largest in terms of coverage (Sharp & Sharp, 1997). Fly Buys' operating budget is consistently reported to be in excess of a \$20 million per annum, a figure which does not include customer rewards (i.e., travel). There are about 2.5 million individual Fly Buys cardholders in New Zealand, one of the highest rates in the world for loyalty card programmes and it is also New Zealand's largest loyalty programme. Shugan (2005) argued that many so-called loyalty programmes are shams because they produce liabilities (e.g., promises of future rewards) rather than assets. These programmes produce short-term revenues from customers while producing

substantial future obligations to those customers. Many airlines have begun to talk about these frequent flyer programmes as a burden, but individual airlines are still reluctant to abandon their schemes, because they think discounting them will result in a competitive disadvantage (Kelly, 2006). As a result, once FFPs are established, it is extremely difficult if not impossible to discontinue them (O'Malley, 1998). Sharp and Sharp (1997) argued that firms adopt loyalty programmes on the premise that they are locking-in customers via points collection while actually firms are locking-in themselves because such programmes even unsuccessful ones, are difficult to withdraw from once introduced without upsetting a large number of customers.

Inspired by the airlines' success, hotels started offering frequent-guest programmes in the mid-1980s. At the beginning, hotel marketers were reluctant to acknowledge that their products could also be considered commodities, but a lot of them were quick to embrace the same strategy to entice guests to come back (Yesawich, 1997). In 1983, Holiday Inn, followed shortly by Marriott, effectively pushed the hotel industry into the mire of patronage-reward programmes (McCleary & Weaver, 1991). Hotels have started their own frequent-stayer programmes modeled on those of the airlines (Toh, et al., 1991), with no enrolment fee (except for Holiday Inn and Sheraton) and sometimes with bonus points just for enrolling (notably given by Hilton, Marriott, and Westin). Hotels' rewards programmes were based on the simple "buy-ten-get-one-free", and all worked basically the same way (Seacord, 1996). A Marriott Honored Guest member earned 100 points for each night in a hotel, 10 points for each dollar charged to a guest's room, and 3000 points enrolment bonus. Hyatt Gold Passport members earned 5 points for every dollar spent. Similarly, Hilton awarded 10 points for every dollar spent in the hotel, while Omni originally awarded 10 points for every night and 20 points signup bonus. Mirvac hotels and resorts recognise and reward repeat guests who are members in "many happy returns" loyalty programme. Guests have the freedom to explore the range of over 45 hotels and resorts across Australia, New Zealand and South Pacific. Membership to this programme is easy. Once registered for membership, Mirvac hotels and resorts will track a guest's stay on a monthly basis and once a guest has stayed at two different hotels or resorts within a 12 month period, s/he will be instantly rewarded with a 10% discount off the best available rates for the next stay at all

hotels and resorts all year around (<http://www.mirvachotels.com/many-happy-returns>).

Hotels enticed guests to join frequent-stay programmes in the hope that the members of these programmes (sometimes called steady sleepers) will repeatedly patronise the same hotel chain to earn points through room credits, in-house purchases, airline travel, car rental, and credit tie-ins (Rivers, Toh & Alaoui, 1991). When the minimum award levels have been achieved, repeat hotel guests are rewarded for their loyalty with free stays, room upgrades, merchandise, package tours, car rentals, and sometimes even cash (Rivers, Toh & Alaoui, 1991). Some examples of loyalty programmes in the tourism industry include Marriott Rewards, United Airline Mileage Plus, Carnival Past Guest Privileges and Hertz #1 Club.

Liu (2007) suggested that loyalty programmes can provide value to customers in two stages. In the first stage, programme points are issued to customers at the time of the purchase. Although these points have no practical value until they are redeemed, recent studies showed that they have important psychological meaning to customers (Hsee, Yu, Zhang & Zhang, 2003; Van, Stijn, Joseph & Puneet, 2004). The psychological benefit increases the transaction utility of a purchase and subsequently the overall value perception of doing business with the firm (Liu, 2007). Because customers can later redeem points for free rewards, point accumulation creates an anticipation of positive future events, which increases customers' likelihood of staying in the relationship (Lemon, White & Winer, 2002). In the redemption stage, customers receive both psychological and economic benefits from a loyalty programme. The free reward functions as a positive reinforcement of customers' purchase behaviour and conditions them to continue doing business with the firm (Sheth & Atul, 1995). These programmes not only help build customers' commitment but also demonstrate a firm's commitment to establishing a long-term relationship with its customers. Such a commitment and demonstration of goodwill can further deepen the relationship between the firm and its customers (Liu, 2007).

However, although it is certainly possible that promises of future rewards could in some indirect manner create loyalty, that loyalty (whether it is from habit, familiarity, switching costs, etc.) may not survive if these future rewards were eliminated (Shugan, 2005). Meyer-Waarden & Benavent (2009) asserted that once customers earn the reward, they lose their principle purchase motivation and switch back to their habitual stores. Nunes and Dreze (2006) argued that loyalty programmes cannot in any true sense create loyalty. Loyalty means faithfulness and consistent devotion. If you are loyal to something (e.g., a concept, a person, a product, a service), you stick with it even when doing so runs counter to your interests. But surely this is not something to be expected in any commercial setting; it's scarce enough in love and war.

Javalgi and Moberg (1997) noted that hotel managers were encouraging guests to join frequent-stayer programmes in order to build up loyalty. Although some other studies that investigated the effectiveness of frequent-guests programmes (FGP) for increasing customer loyalty concluded that hoteliers would be happy to drop these programmes because they were too expensive to operate (McCleary & Weaver, 1991, 1992; Toh et al., 1991). Frequent-guest programmes are costly for hotels; initiation and maintenance requires investment, and free rooms or upgrades are expensive. It has been estimated that hotel companies may spend about \$35 million to \$50 million annually for these programmes but only get in return \$60 million to \$80 million in revenue (Bond, 1995). But although frequent-guests programmes are costly, they do work. Hilton questioned its 10,000 HHonors members and found that 19 per cent of them would not stay at Hilton without such a membership programme (McCleary & Weaver, 1991). Marriott also reported that its FGP members spent two-and-a-half times more at Marriott than they did before joining the programme (Seacord, as cited in Tepeci, 1999).

A loyalty programme allows firms to create a relationship with their customers by advising them that they are special. For example, hotels' guests noted that they would like to be treated like a king, which made them feel like a king (Elebiary & Lockyer, 2008). A rewards programme can accelerate the loyalty life cycle, encouraging first- or second-year customers to behave like a company's most profitable tenth-year customers (O'Brien & Jones, 1995). For the company, the

goal is to thank customers for their business and show them that the company is interested in building and maintaining a relationship with them (Sparks, 1993). O'Brien and Jones (1995) suggested that sustainable customer loyalty, resulting in a long-term commitment, could be built only if a company rewards its customers with special services and attention. One of the possible ways to demonstrate to customers that a company cares about them personally is personalisation/customisation.

Personalisation is the extent to which members of loyalty programmes are reached in a personalised way and/or get customised offers (Anderson, Fornell & Rust, 1997). Companies can also gain sustainable customer loyalty (via loyalty programmes) through diversification, that is, by providing non-utilitarian benefits to members of loyalty programmes that are not provided to non-members. Diversification is the splitting of customers into loyalty programme members and non-members (Van Heerde & Bijmolt, 2005). McCleary and Weaver (1992) found that business travellers who belong to frequent-guest programmes were willing to pay more than non-members for a hotel room and were more likely to bring their families along to stay in the hotel. The McCleary and Weaver study (1991) also demonstrated that dropping frequent-guest programmes will not have an effect on customers' loyalty for nearly half (49.4 per cent) of the guests who belonged to frequent-stay programmes. Bolton et al. (2000) suggested that customers who are members of loyalty programmes are more likely to make favourable repurchase decisions and will tend to have stronger ties to the service organisation than non members.

Many studies followed investigating the impact of loyalty programmes on customer loyalty. Toh et al. (1991) demonstrated that steady sleepers consider their membership in a rewards programme to be more important in the choice of a hotel chain than do non-members. However, when they were asked to rank the importance of eight factors that would influence their choice of a hotel, they cited convenience of location, overall service and readiness of rooms as the most important, while the incentive programmes were ranked only sixth in importance in influencing their choice. Shoemaker and Lewis (1999) introduced the loyalty triangle which provided a framework for understanding customer loyalty, and

explained the differences between frequency programmes and loyalty programmes. According to Shoemaker and Lewis (1999), the primary focus of frequency programmes is to build repeat businesses, while for loyalty programmes the focus is to build an emotional attachment to the brand.

Similarly, Shoemaker and Bowen (2003) noted that hotels cannot buy guests' loyalty with frequency programmes, and they should focus instead on building emotional loyalty. Also, Morais et al. (2004) demonstrated that most current loyalty programmes promote repeat purchases but are ineffective in enhancing customers' psychological attachment. However, in order to maximise the loyalty benefits of any loyalty programme, success must be evaluated not only in terms of a financially acceptable level of repeat buying (i.e., behavioural loyalty), but also by increasing emotional attachment of programme participants to the brand (i.e., emotional loyalty) (Hallberg, 2004).

Dowling and Uncles (1997) suggested that based on behavioural learning theory the buyers' level of involvement with the product/service affects the way loyalty programmes induce them. For low-involvement products and services, loyalty programmes may induce loyalty to the programme itself (deal loyalty) while in high-involvement situations it will induce loyalty to the product/service (Rothschild & Gaidis, 1981; Dowling & Uncles, 1997). Dowling and Uncles's results were further demonstrated by Yi and Jeon (2003) who investigated how rewards schemes of a loyalty programme influence perceived value of the programme and how value perception of the loyalty programme affects customer loyalty. Their findings suggested that involvement moderates the effect of loyalty programmes on customer loyalty. In high-involvement situations, direct rewards are preferable to indirect rewards, while in low-involvement situations, immediate rewards are more effective in building a programme's value than delayed rewards. The researchers also found that under high-involvement conditions, value perception of the loyalty programme influences brand loyalty both directly and indirectly through programme loyalty, while under low-involvement conditions, there is no direct effect of value perception on brand loyalty.

There is an assumption that loyalty schemes can encourage customer loyalty by providing benefits to customers which represent value. However, the extent to which loyalty schemes offer value to consumers is questionable; in the sense that value represents different things to different people and will be different in different contexts (O'Malley, 1998). Loyalty schemes can be classified according to whether or not the reward supports the product/service value proposition and its timing (whether the reward is immediate or delayed). Dowling and Uncles (1997) suggested that loyalty programmes which directly support the value proposition of the target product/service better fit the goals of loyalty marketing.

Melnyk (2005) noted that rewards can be of two types: utilitarian (also known as hard rewards) and non-utilitarian (soft rewards). Utilitarian rewards are monetary rewards, which may include discounts, savings, coupons, cash rewards, free products, etc. (Chandon, Wansink & Laurent, 2000). Non-utilitarian rewards do not provide direct monetary value; instead they provide psychological or emotional benefits. They may include preferential treatment, special attention, extra service for members only, etc. (O'Brian & Jones, 1995). Nunes and Dreze (2006) suggested that rewards can be divided into two types; sticky and slippery. Sticky rewards stick to the recipient's mind, reinforcing the relationship with the programme provider, while slippery rewards are ordinary and tend to slip from memory. In the same way, customers love to be given a treat they would pay for with their own money. Customers like to be rewarded through performance incentives that promise luxury vacations more than purely utilitarian incentives like cash bonuses (Nunes & Dreze, 2006). Behavioural learning theory suggests that utilitarian rewards might train customers to become more sensitive to deals (Rothschild & Gaidis, 1981). This implies that getting a deal (e.g., points or discounts) in one company might stimulate customers to search for further deals, which in turn might result in obtaining multiple loyalty cards from different companies and using them interchangeably. Thus, unless there is only one company in the market with a loyalty programme that offers a discount, discounts might actually decrease loyalty rather than increase it.

This conclusion is consistent with O'Brien and Jones (1995) who argued that building loyalty programmes on a purely economic basis (i.e., by giving only

discounts/savings as a reward) can create chronic switchers who routinely shop for the best deals at multiple places. Therefore, companies offering loyalty programmes could end up with polygamous (i.e. divided) loyalty rather than true loyalty (O'Malley, 1998). Also, if such rewards were ended or stopped by terminating the loyalty programme, it is very likely that loyalty towards the company would decrease because the stimulus that evoked the customer's reaction would not be present anymore. This is clear from the theory of loss aversion which suggests that losses always have a superior effect over gains. Therefore, if customers lose the benefits of loyalty programmes they enjoy, their loyalty towards the company may not only decrease, it may become lower than if there had never been a loyalty programme in the first place (Chandon et al., 2000).

Further, Bolton et al. (2000) conducted a study investigating the conditions under which a loyalty rewards programme will have a positive effect on customer evaluations, behaviour and repeat purchase behaviour. The results of the study showed that members in the loyalty rewards programme tend to overlook negative evaluations of the company vis-à-vis competition. The reason is that members of the loyalty rewards programme perceive that they are getting better quality and service for their price. The same study demonstrated that the impact of loyalty rewards programmes on customer loyalty is likely to be moderated by customers' assessments of their service experiences. In other words, being a member in a loyalty rewards programme makes customers feel that they are special and this has an influence on their judgments regarding the service provider. Similarly, Hallberg's study (2004) used a database of more than 600,000 in-depth consumer interviews around the world and revealed that in order to build brand loyalty, marketers should use loyalty programmes to build consumers' emotional attachment to the brand rather than just focus on repeat buying. In addition, the study demonstrated that repeat purchasing has little or no impact on emotional loyalty.

Melnyk (2005) investigated the effect of utilitarian (discount and savings) and non-utilitarian rewards (diversification between members and non-members and personalisation) on customer loyalty considering both the introduction and

termination stages of the loyalty programme cycle. The study was based on customer responses to 22 loyalty programmes in the Netherlands. The study demonstrated that utilitarian elements of loyalty programme design failed to stimulate customer loyalty. In particular, the effect of saving points was insignificant both at the loyalty programme introduction and its termination. Discounts were found to have marginally significant negative effects on customer loyalty in the introduction stage of a loyalty programme (especially if customers evaluate the company negatively due to some elements of the loyalty programme they don't appreciate), but discounts do not have any significant effect if the loyalty programme is terminated. In contrast, non-utilitarian design elements were more effective in creating customer loyalty. Also, non-utilitarian diversification between members and non-members has been revealed to be a powerful tool in creating sustainable customer loyalty that lasts even when a loyalty programme stops. In contrast to diversification, personalisation had no effect on customer loyalty at either the introduction or termination of loyalty programmes. Although females were found to be less likely to remain customers if they lost personalisation, men were found to be significantly more loyal than women to companies after a loyalty programme's introduction. However, when a loyalty programme stopped, men were less likely than women to stay customers of the company. Melnyk (2005) asserted that one possible explanation for the differences in effect between diversification and personalisation is that in some cases customers need to actually experience personalisation before they can start appreciating it. But diversification between members and non-members becomes clear from the moment customers join the programme.

Rivers et al. (1991) examined the demographic characteristics of members of frequent-stayer programmes in a number of different hotels. The results were similar to the Toh et al. study (1991) in the sense that members of these programmes revealed that the location of a hotel, overall service, room readiness, and price are more important to them than frequent-stayer programmes in the lodging experience, and these programmes do not affect their choice of hotels. Further, Bowen and Shoemaker (1998) conducted a study in an attempt to identify the features that build loyalty. They tested the loyalty-creating effects of 18 possible benefits which were identified in in-depth interviews. Respondents from a luxury hotel in New York were asked to rate each benefit on a Likert-type scale,

where 1 meant the factor would have no impact on loyalty and 7 meant the factor would have a great impact on loyalty. Almost 80 per cent of the respondents gave a high rating to having a hotel where hotel staff communicate the attitude that the guests' problems are important to the staff, while 49.2 percent of the respondents stated it was important that hotels have frequent-guest programmes which allow guests to earn points toward free accommodation.

The results of Bowen and Shoemaker's study (1998) were further demonstrated by Liu (2007) who examined the long-term impact of a loyalty programme on consumers' usage levels and their exclusive loyalty to the firm over a two-year period. Data were used from a random sample of 1000 customers who were extracted from a convenience store chain's loyalty programme. The results of the study demonstrated that the loyalty programme had different effects on customers' behaviour depending on their initial usage levels. Customers who were heavy buyers at the beginning of the programme were most likely to claim the rewards they earned and thus benefited the most from the programme. However, their spending levels and exclusive loyalty to the store did not increase over time. In contrast, the loyalty programme had positive effects on both light and moderate buyers' purchase frequencies and transaction sizes, and it made these customers more loyal to the store. On the contrary, Meyer-Waarden and Benavent (2009) conducted a study in the retail sector in a French town to examine the impact of loyalty programmes which target existing customers on repurchase behaviour in grocery stores. The study demonstrated that heavier, more frequent customers of a store enrol in the loyalty programme earlier; that buying behaviour changes only slightly after buyers join the programme, while small changes in loyalty appear to occur 6-9 months later (the average time expected to earn a reward) after buyers join.

Reichheld's study (1996) claimed that loyalty programmes can be more profitable to firms because the costs of serving customers are less, loyal customers have less price sensitivity, they spend more with the company, and they pass on positive recommendations about their favourite brands/suppliers. However, Dowling and Uncles (1997) argued that there is little well-documented empirical research to substantiate these claims. It is not clear why costs of serving a very regular (i.e.,

loyal) repeat customer should in principle be different to those of serving any other type of repeat customer. Why some transactions will differ in cost has more to do with the type of the transaction, not the loyalty of the customer or their membership of a loyalty programme. The key variables deriving costs should be first purchase versus repeat purchase or size and type of order, not loyal versus divided or disloyal customers. However, Kim, Shi and Srinivasan (2001) argued that through loyalty programmes, it might cost less to serve an experienced customer by being a member who needs no initiation and needs fewer support services.

The claim that loyal customers are less price sensitive may be true or may be not. It depends on how important price is to them and the value proposition (i.e., benefits relative to price) offered by the brand. It is the perceived value of the product/service, not loyalty, which derives price insensitivity. Similarly, Smith (1990) described price sensitivity as elasticity, and asserted that products/services can be classified into two categories (luxuries and necessities) based on the availability of close substitutes. Luxuries have higher price elasticity than necessities because of the ease of close substitutes. Based on that premise, staying (not choosing, as the location factor is excluded from consideration) in a hotel in general is considered a luxury not all of us can afford and thus characterised by high price elasticity for hotels' guests.

It may be that loyal customers spend more with a company simply because they buy more than less loyal customers (e.g., business air travelers). As such, it is their weight of purchase that matters most, not necessarily their loyalty. The last claim is that loyal customers will pass on favourable word-of-mouth information about a company. There is little research to indicate what percentage of loyal customers help a company to market its products/services. Also, it is not known whether only loyal customers, or those who in a loyalty programme are likely to do this, or whether it is simply that satisfied customers who say nice things. However, Dowling and Uncles (1997) suggested that customer loyalty programmes which directly enhance the product/service value proposition, or broaden the availability of the product/service, or neutralise a competitor's programme may still be worthwhile.

Shugan (2005) argued that although loyalty programmes claim to give preferential treatment to frequent customers, competition will often target non loyal customers (i.e., infrequent as defined by loyalty programmes) and leave the firm with only loyal customers (as defined by loyalty programmes). Consequently, discrimination by being a member in a loyalty programme gradually diminishes until the original firm is left only with customers who get the so-called rewards, and this is the point where the reward becomes a standard part of the service delivery. Similarly, O'Malley (1998) and Nunes and Dreze (2006) noted that loyalty programmes are developed for a variety of reasons including to reward loyal customers, to keep customers from defecting, to yield an insight into customers' behaviour and preferences, to manipulate customers' behaviour and as a defensive measure to combat a competing scheme. The real problem appears in the last objective; in the sense that an organisation may initiate a loyalty programme as a method to gain a competitive advantage among segments of its customers who are attracted by such programmes. However, this may rapidly become a norm within the sector as competitors create copycat (i.e., me-too) programmes. This was evident when the American airlines launched their first frequent flyer programmes in May 1981, and which have since spread like a virus through global aviation (Palmer et al., 2000). It is also clear from the number of supermarket schemes launched in the wake of Tesco's Clubcard in UK in 1995 (O'Malley, 1998).

Although the competitive advantage offered by loyalty programmes might diminish over time, the advantage offered by a constant flow of information about customers' behaviour will remain relatively enduring. Knowing who the loyal customers are, what they buy and how often can still provide a way to gain a competitive advantage. It was suggested that loyalty programmes can represent a relatively inexpensive means by which an organisation can collect information about its customers (Palmer et al., 2000). For example, the Fly Buys programme covers all purchases made at participating stores (more than 20% of Australia retail spending, and also cover credit card usage and petrol sales). Consumers are required to present their Fly Buys card along with payment to collect points. The Fly Buys card therefore enables the collection of customer behaviour data for the participant brands (Sharp & Sharp, 1997). Marriott hotels use the guests'

databases to customise services (Shoemaker & Lewis, 1999). Cram (1994) highlighted how Marriott hotels use their databases

“...knowing their customers is their lifeblood. Through their computer system, the Marriott receptionist knows, as the customer checks in, whether s/he appreciates an iron in his room, whether s/he prefers a non-smoking room on the first floor, whether the bill will be customer-settled, sent to the firm, or charged to a monthly account, whether the customer is a member of the Diamond Club and entitled to an upgrade” (p.123).

Loyalty programmes based on the storage of individual customer's demographic status and spending patterns can contribute significantly to an organisation's knowledge base. Although the explicit aim of most loyalty schemes is to reward customers, the implicit aim of most schemes is to manipulate consumer behaviour with a sophisticated system where incentives and coupons can be individually targeted after building up a fairly accurate picture of a customer's life (O'Malley, 1998). This manipulation can have different forms, such as encouraging customers to try new products/services; pay premium prices; increase multi-pack purchases and/or use the brand for increasingly diverse services. For example, some supermarkets have successfully persuaded customers to purchase pharmaceuticals, petrol, wine and more recently even banking services. Tesco's loyalty programme features a business model of programme efficiency and a customer model of data-driven knowledge, which enables the firm to tailor strategies and incentives to appeal to different market segments (Humby et al., 2004). Nunes and Dreze (2006) argued that it is not sufficient to collect loyalty programme data and expect that effective marketing moves will spontaneously suggest themselves; one must have a marketing objective in mind and then seek the data.

Dowling and Uncles (1997) argued that before introducing a loyalty programme, managers would be wise to fully cost it (including development, marketing and on-going costs), and compare these costs with a realistic assessment of the benefits of the programme. A loyalty programme must enhance the overall value proposition of the product/service to be able to succeed under tough market conditions. In other words, for any customer loyalty programme to be as effective

as possible, given the prevailing competitive conditions, it will need to provide leverage to the brand's core customer value proposition. Palmer et al. (2000) argued that although it may be difficult to assess the long-term impact of loyalty programmes on profits, a number of factors can be used as an indicator of loyalty programmes effectiveness. They include the level of take-up among customers, redemption rates, the level of dialogue with customers, the longevity of a programme, its contribution to a company's knowledge base and the ability of the programme to segment its customers (Dick & Basu, 1994).

Palmer et al. (2000) explored the effects of market structure on the effectiveness of loyalty programmes. Two propositions were tested through a case study which examined two sectors with different market structures; civil aviation and car ferries. The first hypothesis was that loyalty programmes are more effective when they fulfill a previously unsatisfied need of companies for information about their customers. The second one was that loyalty programmes are more effective when markets can be segmented on the basis of the benefits sought from loyalty and suppliers are able to respond by differentiating their total product offer to satisfy these different needs. The data collection of the study consisted of interviews conducted with representatives from a sample of six airlines and four ferry operators based in the UK. The results of the study supported the two propositions; that a loyalty programme is most likely to be effective when companies can gain significantly from the information that is collected and when they operate in a market which can be segmented.

Nunes & Dreze (2006) noted that it may appear that designing a loyalty programme is a straightforward exercise, as it must be attractive to customers and not too expensive. However, both sides of the equation are easier said than done. According to O'Brien and Jones (1995), there are five elements which combine to determine a programme's value. They are the cash value of the redemption rewards (i.e., the ratio of the cost of the product/service to the dollar purchases necessary to accumulate enough points), choice of redemption options (i.e., the range of rewards offered), the aspirational value of the rewards (i.e., how much the customer wants the reward), relevance (i.e., the perceived likelihood of achieving the rewards), and convenience (i.e., the ease of participation in the

scheme). Dowling and Uncles (1997) added to these five elements the psychological benefits of belonging to the programme and participating in accumulating (i.e., collecting) points. Meyer-Waarden and Benavent (2009) noted that customers often weigh the value they expect to receive from a loyalty programme against associated expenses and enrol in a programme only if they judge the utilities (e.g., relationship, financial advantages) as more valuable than the associated costs (e.g., providing personal data to the firm, effort required to collect points, switching costs).

Melnyk (2005) and Kumar and Reinartz (2005) noted that some companies failed to create effective loyalty programmes, and this ineffectiveness of loyalty programmes combined with typically high costs associated with maintaining them pushed these companies to terminate or modify their loyalty programmes. For example, Safeway terminated its loyalty programme in 2000, while Continental Airlines downgraded some types of rewards for their customers (Kumar & Reinartz, 2005). On the other hand, there are multiple examples of companies that still enjoy the effectiveness of their loyalty programmes and have even broadened them, e.g., Tesco and Marriott hotels (Binkley, 2003). Marketers should be cautious that once they introduce loyalty schemes, these schemes will not only raise the costs of doing business, competitors may respond with similar schemes. The final outcome may be no more than a minor tactical advantage in a zero-sum game (Uncles, 1994).

For a company to practise loyalty marketing, it is first necessary to know who the loyal customers are. This is a lot easier for smaller businesses than larger ones. As the number of customers increases, database marketing and market research have to be used in the absence of personal knowledge. However, the firm's ability to monitor its customers' behaviour becomes more complicated as computerised database technology becomes more sophisticated. For companies with poor data about their customers, an additional benefit of customer loyalty programmes is that members will often self-identify themselves at the point of purchase or service delivery. Membership cards are a quick way for customers to signal that they deserve special attention, so customers who demand personalisation are

armed with an encoded plastic card and in general the value scheme is disguised as a loyalty scheme (Kelly, 2005).

The developments of customer databases via loyalty programmes can create the opportunity for companies to segment their customers and thus enable more personal relationships with customers. Melnyk (2005) suggested that this type of relationships can be achieved via specific loyalty programme design elements. For example, loyalty programmes may include two relational elements. First, non-utilitarian diversification between members and non-members, which implies treating the two different groups of customers differently (e.g., by offering members extra service, etc.) (Reinartz & Kumar, 2000). Second, non-utilitarian personalisation or customisation; which implies treating different individual customers differently (e.g., through direct mails, personalised offers, etc.) (Coviello, Brodie, Danaher & Johnston, 2002; Dellaert & Stremersch, 2005).

The marketing literature provides some evidence that non-utilitarian benefits of loyalty programmes are at least as effective (if not more) in creating behavioural loyalty as the utilitarian elements (Chandon et al., 2000; Aggarwal, 2004). The reason for the effectiveness of non-utilitarian elements of loyalty programmes lies in the heart of the theory on customer loyalty. The theory suggests that a change in a customer's attitude is a necessary condition to create sustainable loyalty (Dick & Basu, 1994; Dowling & Uncles, 1997; Oliver, 1999). Jacoby and Chestnut (1978) noted that attitudinal commitment is an essential element of loyalty and suggested that beliefs and attitude of a consumer should be considered in order to explain loyal behaviour. Similarly, Oliver (1999) demonstrated through a conceptual framework that behavioural loyalty is preceded first by commitment, followed by affective (i.e., attitudinal) commitment. Thus, loyalty programmes that are directed toward enhancing customer's attitude toward the company rather than at direct stimulation of behaviour might be a key to creating behavioural loyalty (Melnyk, 2005).

The crucial question is whether a customer loyalty programme offers a better return than an alternative marketing tool such as a price cut, a move to everyday low pricing, increased advertising, or increasing distribution coverage. Firms

should fully cost the loyalty programme (Dowling & Uncles, 1997). There are a number of highly visible costs such as those associated with launching the programme, database creation and maintenance and the value of rewards claimed. Other costs are less visible, namely the opportunity cost of managers' time spent on the loyalty programme rather than on other marketing activities, and the effectiveness of the loyalty programme compared with an alternative use of the funds. O'Malley (1998) noted that not all loyalty schemes offer the five elements of value mentioned by O'Brien and Jones. But it is clear that companies who want to play the rewards game should be sure that their value measures up to customers' alternatives (O'Brien & Jones, 1995).

As discussed before, the effect of loyalty programmes on customer loyalty is a topic of debate. Most loyalty programmes do not turn all disloyal customers loyal or make customers exclusively loyal, but this does not mean that loyalty programmes cannot be a useful tool (Leenheer, Heerde, Bijmolt & Smidts, 2007). Although loyalty programmes have become widespread, there is little evidence of changes in customers' behaviour that justify expenditures on these programmes (Sharp & Sharp, 1997). Meyer-Waarden and Benavent (2006) provided mixed support for the impact of loyalty cards on customer share of wallet. Similarly, Meyer-Waarden (2007) provided mixed support for the impact of loyalty programmes on customer lifetime. As expressed by Koslowsky (1999), while none of these programmes result in a perfect world, each can generate that little extra that can provide the marketer with potential tactical weapon. Although when all companies have loyalty programmes, the market is characterised by an absence of change of the competitive situation (Meyer-Waarden & Benavent, 2006).

As a result, those empirical studies reviewed here provide mixed support for loyalty programmes. While frequent-flyer programmes have been used as a marketing tool by major airlines for many years and resulted in a magnitude change in this industry, the phenomenal success of the airlines' frequent-flyer programmes has not translated totally to the hotel industry (McCleary & Weaver, 1991; Toh et al., 1991). There is still a considerable amount of controversy surrounding the value of hotels' frequent-guest programmes as an appealing marketing tool (Shugan, 2005), as well as a means of increasing guest loyalty (McCleary & Weaver, 1991).

2.6 RESEARCH OBJECTIVES

This section presents the overall research objectives (Table 2-1). The next chapter takes the research objectives and links them specifically to the literature and the research hypotheses. Customer satisfaction has been highlighted in the literature as one of the main variables behind customer loyalty. Several studies have indeed found satisfaction to be a (and often the) leading factor in determining loyalty (e.g., Gremler & Brown, 1996; Bowen & Chen, 2001). Other studies, however, suggested that satisfied customers may not be sufficient to create loyal customers (e.g., Cronin & Taylor, 1992; Reichheld, 1993; Ball, Coello and Vilares, 2006). Macintosh & Lockshin (1997) argued that interpersonal relationships between employees and customers can enhance customer loyalty. Therefore employee loyalty is presented in the literature as one of the antecedents for customer loyalty (Reichheld, 1996; Wong & Sohal, 2003). Also, Yieh et al. (2007) noted that perceived quality is an antecedent for loyalty. Thus, the linkage between staff and guest loyalty in the hotel industry is of considerable interest to both academics and practitioners; moreover, loyalty programmes have been identified as an important area of study in hospitality management (Sharp & Sharp, 1997; Bolton et al., 2000; Palmer et al., 2000; Shoemaker & Bowen, 2003; Whyte, 2004; Nunes & Dreze, 2006; Liu, 2007).

In recent years, there has been an increasing focus on employees and customers' long term relationship and loyalty with hotel organizations on the premise of offering the firm a unique opportunity to gain market leadership (Kandampully, 1998). There has thus been an increasing interest in furthering understanding of the role of hotel employees' loyalty and service quality and the subsequent influence on customer loyalty. Although there have been numerous other studies on this topic, there has been very limited research on the role of employee loyalty (Reichheld, 1996; Wong & Sohal, 2003), service quality (Yieh et al., 2007) and the influence of loyalty programmes in the hotel industry leading to customer loyalty (Sharp & Sharp, 1997; Bolton et al., 2000; Palmer et al., 2000; Shoemaker & Bowen, 2003; Whyte, 2004; Nunes & Dreze, 2006; Liu, 2007). Osman et al. (2009) noted that customer loyalty drivers in the hotel industry cannot be clearly defined, as they could be attributed to the purpose of stay, the rate paid,

convenience or other criteria. Hence this research contribute to the body of knowledge in hospitality management theory as it investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes.

The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. This research aim was achieved through the research objectives illustrated in Table 2-1. These rsearch objectives are directly connected to the literature discussion. The next section in the study (theoretical framework) takes the research obectives and specifically relates them to the literature and the research hypotheses. Table 2-1 shows also the hypothesis for each research objective that was tested in the study and presented in Table 6-27 and Table 6-30.

Table 2-1 Research Objectives	
Research Objectives	Research Hypotheses
1- To determine the relationship between guest commitment and guest loyalty.	H_{1a}, H_{1b}^*
2- To explore if there is a significant relationship between guest satisfaction and guest loyalty.	H_2^*
3- To examine the relationship between service quality and guest satisfaction.	H_{3a}, H_{3b}, H_{3c}^*
4- To investigate if there is a significant relationship between service quality and guest loyalty.	H_{4a}, H_{4b}, H_{4c}^*
5- To examine the relationship between staff loyalty and guest loyalty.	H_5^*
6- To examine the relationship between loyalty programmes before service encounter and guest loyalty.	H_6^*
7- To examine the relationship between loyalty programmes during service encounter and guest satisfaction.	H_7^*
8- To examine the relationship between loyalty programmes after service encounter and guest commitment.	H_{8a}, H_{8b}^*

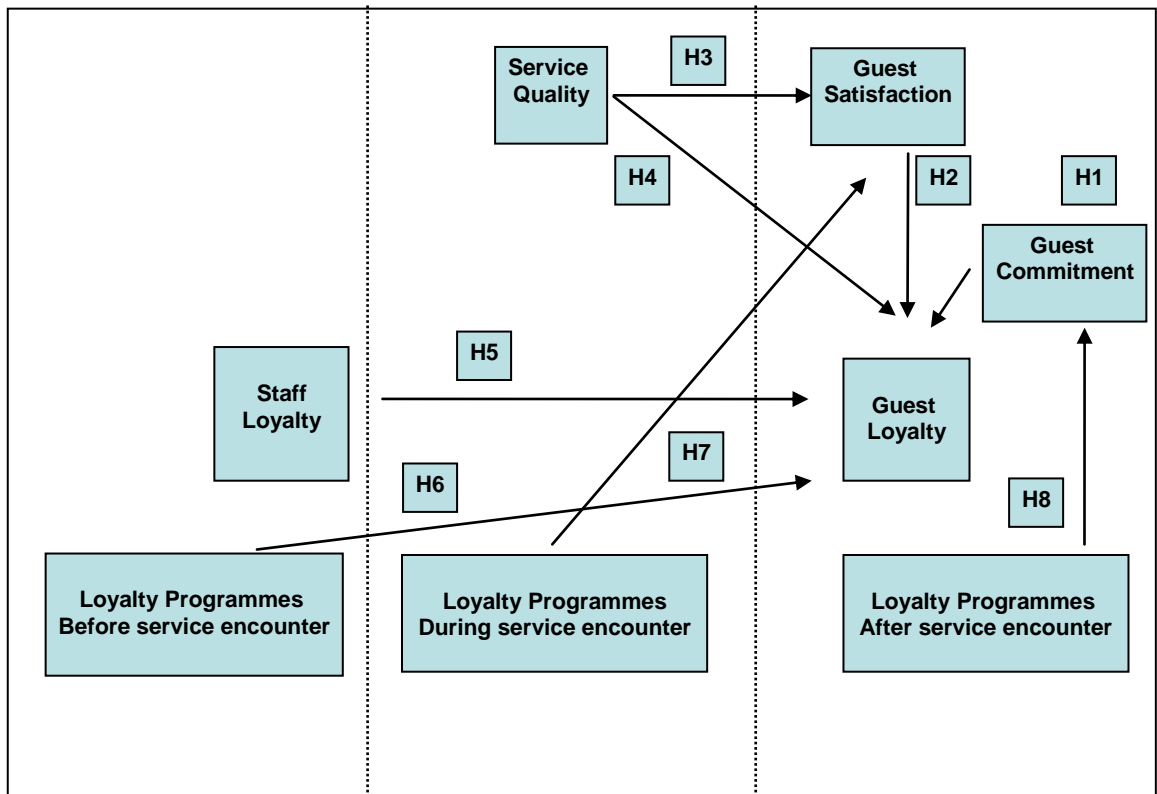
Note: *The hypothesis representing each research objective that was tested in the study and presented in Table 6-27 and Table 6-30.

CHAPTER 3

THEORETICAL FRAMEWORK

The previous chapter outlined the literature for this research and presented the overall research objectives (Table 2-1). This chapter takes the research objectives and links them specifically to the literature and the research hypotheses (Table 3-1). This chapter provides a theoretical background for the model in this study as well as a logical development of the hypotheses in the study. The hypotheses are presented in such a sequence according to the various interactions between the different variables in the model, not according to the logical flow of the impact of loyalty programmes before, during and after the service encounter, excluding the hypotheses related to loyalty programmes which will be presented later because of the crucial role loyalty programmes play throughout the three stages; before, during, and after the service encounter.

Figure 3-1: Guest loyalty drivers proposed model with hypotheses



There has been a consensus among academics and practitioners that satisfaction is an antecedent for loyalty, and as was discussed before, service loyalty denotes an organisation's commitment to its customers through offering loyal services, every time, all the time (Bowen & Chen, 2001). Commitment is an enduring desire to maintain a valued relationship (Moorman et al., 1992). Bowen & Chen (2001) noted that service loyalty through employee commitment precedes customers' loyalty through their satisfaction. Thus, employee commitment leads to better service to customers which induces them to stay loyal to the company (Reichheld, 1993). Commitment is an essential factor that affects loyalty and is recognised when an exchange partner believes that an ongoing relationship is so important as to warrant special effort for maintaining, enhancing, and developing it (Morgan & Hunt, 1994). Cronin and Taylor's study (1992) tested the significance of the relationships between service quality, consumer satisfaction and loyalty measured through purchase intentions. The results of the study demonstrated that service quality is an antecedent of consumer satisfaction, in the sense that service quality has a significant effect on consumer satisfaction. However, consumer satisfaction has a significant effect on loyalty more than does service quality. In 2003, Fullerton's study demonstrated that committed customers are less likely to switch than consumers who lack commitment to the organisation. Likewise, a substantial body of research has demonstrated that commitment of affective nature is positively related to customer retention (Anderson & Weitz, 1992; Bendapui & Berry, 1997; Gwinner et al., 1998; Morgan & Hunt, 1994) and is a more powerful determinant of customer retention than continuance commitment (Fullerton, 2003). Also, Hansen et al. (2003) demonstrated that affective commitment to the service firm has a positive effect on the intention to stay, while calculative commitment does not turn out to have any effect on the intention to stay. This leads to the following hypotheses regarding this study:

H_{1a}: Guest affective commitment has a positive impact on guest loyalty.

H_{1b}: Guest continuance commitment has a negative impact on guest loyalty.

H₂: Guest satisfaction has a positive impact on guest loyalty.

The concepts of service quality, satisfaction and loyalty have been linked to each other in the literature. Although there have been agreed definitions for service

quality and customer satisfaction to some extent in the service industry, there are still doubts about the suitability of the application of loyalty concept in the same context (Jacoby & Chestnut, 1978; Dick & Basu, 1994; Oliver, 1999; Uncles et al., 2003). Berry and Parasuraman (1992) also noted that owing to the very nature of services (where they are performances rather than objects), service quality can be viewed as a total experience which may have little to do with what the provider believes; rather, it may depend solely on the beliefs of the individual customer (Zeithaml et al., 1988). Although quality can be viewed as a form of overall attitude, satisfaction is an emotional reaction to a specific situation. Oliver (1981) noted that satisfaction soon decays into one's overall attitude. Thus, satisfaction, especially for employees, can have an influence on providing service quality for consumers. Gupta et al., (2005) added that employee commitment is essential for service quality, in the sense that there is a high correlation between employee commitment and the customers' perception of service quality. Service quality acts as an antecedent construct and service loyalty as an outcome variable of customer satisfaction (Caruana, 2002).

Customer satisfaction has been defined within the expectancy/disconfirmation paradigm in process theory as "...the consumer's response to the evaluation of the perceived discrepancy between prior expectations (or some norm or performance) and the actual performance of the product as perceived after its consumption" (Tse & Wilton, 1988, p.204). Gronroos (1984) demonstrated that perceived service quality results from an evaluation process, where customers compare their expectations with the service they perceive to have experienced. Service quality is a form of attitude and an antecedent of customer satisfaction (Parasuraman et al., 1958, 1988). It is related but not equivalent to satisfaction and results from the comparison that customers make between their expectations about a service and their perceptions of the way the service has been performed (Parasuraman et al., 1958, 1988). It is a total experience that can be evaluated by the server, but the customer's evaluation is what motivates their action (Zeithaml et al., 1988). There has been a consensus among academics and practitioners that both service quality and customer satisfaction are antecedents for loyalty as was tested by Cronin and Taylor (1992). Cronin and Taylor's (1992) study revealed that service quality is an antecedent of consumer satisfaction, while Wong & Sohal (2003) noted that employees' empathy (as a service quality dimension) is the most significant

predictor of customer loyalty. Therefore, in this study, service quality can have a significant effect on guest loyalty via guest satisfaction. Thus, it is proposed that service quality can have both a direct effect and indirect effect (via guest satisfaction) on guest loyalty, and this leads to the following hypotheses:

H_{3a}: Technical quality has a positive impact on guest satisfaction.

H_{3b}: Tangible quality has a positive impact on guest satisfaction.

H_{3c}: Staff interaction has a positive impact on guest satisfaction.

H_{4a}: Technical quality has a positive impact on guest loyalty.

H_{4b}: Tangible quality has a positive impact on guest loyalty.

H_{4c}: Staff interaction has a positive impact on guest loyalty.

Services management literature has repeatedly emphasized the association between customers' evaluations of exceptional service and the service provider and the existence of an emotional connection between both of them (Kandampully, 1998). When service providers act in a way that builds consumer trust, the perceived risk with the specific service provider is likely reduced, which enables the consumer to make confident predictions about the provider's future behaviours (Sirdeshmuk et al., 2002). Similarly, the comprehensive model introduced by Yieh et al. (2007) illustrated how customer loyalty is formed, in the sense that perceived price fairness, perceived product quality, and perceived service quality (including employees' interaction with customers and employees' apparent empathy with customers) have a significant indirect effect on customer loyalty by way of customer satisfaction or trust. Thus, based on the previous studies (Kandampully, 1998; Sirdeshmuk et al.; Yieh et al., 2007), the way customer evaluations are shaped can moderate the relationship between service loyalty (through employee commitment) and customer loyalty.

Gremler and Brown (as cited in Caruana, 2002) defined loyalty as "...the degree to which a customer exhibits repeat purchasing behaviour from a service provider, possess a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service exists" (p.813). Customer loyalty

has been viewed as a consistent and devoted relationship between the customer and the service provider (Day, 1969). Previous literature has revealed that in order to build up a profitable base of faithful customers, management should strive to gain employee loyalty (Reichheld, 1993). Loyalty is similar to the notion of reciprocity (Gouldner, 1960); employees should be loyal in order to earn customer loyalty, and service loyalty through employee commitment precedes customer's loyalty (Bowen & Chen, 2001). Similar studies have demonstrated a strong correlation between employee commitment and customer loyalty (Bove & Johnson, 2006; Wong & Sohal, 2003). Loyalty is a two-way rapport, in the sense that, there is a cause-and-effect relationship between customer and employee loyalty (Reichheld, 1996). Due to the psychological and physical closeness that exists between employees and customers in service encounters, employees' attitudes often have a spill-over effect on customer satisfaction. If employees experience favourable affective responses in their jobs, their customers are likely to receive positive service experiences (Lenka et al., 2009). Thus the researcher expects, in accordance with previous studies (Bove & Johnson, 2006; Bowen & Chen, 2001; Wong & Sohal, 2003), a positive relationship between staff loyalty and guest loyalty, and this leads to the following hypothesis:

H₅: Staff loyalty has a positive impact on guest loyalty.

As was revealed by the European researchers in the 1970s, suppliers who form close working relationships with their customers tend to have customers who are more loyal and who give greater share of their business to suppliers (Dowling & Uncles, 1997). Loyalty programmes were created by various companies to tie the buyers of a wide range of consumer goods and services to a particular brand or supplier. Consumers receive both psychological and economic benefits from a loyalty programme, and these rewards function as a positive reinforcement of consumers' purchase behaviour and condition them to continue doing business with the firm (Sheth & Atul, 1995). Loyalty programmes not only help build customers' commitment but also demonstrate a firm's commitment to establishing a long-term relationship with its customers. The existence of a loyalty programme allows firms to create a relationship with their customers by advising them that they are special. Jacoby and Chestnut (1978) noted that attitudinal commitment is

an essential element of loyalty and suggested that beliefs and attitude of a consumer should be considered in order to explain loyal behaviour. Similarly, Oliver (1999) demonstrated through a conceptual framework that behavioural loyalty is preceded first by commitment, followed by affective (i.e., attitudinal) commitment. Thus, loyalty programmes that are directed toward enhancing customer's attitude toward the company rather than at direct stimulation of behaviour might be a key to creating behavioural loyalty (Melnyk, 2005).

McCleary and Weaver (1992) found that business travelers who belong to frequent-guest programmes were willing to pay more than nonmembers for a hotel room and were more likely to bring their families along to stay in the hotel. Also, McCleary & Weaver's study (1991) demonstrated that dropping frequent-guest programmes will not have an effect on customers' loyalty for nearly half (49.4 per cent) of the guests who belong to frequent-stay programmes. Similarly, Bolton et al. (2000) argued that members in a loyalty programme tend to overlook negative evaluations of the company vis-à-vis competition, as they perceive that they are getting better quality and service for their price. Bolton et al. (2000) suggested that the impact of loyalty rewards programmes on customer loyalty is likely to be moderated by customers' assessments of their service experiences; as being a member in a loyalty rewards programme makes customers feel that they are special and influences their perceptions regarding the service provider. Further, Yi and Jeon (2003) demonstrated that value perception of the loyalty programme influences brand loyalty both directly and indirectly through programme loyalty, especially under high-involvement conditions. These programmes help to build customers' commitment which can further deepen the relationship between the firm and its customers (Liu, 2007).

O'Brien and Jones (1995) suggested that sustainable customer loyalty, resulting in a long-term commitment, could be built only if a company rewards their customers with special services and attention. One possible way to demonstrate to customers that a company cares about them personally is through personalisation/customisation. Through diversification, companies can gain sustainable customer loyalty (via loyalty programmes) by providing non-utilitarian benefits to members of loyalty programmes that are not provided to non-members (Melnyk, 2005; Van Heerde & Bijmolt, 2005). These rewards may

include preferential treatment, special attention, extra service for members only, etc. (O'Brean & Jones, 1995). Palmer et al. (2000) identified hotels as one of those service sectors where the ability to segment markets with differentiated product offers is relatively great. This ability could rise as guests usually have different schedules of needs and varying levels of price sensitivity. Thus, loyalty programmes based on the storage of individual customer's demographic status and spending patterns can contribute significantly to an organisation's knowledge base, where incentives and coupons can be individually targeted after building up a fairly accurate picture of a guest's life (O'Malley, 1998).

Previous studies (Bolton et al., 2000; Sheth & Atul, 1995; Yi & Jeon, 2003; Melnyk, 2005) indicated the crucial role played by loyalty programmes through the three stages indicated in the model; before, during, and after the service encounter. Therefore, the following hypotheses are proposed:

H₆: Loyalty programmes before service encounter have a positive impact on guest loyalty.

H₇: Loyalty programmes during service encounter have a positive impact on guest satisfaction.

H_{8a}: Loyalty programmes after service encounter have a positive impact on guest affective commitment.

H_{8b}: Loyalty programmes after service encounter have a positive impact on guest continuance commitment.

The aim of this study was to investigate the drivers of guest loyalty in the hotel industry. The study further explored the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. This aim was achieved through a number of research objectives (Table 2-1), and these objectives were presented in the study by a number of research hypotheses (Table 3-1). A model that showed the drivers of guest loyalty in the hotel industry was proposed in the study (Figure 1-1) and validated (Figure 6-2).

Table 3-1 Research Hypotheses	
<i>H_{1a}</i>	Guest affective commitment has a positive impact on guest loyalty.
<i>H_{1b}</i>	Guest continuance commitment has a negative impact on guest loyalty.
<i>H₂</i>	Guest satisfaction has a positive impact on guest loyalty.
<i>H_{3a}</i>	Technical quality has a positive impact on guest satisfaction.
<i>H_{3b}</i>	Tangible quality has a positive impact on guest satisfaction.
<i>H_{3c}</i>	Staff interaction has a positive impact on guest satisfaction.
<i>H_{4a}</i>	Technical quality has a positive impact on guest loyalty.
<i>H_{4b}</i>	Tangible quality has a positive impact on guest loyalty.
<i>H_{4c}</i>	Staff interaction has a positive impact on guest loyalty.
<i>H₅</i>	Staff loyalty has a positive impact on guest loyalty.
<i>H₆</i>	Loyalty programmes before service encounter have a positive impact on guest loyalty.
<i>H₇</i>	Loyalty programmes during service encounter have a positive impact on guest satisfaction.
<i>H_{8a}</i>	Loyalty programmes after service encounter have a positive impact on guest affective commitment.
<i>H_{8b}</i>	Loyalty programmes after service encounter have a positive impact on guest continuance commitment.

CHAPTER 4

RESEARCH METHODOLOGY

A paradigm is a basis of beliefs that guides action, which also includes action taken in connection with a disciplined inquiry (Guba, 1990). According to Guba and Lincoln (1994), paradigms are basic belief systems based on ontological, epistemological, and methodological assumptions. These basic beliefs that define the paradigms can be summarised by the responses given by proponents of any given paradigm to four fundamental questions, which are interconnected in such a way that the answer given to any one question, taken in any order, constraints how the others may be answered. These questions are (Crotty, 1998):

- 1- What methods do we propose to use?
- 2- What methodology governs our choice and use of methods?
- 3- What theoretical perspective lies behind the methodology in question?
- 4- What epistemology informs this theoretical perspective?

Crotty (1998) indicated that answering these questions in the research design stage ensure the soundness of the research and make the outcomes convincing. According to Crotty (1998), the answer for the first question determines the techniques used to gather and analyze data related to some research question or hypothesis, while the answer for the methodology question determines how the researcher (inquirer) finds out what s/he believes can be known. Guba and Lincoln (1994) indicated that ontology (theoretical perspective) answers questions related to what is the form of nature and reality, and what can be known about reality. Epistemology answers questions related to what is the nature of the relationship between the knower (researcher) and what can be known. The following discussion will address the major opponent paradigms and the reasons for the selected paradigm (postpositivism) for this study.

Jennings (2001) demonstrated that the tourism research has been dominated by positivist paradigm. Positivism, which is also called logical positivism, bases knowledge on observable facts (Guba & Lincoln, 1994). Realism (commonly called 'naïve realism') is the ontology for positivism; which assumes that an

apprehendable reality exists which is driven by immutable natural laws and mechanisms. Dualist and objectivism is the underlying epistemological stance of positivist paradigm (Crotty, 1998). According to objectivism, things exist as meaningful entities independently of consciousness and experience; they have truth and meaning residing in them as objects (i.e., objective truth and meaning), and therefore, careful scientific research can attain that objective truth and meaning (Crotty, 1998).

Under the epistemological stance of the positivism paradigm, the investigator and the investigated 'object' are assumed to be independent entities, and the investigator to be capable of studying the object without influencing it or being influenced by it (Guba & Lincoln, 1994). Through the positivist paradigm, it is possible and essential for the inquirer to adopt a distant, noninteractive stance. Values and other biasing and confounding factors are thereby automatically excluded from influencing the outcomes (Guba, 1990), and replicable findings are in fact true (Guba & Lincoln, 1994). The methodology behind the positivism paradigm is experimental and manipulative, where questions and/or hypotheses are stated in propositional form and subjected to empirical test to verify them, and possible confounding conditions must be carefully controlled (manipulated) to prevent outcomes from being improperly influenced (Guba & Lincoln, 1994).

In addition to objectivism, there are a range of epistemologies. Another epistemology – constructionism – rejects the view of objectivism; in the sense that, there is no objective truth waiting for us to discover it. Relativism is the ontology for positivism. It assumes that realities are apprehendable in the form of multiple, intangible mental constructions, local and specific in nature, and dependent for their form and content on the individual persons or groups holding the constructions. Relativism is the key to openness and the continuing search for ever more informed and sophisticated constructions. Realities are multiple, and they exist in people's minds (Guba, 1990). Guba and Lincoln (1994) demonstrated that constructions are more or less 'true', in any absolute logic; in the sense that, they are alterable as their associated realities. Facts are facts only within some theoretical framework (Guba, 1990).

Thus, from the point of view of the constructionism paradigm, the basis for discovering 'how things really are' and 'really work' under the objectivism paradigm is lost. Reality exists only in the context of a mental framework (construct) for thinking about it. There is no meaning without a mind. Meaning is not discovered, but constructed (Crotty, 1998). In this understanding of knowledge, it is clear that different people may construct meaning in different ways, even in relation to the same phenomenon, and if realities only exist in respondents' minds, subjective interaction seems to be the only way to access them (Guba, 1990). According to Guba (1990), the constructivist chooses to take a subjectivist position. The investigator and the object of investigation are assumed to be interactively linked so that the findings are literally created as the investigation proceeds. Constructivism thus intends neither to predict the world nor to transform it but to reconstruct the world at the only point at which it exists; in the minds of constructors. It should be noted that constructionism is the epistemology that qualitative researchers tend to invoke.

The methodology behind the constructionism paradigm is hermeneutical and dialectical; where individual constructions can be elicited and refined only through interaction between and among investigator and respondents (Guba & Lincoln, 1994). The hermeneutic aspect consists of depicting individual constructions as accurately as possible, while the dialectic aspect consists of comparing and contrasting these existing individual (including the inquirer's) constructions so that each respondent must confront the constructions of others and come to terms with them (Guba, 1990). In contrast to positivism, which employs internal and external validity as criteria for assessing the trustworthiness of the findings, constructionism uses different evaluation criteria which include credibility, transferability, dependability, and confirmability (Wallendorf & Belk, 1989).

Subjectivism is the third epistemological stance which is also called critical theory. Historical realism is the ontology for subjectivism; where reality is assumed to be apprehendable that was once plastic, but over time was shaped by a congeries of social, political, cultural, economic, ethnic, and gender factors, and then crystallized into a series of structures that are now taken as real (Guba & Lincoln, 1994). In subjectivism, meaning does not come out of as interplay

between subject and object but is imposed on the object by the subject. Hence, the object makes no contribution to the generation of meaning. Therefore, meaning in subjectivism is created out of something (object) (Crotty, 1998). Thus, the epistemology for subjectivism is transactional, where the investigator and the investigated object are assumed to be interactively linked, with the values of the investigator inevitably influencing the inquiry. The methodology behind the subjectivism paradigm is dialogic and transformative, as the nature of inquiry requires a dialogic approach between the investigator and the subjects of inquiry (Guba & Lincoln, 1994) that seeks to eliminate false consciousness and rally participants around a common true point of view (Guba, 1990). Crotty (1998) suggested that both constructionism and subjectivism are viewed by researchers as anti-positivism paradigms in contrast to positivism and postpositivism paradigms.

Researchers like Lockyer (2005a), and Elebiary and Lockyer (2008) have adopted a solely qualitative approach in their studies. However, many other scholars who advocated qualitative methods have not abandoned quantitative methods completely but viewed these two methods as complementary (Markula, Grant & Denison, 2001). Also, Ryan (1995) combined both qualitative and quantitative approaches in attempts to obtain more meaningful results. Research that combines quantitative and qualitative methods is often labeled postpositivist (Denzin & Lincoln, 1994; Guba & Lincoln, 1994) or triangulation, which is based on the conception that qualitative and quantitative methods should be viewed as complementary rather than as rival camps (Clark & Creswell, 2008). In the positivist version, it is argued that there is a reality out there to be studied, captured, and understood, whereas postpositivism argues that reality can never be fully apprehended, only approximated (Guba, 1990). Thus, postpositivism relies on multiple methods as a way of capturing as much reality as possible (Denzin & Lincoln, 1990).

Postpositivism ontology is labeled as critical realism because of the stance of proponents that claims about reality must be subjected to the widest possible critical examination to facilitate apprehending reality as closely as possible (but never perfectly) (Guba & Lincoln, 1994). Modified dualist and objectivist is the epistemology for the postpositivism paradigm. Dualism is largely abandoned as not possible to maintain, but objectivity remains a regulatory ideal, and replicated

findings are probably true but always subject to falsification (Guba & Lincoln, 1994). In comparison to the experimental and manipulative methodology followed by the positivism paradigm, the modified experimental and manipulative is the methodology followed by the postpositivism paradigm. The methodology of the postpositivism paradigm emphasizes critical mutliplism as a way of falsifying (rather than verifying) hypotheses (Guba & Lincoln, 1994). It is of particular note that there is no agreement as to what constitutes the best approach for the tourism and hospitality study, except that one should consider the research objectives when choosing the right paradigm(s) (Guba & Lincoln, 1994; Jennings, 2001).

The postpositivist approach was the epistemological stance followed in this study, combining both qualitative and quantitative methods for data collections. Owing to the nature of the aim of the study addressing the drivers of guest loyalty in the hotel industry and how loyalty in a service industry can be different from loyalty in the product industry. In addition to the difficulty in measuring some of these variables (e.g, the influence of loyalty programmes), the research methodology used qualitative and quantitative methods in a two-step process (Alerck & Settle, 2004; Bowen & Chen, 2001; Sekaran, 2000) comprising focus groups and self-administered questionnaires. This chapter comprises two sections; the development and administration of focus groups, and self-administered survey.

Managers whose primary product is a service often find that their offering is particularly troublesome for customers to evaluate. Guests frequently have difficulty evaluating something intangible such as staying in a hotel, and even if the service provider does satisfactorily meet a customer's needs during one encounter, ensuring the identical service will be provided in the next purchase may not be as easy as we can see, particularly for services heavily dependent upon the performance of people. Guests in these situations must often rely on intangible cues when deciding whether or not to become a loyal customer. This is based on a study by Jick (1979), where qualitative and quantitative methods were mixed for the purpose of triangulation, because the individual strengths of one method can offset the other method's weaknesses. Jick's study (1979) assumed that multiple and independent measures do not share the same weaknesses or potential for bias (Rohner, as cited in Jick, 1979). Triangulation has been broadly defined by

Denzin (as cited in Jick, 1979) as “...the combination of methodologies in the study of the same phenomenon” (p.602). Triangulation is based on the conception that qualitative and quantitative methods should be viewed as complementary rather than as rival camps (Clark & Creswell, 2008).

In social sciences, the use of triangulation has been referenced to early use by Campbell and Fisk (1959) who argued that more than one method should be used to ensure external and internal validity to allow researchers to be more confident of their results. That is, to make sure that the variance in a study is a reflection of the trait and not of the method. However, as Jick (1979) noted, the benefit of triangulation can be something other than scaling (i.e., the quantification of qualitative measures), higher reliability, and convergent validation (i.e., the use of complementary methods lead to more valid results). It can also capture a more complete, holistic, and contextual portrayal of the subjects under study; especially with the help of qualitative methods which can play a major role by suggesting conclusions to which other methods would be blind, while quantitative methods can contribute to the clarification of vague findings. The effectiveness of triangulation rests on the premise that the weaknesses in each single method will be compensated by the counter-balancing strengths of another. That is, it is assumed that multiple and independent measures do not share the same weaknesses or potential for bias. Tashakkori and Creswell (2007) viewed mixed methods as a research in which the investigator collects and analyzes data, integrates the findings, and draws inferences using both qualitative and quantitative approaches in a single study (Teddlie & Yu, 2007).

To analyze the data obtained from participants through the focus group discussions, a content analysis software package called CATPAC (CATegory PACKage) was used, originally developed in the late 1970s and upgraded to artificial neural technology in 1989. CATPAC reads and analyzes text, unlike traditional text analysis packages, and, CATPAC does not require any precoding of the text, nor is it necessary for the analyst to precode or determine what categories of information might lie in the text in advance. CATPAC reads the text, and discovers the main concepts which the text embodies, along with the

interrelationships among those main concepts. It uses the theory of neural networks to establish patterns within written text (Hample, 1996).

Two methods of analysis were considered for the survey; regression (using SPSS version 18) (Coakes, Steed, & Dzidic, 2010) and Structural Equation Modeling (SEM) using AMOS version 18 (Blunch, 2008). Both methods are required to test the validity of the model suggested in the study. In addition, CATPAC as a qualitative technique was used for analyzing the four qualitative open questions in the survey (section 'C' of the survey). Regression analysis was used as a statistical technique to analyze the relationship between a single dependent variable and one or more predictor variables (Alonso, 2000). In this case, regression analysis helped to determine whether the variance of the dependent variable (guest loyalty) is being explained by the predictors suggested in the model. A high coefficient of determination (R^2) implies a good explanation.

However, according to Alonso (2000), regression analysis is not without disadvantages and there are some limitations in regression analysis that suggest avoiding its employment as the only tool of analysis. One common problem is the multicollinearity, which is the existence of a perfect linear relationship among some or all of the explanatory variables. Whenever some of the independent variables are correlated, it would be impossible to isolate the effect of each one of the independent variables on the dependent variable and only the combined effect will be measured. A second problem is that regression analysis considers all predictor variables as independent. But in the case of the model proposed, some predictor variables depend on each other. For example, guest satisfaction is hypothesised to be dependent on service quality and loyalty programmes before service encounter, and guest commitment is dependent on loyalty programmes after service encounter. For that reason, it was important to complement the analysis with a second method – SEM. The superiority of structural equation modeling over other statistical techniques is based on its ability to include several observed and latent variables simultaneously in predicted paths (Alonso, 2000). Mueller (1996) asserted that path analysis using structural equation modeling provides the researcher with a multivariate (more than one dependent variable) method to estimate structurally interpretable terms – the direct, indirect, and total

effects among a set of variables – provided a correct priori path model is specified.

Structural equation modeling (SEM) is a statistical methodology used by social, behavioural, and educational scientists as well as biologists, economists, marketing, and medical researchers. The main reason behind its pervasive use in many scientific fields is that SEM provides researchers with a comprehensive method for the quantification and testing of substantive theories (Raykov & Marcoulides, 2006). The history of SEM can be traced back more than 100 years. At the beginning of the 20th century Spearman laid the foundation for factor analysis and thereby for the measurement model in SEM (Spearman, 1904). About 20 years after Spearman, Wright started the development of the so-called path analysis. Based on box-and-arrow diagrams, Wright formulated a series of rules that connected correlations among the variables with parameters in the assumed data-generating model.

Path analysis provides the researcher with a multivariate (more than one dependent variable) method to estimate structurally interpretable terms – the direct, indirect, and total effects among a set of variables – provided a correct priori path model (i.e., a theory-derived structure of the involved variables) is specified (Mueller, 1996). In the early seventies path analysis and factor analysis were combined to form the general SEM of today (Blunch, 2008). Maximum likelihood (ML) estimates of regression coefficients can be used to estimate the strengths of the structural relationships specified in the diagram (Mueller, 1996). ML is the most common method for estimating the best fitting parameters for SEM. The foremost developer of SEM was Joreskog, who created the well-known LISREL (Linear Structural Relations) programme for analyzing such models (Joreskog, 1973). However, LISREL is not alone on the scene. Among other similar computer programmes, mention can be made of EQS (EQuationS), RAM (Reticular Action Model), and AMOS (Analysis of Moment Structures) which is the computer programme that that has been used in this study (Blunch, 2008).

The term structural equation modeling involves two important aspects for the procedure: (a) that the casual processes under study are represented by a series of

structural (i.e., regression) equations, and (b) that these structural relations can be modeled pictorially to enable clearer conceptualisation of the theory under study (Byrne, 1998). The hypothesised model can then be tested statistically in a simultaneous analysis of the entire system of variables to determine the extent to which it is consistent with the data. If goodness-of-fit is adequate, the model argues for the plausibility of postulated relations among variables; if it is inadequate, the tenability of such relations is rejected.

4.1 FOCUS GROUPS

The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. Among the most widely used research tools in the social sciences are group depth interviews, or focus groups, which were originally called focussed interviews. Focussed group interviews had their origins in the Office of Radio Research at Columbia University in 1941, when Paul Lazarsfeld invited Robert Merton to assist him in the evaluation of audience response to radio programmes. In this early research, members of a mass-media studio audience listened to a recorded radio programme and were asked to press a red button when they heard anything that evoked a negative response – anger, boredom, or disbelief – and to press a green button whenever they had a positive response. At the end of the programme members of the audience were asked to focus on the positive and negative events they recorded and to discuss the reasons for these reactions. Thus, the focussed group interview began (Stewart & Shamdasani, 1990).

Focus groups are basically group interviews, although not in the sense of an alteration between a researcher's questions and the research participants' responses. Instead, the reliance is on interaction within the group, based on topics that are supplied by the researcher who typically takes the role of a moderator. The hallmark of focus groups is their explicit use of group interaction to produce data and insights that would be less accessible without the interaction found in a group (Morgan, 1997). The use of focus groups has an established pedigree in social anthropology, media/cultural studies and health research. One advantage of this approach is that it gives the ability to explore a specific set of issues and involves a form of collective activity (Kitzinger & Barbour, 1999). Focus groups also provide participants the opportunity to explore experiences, opinions, wishes and concerns. In taking part in a focus group participants have the ability to generate their own questions, frames and concepts and to pursue their own priorities. Points of view are constructed and expressed as participants wish (Lockyer, 2005a). Statistical representation is not the aim of most focus groups, but their memberships may comprise a structured rather than random sample,

containing demographic diversity (Kuzel, 1992). Through the use of focus groups, a better understanding of consumer behaviour can be developed.

Goldman (1962) differentiated group depth interviews from other techniques by examining the meaning of three words in the name. A group is a number of interacting individuals having a community of interest; depth involves seeking information that is more profound than is usually accessible at the level of interpersonal relationships; and interview implies the presence of a moderator who uses the group as a device for eliciting information. The term focus in the title simply implies that the interview is limited to a small number of issues. A focus group has been described by Kruger (1988) as a carefully planned discussion designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment. As a research technique, focus groups collect data through group interaction on a topic determined by the researcher. In a sense, it is the researcher's interest that provides the focus, whereas the data come from the group interaction (Morgan, 1997).

Stewart and Shamdasani (1990) suggested that the use of focus groups provides a number of respondent interaction advantages relative to individual interviews, including synergism, snowballing, stimulation, security and spontaneity. Synergism comes into place as the combined effort of the group produces a wider range of information than accumulating replies from individuals privately. A comment by one individual often triggers a chain of responses from the other participants, which is called snowballing. Stimulation occurs as participants often want to express their ideas and expose their feelings as a result of excitement over the topic discussed. Since the discussion is focused on the group rather than the individual, this makes respondents feel that their comments will not be identified with them and they feel more comfort knowing that their feelings are not greatly different from others in the group. Also, no individual is required to answer any given question in a group interview; that's why people speak only when they have definite feelings about a subject and not because a question requires a response, which adds spontaneity to the focus group discussion (Morgan, 1997).

It should be noted that differential interpersonal characteristics influence group compatibility through focus group discussions. The composition of groups in terms of gender can determine group behaviour and performance. Aries (as cited in Morgan, 1997, p.43) found that men are more personally oriented, have greater tendencies to address individual members (as opposed to the group as a whole), and speak about themselves more often in mixed-gender groups than in same-sex groups. In all-male groups, men are concerned more with status and competition. By contrast, women in mixed-sex groups tend to be less dominant than in all-female groups. This suggests that the nature of the interaction in and the quality of the data obtained from a focus group will be influenced by the gender composition of the group (Morgan, 1997), and for this reason, many researchers conduct both same-sex and mixed-gender groups.

The researcher followed what is often referred to as the funnel strategy while conducting the focus groups. This strategy emphasizes the use of a less structured approach (i.e., free discussion) with each group at the beginning and then moves toward a more structured discussion of specific questions (Morgan, 1997). The funnel analogy matches an interview with a broad, open beginning and a narrower, more tightly controlled ending. Through this approach it is possible to hear the participants' own perspectives in the early part of the each discussion as well as their responses to the researcher's specific interests in the latter part of the discussion. Stewart and Shamdasani (1990) have noted that focus groups are designed to determine how respondents structure the world, not how participants respond to the researcher's view of how the world – or how a particular phenomenon – is structured.

Focus group discussions can uncover unanticipated issues that surveys fail to identify (Schwarz, Landis, Rowe, Janes, & Pullman, 2000). In a study conducted by Williams (1994) to assess the degree of clients' satisfaction with their perceived treatment, it was found that clients were freer to express their concerns about all aspects of their satisfaction in focus groups in a way that was not possible through surveys. A typical focus group consists of eight to twelve people seated around a conference table with a group moderator who focuses their discussion on a series of topics or issues of interest to the researcher while the

proceedings will be observed and recorded for analysis and interpretation later (Alerck & Settle, 2004). Experience has shown that smaller groups may be dominated by one or two members, while larger groups are difficult to manage and inhibit participation by all members of the group (Stewart & Shamdasani, 1990). Smaller groups provide more opportunity for people to talk and are more practical to set up and manage, while larger groups are more difficult to manage, moderate and analyze successfully.

The basis for the rule of thumb that projects should consist of three to five groups comes from a claim that more groups seldom provide meaningful new insights. Determining the number of groups depends mainly on the researcher who will stop collecting data when it becomes easy to anticipate what will be said next in a group. Qualitative researchers recognise this as the goal of saturation; the point at which additional data collection no longer generates new understanding (Morgan, 1997). In qualitative research, the sample is selected on purpose to yield the most information about the phenomenon of interest (Merriam, 2002). Krueger (1988) introduced a rule of thumb to determine the number of focus groups needed for a research study; that is, to plan for four focus groups with similar audiences, but to evaluate after the third group. If new insights are provided in the third group, then conduct the fourth and additional groups as needed. Morgan (1997) demonstrated this rule of thumb by stating that projects should consist of at least three to five groups for the purpose of reliability where more groups seldom provide meaningful new insights.

Focus groups provide participants with the opportunity to explore experiences, opinions, wishes and concerns. In taking part in a focus group participants have the ability to generate their own questions, frames and concepts and to pursue their own priorities. Points of view are constructed and expressed as participants wish (Kuzel, 1992; Lockyer, 2005b). In selecting participants for a focus group project, it is often more useful to think in terms of minimizing sample bias rather than achieving generalisability. Thus, focus groups are frequently conducted with purposively (or theoretically) selected samples in which the participants are recruited from a limited number of sources (often only one) rather than random sampling. Statistical representation is not the aim of most focus groups, but their

membership may comprise a structured rather than random sample, containing demographic diversity (Kuzel, 1992). As a result, a better understanding of consumer behaviour can be developed.

Random sampling is seldom useful when selecting participants for focus groups for at least two reasons. First, the small number of participants involved in most focus group projects makes it extremely unlikely that a sample of size 40 or so will be adequate to represent a larger population, regardless of random selection. Second, a randomly sampled group is unlikely to hold a shared perspective on the research topic and may not even be able to generate meaningful discussion. In this study, the participants for the guests' focus groups were recruited from people who were hotel visitors, preferably those who had stayed in a hotel during the past three years (Osman et al., 2009), either on vacation or on business or a combination of these. Participants were screened to ensure that they were current or recent users of the service in question. The discussions with guests focused on the attitudes toward the service provided and whether had an impact on the loyalty toward the hotel. They were also asked whether they consider their preferred service provider the first choice or did they normally seek other alternatives for the same service delivery? Did they recommend the service to others, and does the existence of frequent-guests programmes in a hotel impact their choice and their intentions to repatronise the same hotel in the future?

Five focus groups were conducted within the hotel industry. Eight to twelve individuals were recruited for each focus group, while group discussions were recorded with the participants' permission. Participation in the focus group was voluntary, after the researcher distributed 500 flyers randomly in Hamilton to recruit participants, looking for those who had stayed at least twice in a hotel in the past three years (Osman et al., 2009) and who would be interested in participating in a focus group discussion. Therefore, the focus groups participants sample was selected purposively. The flyers distributed gave an introduction to the research plus details about what participants would receive (\$50 petrol voucher and light refreshments) and the intended nights that the research would take place, along with a phone number if they were interested in participating. As there was no reason to believe that the views of those living in Hamilton would be

of any different from people living in any other part of New Zealand, the population was defined as all people living in Hamilton aged 18 or older.

The focus group meetings allowed the researcher to gain an in-depth understanding about guest loyalty in the hotel industry in New Zealand covering only Hamilton region, as there was no reason to believe that data collected from other regions would be significantly different from that collected from the selected regions. The focus groups held with the hotel guests assisted in the understanding of their judgments for loyalty programmes offered by hotels and the factors which would impact their intention for a repeat stay at the same hotel (Bowen & Chen, 2001). These focus group discussions included questions about guests' perceptions regarding the service delivery in the same establishment, and how the existence of loyalty programmes within a hotel impacted their choice. The use of focus groups provided a deeper understanding of the customer-service provider relationships, which according to Connors and Franklin (2000) are invaluable in providing depth to the exploration of employees and customers' loyalty that is not possible with quantitative surveys.

The management for the focus groups involved five stages. First, the moderator welcomed the participants and explained to them the purpose and procedure of the meeting. Secondly, the moderator provided each participant with a sheet of paper with the question to be addressed and asked them to write down all ideas that came to mind when considering the question. During this period, the facilitator asked participants not to consult or discuss their ideas with others. Third, the moderator invited participants to share the ideas they have generated and recorded each idea on a flip chart using the words spoken by the participant. The round robin process continued until all ideas had been presented. There was no debate about items at this stage and participants were encouraged to write down any new ideas that may have arisen from what others shared. This process ensured that all participants had an opportunity to make an equal contribution and provided a written record of all ideas generated by the group. After that, group discussions started where participants were invited to seek verbal explanation or further details about any of the ideas that colleagues had produced that may not have been clear to them. The moderator's task was to ensure that each person was allowed to contribute and that discussion of all ideas was thorough without spending too long

on a single idea. It was important to ensure that the process was as neutral as possible, avoiding judgment and criticism. The group was able to suggest new items for discussion and combine items into categories, but no ideas were eliminated. Finally, voting and ranking which involved prioritising the recorded ideas in relation to the original question. Following the voting and ranking process, immediate results in response to the question were available to participants so the meeting concluded having reached a specific outcome (VandeVen & Delbecq, 1974; Bartunek & Murnighan, 1984; Alison, Martin et al., 2004).

4.2 Survey population and sample size

The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. Domestic hotel guests in New Zealand (i.e., residents who lived in New Zealand at the time of the study), who had stayed more than once in a particular hotel (as an indication of loyalty) over a three year time frame (Osman et al., 2009), were the subjects of this study, because the present thesis deals with guest loyalty. According to statistics New Zealand (2011), domestic guest nights decreased 2.8 percent in the South Island but increased 4.3 percent in the North Island. It is of particular note that the proposed model was tested only on domestic guests in New Zealand without including international guests, because studying the international guests' behaviour in the current model was an area that required a different methodology, and consequently fell outside the scope of the present thesis. Ryan (1995) noted that a common question that often faces researchers is how large a sample is required? The larger the sample size, the less sampling error and the greater the reliability (Alreck & Settle, 2004). From one perspective, a crude answer to the sample size question would be the larger the better, but it is not simply the numbers in the sample that are important, but also the composition of the sample; size itself is not a guarantee of degree of representativeness (Ryan, 1995).

Since the early 1990s, researchers have used a rule of thumb requiring the choosing of 10 observations per indicator in setting a lower bound for the adequacy of sample sizes (Westland, 2010). Justifications for this rule of 10 appeared in several frequently cited publications (Barclay, Higgins & Thompson, 1995; Chin, 1998; Chin & Newsted, 1999; Kahai & Cooper, 2003), although none of these researchers has referred to the original articulation of the rule by Nunnally (1967) who suggested (without providing supporting evidence) that in structural equation modeling a good rule is to have at least ten times as many subjects as variables. Tanaka (1987) argued that the sample size should be dependent on the number of estimated parameters (the latent variables and their correlations) rather than on the total number of indicators. Marsh and Bailey (1991) noted that the

ratio of indicators to latent variables, rather than just the number of indicators, as suggested by the rule of 10, is a substantially better basis on which to calculate sample size. Westland (2010) argued that complexities which increase information demands in structural equation model estimation increase with the number of potential combinations of latent variables; while the information supplied for estimation increases with the number of measured parameters times the number of observations in sample size – both are non-linear. Therefore, Westland (2010) concluded that the requisite sample size is not a linear function solely of indicator count. Newman (2006) introduced one principle of sample size which is the smaller the population, the bigger the sampling ratio has to be for an accurate sample, and larger populations permit smaller ratios for equally good samples. Newman (2006) also recommended that “For small populations (under 1000), a researcher needs a larger sampling ratio (about 30 per cent) to achieve a high degree of accuracy. For moderately large populations (10,000), a smaller sampling ratio (about 10 per cent) is needed to be equally accurate. For large populations (over 150,000), smaller sampling ratios (1 per cent) are possible” (p.241).

In the case of tourism research, the situation normally falls under one of two categories – establishing a survey where the size and variance of a population is either known or not known. Statistics New Zealand provides monthly and yearly data for guests’ nights (a guest night is equivalent to one guest spending one night at an establishment) and average stay (in nights) by region and by accommodation type, and the total number of guests in a particular period can be calculated by dividing guests nights over average stay. However, statistics New Zealand does not provide any data for the total number of guests who stay in hotels more than once over any time frame. Therefore, the following formula in Table 4-1 was used to determine the sample size in this study given that there was not any previous estimate for the size and variance of the population (Ryan, 1995).

Table 4-1 Sample size:

$$n = \frac{z^2 P q}{B^2}$$

Where:

n = sample size

P = population proportion or estimate

q = 1 – P

B = allowable error

Z = z score based on desired confidence level

Therefore, using the convention of a 95 per cent confidence level where $z = 1.96$, and an error of plus or minus 3 per cent, and the assumption of 90 per cent of hotels' guests who stayed more than once in hotels over the past three years, the sample size was determined as 384. Tanaka (1987) argued that the larger the sample size in structural models with latent variables (i.e., dependent variables which are not directly measurable but are measured by a set of indicators), the more information can be available and therefore, more confidence can be expressed for the model as a reflection of the population. In statistics with known finite sample properties (such as ANOVA or multiple regression), the sampling distributions of the statistics change as a function of sample size. This is apparent in the changes in degrees of freedom when sample size changes. Hence, F statistics and t statistics explicitly adjust for differences in sample size. However, the statistical theory in latent-variable structural equation models is asymptotic in nature (Tanaka, 1987). Asymptotic statistical theory implies that confident conclusions can be drawn from data only as total sample size increases without bound. These large sample size results buy some degree of confidence (but not certainty), but do not provide guidelines for when sample sizes are large enough. Kim (2005) noted that there are four possible outcomes in any research, depending on whether or not the null hypothesis (H_0) is true or false and whether one rejects or does not reject the null hypothesis (Table 4-2). There are two correct decisions and two errors (Type I and Type II). Type I error rejects a true

H_0 , whereas Type II error does not reject a false H_0 . Looking at rows of Table 4-2, a decision to either reject or not reject an H_0 can lead to a correct decision or an error. The correctness of these decisions depends on the probabilities of the Type I and Type II errors. The probability of a Type I error is known as α , and the probability of a Type II error is known as β . The probability of not rejecting a true H_0 is $1 - \alpha$, and the probability of rejecting a false H_0 is $1 - \beta$. Unlike α which is often set at some arbitrary value (e.g., $\alpha = 0.05$), β depends on the sample size, as there is a negative relationship between β and sample size.

Table 4-2: Four possible outcomes in a study (with their probabilities)		
	H_0 True	H_0 False
Do not reject H_0	Correct decision ($1 - \alpha$)	Type II error (β)
Reject H_0	Type I error (α)	Correct decision ($1 - \beta = \text{power}$)

Structural equation modeling often faces a criticism that neither the large sample nor the small sample can provide more favourable results without sacrificing either power (if a small sample is obtained) or significant fit indices (if a large sample is obtained). In other words, researchers interested in structural equation models with latent variables are often faced with a dilemma; if large samples are obtained, statistical power to reject the null hypothesis (i.e., the probability of rejecting a false null hypothesis) will be high. However, according to the accept/support null hypothesis testing strategy in latent-variable structural equation models, researchers often look for small Chi-square statistic values (in relation to small sample size) relative to degrees of freedom, and hence want to accept the null hypothesis that the model fits. In structural equation modeling, a not significant test statistic of overall fit (which denotes lack of power and thus small sample size) is often desired because researchers typically do not want to reject a hypothesised model. Therefore, having collected data on a large sample to buy some degree of confidence, the high statistical power available to reject the null hypothesis may lead the researcher to reject a model, which in fact deviates from the population in a minor way. Tanaka (1987) summarised the problem in latent-variable structural equation models as follows: The researcher realises that results are supported only by large sample (asymptotic) statistical theory and

obtains an appropriately large sample, when possible. However, having obtained such a sample, the researcher tests models of interest but finds that all such models are rejected since the obtained sample is too large (i.e., the statistical power available in the sample is detecting potentially non interesting substantive differences as contributing to the lack of correspondence between model and data).

4.3 SURVEYS

The second part of the research comprised self-administered surveys. For this, a questionnaire was developed, and delivered by mail to previous hotel guests to complete and return in a provided envelope. The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. Domestic hotel guests who were residents in New Zealand at the time of the study and who had stayed before more than once in a particular hotel (as an indication of loyalty) over a three year time frame (Osman et al., 2009) were the subjects of this study. The survey was developed from the information collected from both the focus groups and a review of the literature. One of the most common uses of focus groups is learning how respondents talk about the phenomenon of interest, which in turn may facilitate the design of questionnaires (Stewart & Shamdasani, 1990). Morgan (1997) demonstrated that there are three basic ways that focus groups can contribute to the creation of survey items: a) by capturing all the domains that need to be measured in the survey; b) by determining the dimensions that make up each of these domains; and c) by providing item wording that effectively conveys the researcher's intent to the survey respondent. These three ways through which focus groups can contribute to generating survey questions correspond to a potential for reducing three different kinds of errors. First, locating the necessary domains helps to reduce specification errors. Second, generating items that appropriately cover a domain can reduce invalidity both by ensuring that the content of the questions means the same to the respondents as they do to the researcher. Finally, finding item wordings that are appropriate for the widest possible range of respondents not only improves validity but also reduces unreliability by minimising differences in how the respondents interpret the questions.

The data collection followed the modified Dillman (1978) technique through a three-step mailing process. The first mailing consisted of a cover letter soliciting the individuals' consent to participate in the study and a questionnaire. A follow-up mailing with a thank you/reminder card was posted one week later. The third

mailing was sent to those who didn't respond up to that time and consisted of a cover letter and a replacement copy of the questionnaire (Morais et al., 2004). It should be noted that determining the appropriate number of questions to include in a survey requires a delicate balance between keeping the survey short enough so that subjects will answer all the questions and making it long enough to gather the necessary information. The survey (Appendix B) was designed using a seven-point Likert-scale in sections 'A' and 'B' along with a Zero option (not applicable/don't know/have no opinion), open questions in section 'C' and demographic questions were covered in section 'D' of the survey (Schall, 2003).

In contrast to responding to a survey questionnaire which takes very little time and effort, taking part in a focus group discussion typically requires the person to visit a special facility at a specific time and to spend an hour or more to participate much more actively with the others in the group. Therefore, focus group members often either receive monetary compensation for participating or they are given a substantial gift or premium for doing so (Alerck & Settle, 2004). Consequently, the researcher chose a level and type of compensation that was proportionate to the task and appropriate to the earning power of participants. The researcher anticipated that this study would contribute to the body of knowledge in hospitality management theory as it investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes.

The following section addressed the measurement of several constructs: staff loyalty, service quality, guest satisfaction, guest commitment, guest loyalty and the advantages of loyalty programmes offered by hotels. The approach was to benefit from valid research by using previously developed scales. However, adaptations had to be used either because of the specificity of the empirical domain and/or because no appropriate scales were available and items were adapted from the results of focus groups' discussions instead. The procedure in the development of the instrument was as follows:

Lockyer (2005b) developed 49 items using a seven point Likert-type scale from 1 = extremely unimportant to 7 = extremely important, along with a Zero option

(not applicable/don't know/have no opinion) to measure the factors important in the selection of hotel/motel accommodation. This survey was given twice to focus group participants; once before the discussion and the other one after the groups' discussions. The objective was to determine whether the focus group discussion had influenced the responses. Coefficient alphas were computed to obtain internal consistency estimates of reliability for the survey completed before the focus group discussion and the same survey was completed after the focus group discussion. For the survey conducted at the beginning of the focus group meeting, the Alpha = 0.74, while the survey conducted at the end of the survey had an Alpha = 0.94 for 42 focus group participants. Section 'A' of the survey measures the importance of some possible advantages of hotel loyalty programme membership using 24 items, through the same seven point Likert type scale that was used by Lockyer (2005b). These advantages were adapted partly from Lockyer's (2005b) survey and partly from the participants' discussions through the five focus groups conducted in this study.

Moser and Kalton (1971) noted that the purpose of Likert scales is to spread the respondents over the different response categories. Ryan and Garland (1999) argued that when respondents are asked through Likert scales to respond to an item by selecting from a scale which excludes a specific code for non-response where respondents might not hold an opinion or have a knowledge or experience of an event or place. In that case, the absence of such a non-response code might create a disposition to use the midpoint of the scale as respondents select the 'neutral' option on the scale as it can be falsely misinterpreted as an alternative to ticking the don't know option. However, Schuman and Presser (1981) noted that although most survey investigators are willing to allow 'don't know' response to a question, they usually do so with some considerable reluctance, since it likely reduces the effective sample size and representativeness for this item. Ryan and Garland (1999) suggested that the use of non-response option can be useful in two reasons. First, the absence of opinion might identify a problem which may represent a lack of opinion due to lack of information. Second, respondents' opinions which are expressed by selecting from the Likert scale (which include a non-response option) might be more firmly based upon experience or knowledge. The literature has provided mixed empirical evidence and opposing recommendations for the use of 'don't know' option. Proponents (Poe, Seeman,

McLaughlin, Mehl & Dietz, 1998; Gilljam & Granberg, 1993; McClendon & Alwin, 1993) claim that not offering 'don't know' option contaminates the data irreversibly because people who are not competent to answer survey's questions are forced to do so and this will have a negative impact on the validity of the results. While opponents (Converse & Presser, 1986; Hippler & Schwarz, 1989) claim that offering 'don't know' option contaminates the data irreversibly because respondents who are perfectly capable of responding to survey's questions may choose to not answer because they are minimizing the effort required to complete the survey and this will have a negative impact on the reliability of the results.

Section 'B' in the survey addressed the measurement of several constructs: service quality, guest satisfaction, guest commitment, staff loyalty, guest loyalty and the impact of loyalty programmes on guest loyalty through the three stages indicated in the model; those stages before, during, and after the service encounter. Participants in Section B were given a set of statements relating to some reasons why they would repeat their stay with a certain hotel. Participants were instructed to think of hotel X (an imaginary hotel) as a hotel they had stayed at more than once (as an indication of loyalty) over the past three years (Osman et al., 2009), then rate each item using a seven-point Likert-type scale ranging from 'very strongly disagree' (=1) to 'very strongly agree' (=7), plus 'not applicable/don't know/have no opinion' (=0). Section B covers 51 items using a seven point scale to measure service quality, guest satisfaction, guest commitment, staff loyalty, guest loyalty and the impact of loyalty programmes on guest loyalty through the three stages indicated in the model, that is, before, during, and after the service encounter.

Service Quality

The best known determinants emanate from Parasuraman et al. (1985, 1988) who first introduced an instrument named SERVQUAL for measuring customers' evaluations of service quality based on ten categories (access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding, and tangibles) labeled as service quality determinants, which were subsequently collapsed into five criteria (reliability, responsiveness, assurance,

empathy, and tangibles). According to the SERVQUAL (Parasuraman et al. (1985, 1988), the five determinants were tested through a multiple-item scale covering twenty two items over a two-part questionnaire. Respondents in the first part were instructed to indicate the level of service that should be offered (i.e., expectations) by firms within the service category in question. While for the second part, respondents were instructed to express their perceptions about the firm offering the service. For each item, a difference score for quality (representing perceived quality along that item) was calculated as the difference between the ratings on perception and expectation items within the two parts for each of the 22 pairs of items. The average of the difference scores for items making up a dimension serve as a measure of that dimension, while the average score across all items serves as the overall measurement of service quality.

Caruana (2002) measured service quality using the 21-item SERVQUAL instrument. However, rather than collecting expectation and perception items separately, service quality was treated as disconfirmation in satisfaction theory, and perceptions data relative to respondent expectations were collected directly. Therefore, for each perception item respondents were asked to consider their views in terms of their expectations on a three-point scale. Was the perception on the particular item worse than expected, about as expected, or better than expected? Despite the popularity of the SERVQUAL, several analysts have suggested that the measure has serious shortcomings that limit its usefulness. Brown et al. (1993) argued that the use of difference scores often demonstrates poor reliability. Cronin and Taylor (1992) suggested that performance scores alone may be as reliable as those obtained by subtracting expectations from perceptions; that is, the estimation of a firm's perceived performance might already lead a respondent through a mental process of comparing his/her perceptions to his/her expectations.

Lenka et al. (2009) questioned the reliability of the SERVQUAL as an instrument for measuring the service quality of a firm because it measures customers' perception and expectation using two separate scales. They suggested the need for an assessment instrument which captures perception and expectation on human, tangible and technical aspects of service quality. Similarly, Yieh et al. (2007)

employed three constructs – employee-customer interaction, empathy, and tangibility – to measure service quality by modifying SERVQUAL.

Zhu, Wymer and Chen (2002) used six items with an alpha 0.92 to measure the technical aspects of banking services. Lenka et al. (2009) used 4-items with an alpha 0.79 for the same purpose. These items were adapted from the Zhu et al. (2002) scale. Customers were asked to rate each item using a five-point scale ranging from ‘much worse than expected’ (=1) to ‘much better than expected’ (=5). Higher additive scores on four items indicated improved technical aspects of service quality. Three items were adapted to measure the technical aspect of service quality and one item was omitted because of its reference to privacy (‘data are not shared and credit information is secure in computerised transactions’). The items used were:

- 1- The hotel’s facilities were reliable.
- 2- The hotel’s facilities were easy to use.
- 3- The hotel provided fast check-in and check-out.

Sureshchander, Rajendran and Anantharaman (2002) used six items showing the tangible aspects of service. Later, Lenka et al. (2009) adapted 3-items with an alpha of 0.71. Four items were adapted for this study from Sureshchander et al. (2002) after changing the wording to suit the hotel industry. Also, one of the items in the Sureshchander et al. (2002) study were divided into two items ‘the hotel’s premises were clean’ and ‘the hotel’s premises were noise acceptable’. Thus, for the tangible aspect of service quality, five items were used. These items were:

- 1- The hotel’s premises were clean.
- 2- The hotel’s premises were noise acceptable.
- 3- The hotel staff had a smart appearance.
- 4- The hotel’s facilities were visually appealing.
- 5- The hotels’ furniture was comfortable for the guests.

Sureshchander et al. (2002) used 17-items to measure the human element of service delivery. Lenka et al. (2009) used eight items five-point Likert type scale to measure the human aspect of service quality showing a reliability of 0.82.

These items were adapted from the scale of Sureshchander et al. (2002) combining expectations and perceptions on a single measure (Brown et al., 1993). Eight items were adapted from the Sureshchander et al. (2002) study after changing the wording to suit the hotel industry to measure staff interaction. These items were:

- 1- The hotel staff provides services as promised.
- 2- The hotel staff were knowledgeable and competent.
- 3- The hotel staff understood the needs of their guests.
- 4- The hotel staff helped me and responded to my requests.
- 5- The hotel staff provided a prompt response to guest needs.
- 6- The hotel staff were able to take proper actions when needed.
- 7- The hotel staff cared and were concerned about guests' comfort.
- 8- The hotel staff provided services right from the first moment of contact.

Therefore, service quality as measured in three main dimensions (technical, tangible, and staff interaction) was measured in the survey in this study using a set of sixteen statements as shown in Table 4-3 (see Appendix B for statements 25 to 40 in Section 'B' of the survey).

Table 4-3 Service Quality Statements

- 1- The hotel's facilities were reliable.
- 2- The hotel's facilities were easy to use.
- 3- The hotel provided fast check-in and check-out.
- 4- The hotel's premises were clean.
- 5- The hotel's premises were noise acceptable.
- 6- The hotel staff had a smart appearance.
- 7- The hotel's facilities were visually appealing.
- 8- The hotel's furniture was comfortable for the guests.
- 9- The hotel staff provide services as promised.
- 10- The hotel staff was knowledgeable and competent.
- 11- The hotel staff understood the needs of their guests.
- 12- The hotel staff helped me and responded to my requests.
- 13- The hotel staff provided a prompt response to guest needs.
- 14- The hotel staff were able to take proper actions when needed.
- 15- The hotel staff cared and were concerned about guests' comfort.
- 16- The hotel staff provided services right from the first moment of contact.

Guest Commitment

Allen and Meyer's (1990) study concluded that customer commitment entails two components. The first component of commitment is based on liking and identification, which Allen and Meyer termed affective commitment. The second component of customer commitment is based on dependence and switching costs, which Allen and Meyer termed continuance commitment. Allen and Meyer (1990) used 8-items to measure affective commitment and another eight for measuring continuance commitment, all on a seven point Likert-type scale.

Garbarino and Johnson (1999) used 4 items on a five point Likert-type scale to measure customers' commitment to a theatre. Later, Alonso (2000) adapted Garbarino and Johnson's items and added two other items. Fullerton (2003) investigated the roles played by different forms of commitment in the relationship between customers and their service provider. The study measured affective commitment and continuance commitment using four-items adapted from Allen and Meyer's (1990) affective commitment scale and continuance commitment scale respectively. In this study, two items were adapted from Garbarino and Johnson's (1999) instrument and one item from Fullerton's (2003) instrument to measure affective commitment. These items were:

- 1- I feel emotionally attached to the hotel.
- 2- I feel that I care about the success of the hotel.
- 3- I feel a strong sense of belonging toward the hotel.

For the continuance commitment in this study, three items were adapted from Fullerton's (2003) instrument after changing the wording to suit the sector under study. These items were:

- 1- If I wanted to stay at another hotel, it would be more costly.
- 2- If I wanted to stay at another hotel, it would be very difficult.
- 3- I stay at the hotel more as a matter of necessity than of desire.

Therefore, guest commitment was measured in the survey in this study using a set of six statements as shown in Table 4-4 (see Appendix B for statements 41 to 46 in Section 'B' of the survey).

Table 4-4 Guest Commitment Statements

- 1- I feel emotionally attached to the hotel.
- 2- I feel that I care about the success of the hotel.
- 3- I feel a strong sense of belonging toward the hotel.
- 4- If I wanted to stay at another hotel, it would be more costly.
- 5- If I wanted to stay at another hotel, it would be very difficult.
- 6- I stay at the hotel more as a matter of necessity than of desire.

Guest Satisfaction

Caruana (2002) used four items to measure customer satisfaction. These items were adapted from an instrument provided by Bitner and Hummbert (1994) that look at post purchase responses using a five point Likert-type scale. Westbrook and Oliver (as cited in Alonso, 2000) developed a general six item scale to measure a consumer's degree of satisfaction with a class s/he recently took. The reliability reported was 0.92. One item was omitted from this study as it was not suitable to use 'the level of service has developed out as well as I thought it would'. Five items were adapted for this study after changing the wording to suit the hotel industry. These items were:

- 1- I truly enjoyed staying at the hotel.
- 2- The hotel services were exactly what I needed.
- 3- I am satisfied with my decision to choose the hotel.
- 4- The hotel services adequately fulfilled my expectations.
- 5- The hotel services were some of best hotel services I've ever received.

Therefore, guest satisfaction was measured in the survey in this study using a set of five statements as shown in Table 4-5 (see Appendix B for statements 47 to 51 in Section 'B' of the survey).

Table 4-5 Guest Satisfaction Statements

- 1- I truly enjoyed staying at the hotel.
- 2- The hotel services were exactly what I needed.
- 3- I am satisfied with my decision to choose the hotel.
- 4- The hotel services adequately fulfilled my expectations.
- 5- The hotel services were some of best hotel services I've ever received.

Staff Loyalty

Carmen (1990) developed a (five item, Likert-type) scale to measure the degree to which a person thinks a service company's employees give attention to customers. Alonso (2000) adapted four items from the Carmen scale and the reliability reported was 0.82 when applied on a placement centre. For this study, four items were adapted after changing some of the items' wordings to suit the hotel industry. These items were:

- 1- The hotel staff gave me personal attention.
- 2- The hotel staff knew exactly what my needs were.
- 3- The hotel staff responded to my requests promptly.
- 4- The hotel staff were courteous, polite, and well mannered.

Two more items were added from focus groups discussions. These items were:

- 1- The hotel staff were enthusiastic and committed.
- 2- The hotel staff went beyond their specified duties to serve me.

Therefore, staff loyalty was measured in the survey in this study using a set of six statements as shown in Table 4-6 (see Appendix B for statements 52 to 57 in Section 'B' of the survey).

Table 4-6 Staff Loyalty Statements

- 1- The hotel staff gave me personal attention.
- 2- The hotel staff knew exactly what my needs were.
- 3- The hotel staff responded to my requests promptly.
- 4- The hotel staff were courteous, polite, and well mannered.
- 5- The hotel staff were enthusiastic and committed.
- 6- The hotel staff went beyond their specified duties to serve me.

Guest Loyalty

Raju (1980) developed a seven item seven point Likert-type scale summated ratings scale to measure the degree to which a person reports being loyal to what s/he has been using rather than trying something new and/or different. The reliability reported was 0.70 with a sample of 105 students. Later, Lichtenstein, Netemeyer and Burton (1990) suggested a modification of Raju's scale with only five items. Lichtenstein et al. (1990) tried to assess a consumer's general tendency to buy the same brands over time rather than switching around to try other brands. The reliability reported was 0.88. These scales aimed at measuring the behavioural component of loyalty. Sirgy, Johar, Samli and Claiborne (1991) developed a three-item scale to measure the constancy and devotion that a consumer expresses in describing his/her shopping at a specified store. The Sirgy et al. (1991) study was composed of 110 adults who had just shopped in one of two upscale clothing stores. The reliability of the scale was 0.85. Alonso (2000) used five items to measure customer loyalty by incorporating both behavioural and attitudinal measures of loyalty. Three items were adapted from Lichtenstein et al. (1990) to measure the behavioural component of loyalty and another two items for measuring the attitudinal component of loyalty were adapted from Sirgy et al. (1990). Lee et al. (2001) used three items for measuring customer loyalty in a mobile phone service market in France. The reliability reported was 0.81. Zeithaml et al. (1996) used five items to measure loyalty in their operationalisation

of the loyalty to the company. For this study, three items were adapted from Alonso's (2000) scale to measure the behavioural component of loyalty. These items were:

- 1- I hate to switch once I get used to a hotel service.
- 2- I always stay at hotel X, even though there are other options.
- 3- If I like hotel X service, I rarely switch from it just to try another hotel.

For the attitudinal component of loyalty, one item was adapted from Alonso's (2000) scale and another two from Zeithaml et al. (1996) scale after changing the wording to suit the hotel industry. These items in order of adaptation were:

- 1- I always think of hotel X as ideal accommodation.
- 2- I recommend hotel X to my friends and workmates.
- 3- I consider hotel X as my first choice when I need to stay in a hotel.

Therefore, guest loyalty was measured in the survey in this study using a set of six statements as shown in Table 4-7 (see Appendix B for statements 58 to 63 in Section 'B' of the survey).

Table 4-7 Guest Loyalty Statements
<ol style="list-style-type: none">1- I hate to switch once I get used to a hotel service.2- I always stay at hotel X, even though there are other options.3- If I like hotel X service, I rarely switch from it just to try another hotel.4- I always think of hotel X as ideal accommodation.5- I recommend hotel X to my friends and workmates.6- I consider hotel X as my first choice when I need to stay in a hotel.

Loyalty Programmes

Loyalty programmes were introduced on the premise that repeat buying behaviour of customers is an indicator of loyalty. Sharp and Sharp (1997) argued that loyalty programmes are concerned mainly with behavioural loyalty rather than attitudinal loyalty because practically, loyalty programmes only reward behaviour. Customers are not given points, prizes, discounts or any other reward/incentive for changing their attitudinal loyalty. Leenheer et al. (2002) used eight items all measured on a five point Likert-type scale (1 = totally disagree, 5 = totally agree) to test the effect of loyalty programmes on behavioural loyalty through measuring the attitude of a panel of households toward loyalty programmes offered by supermarket chains. Most of the items measuring the impact of loyalty programmes were adapted from the focus groups' discussions because no appropriate scales were available to use from previously developed scales.

Six items were adapted from the focus groups' discussions to measure the impact of loyalty programmes before the service encounter as well. These items were:

- 1- If I was a member of hotel X programme, I'd return to the hotel.
- 2- Experiencing something unique is what makes me return to hotel X.
- 3- Being recognised as a return guest is what makes me return to hotel X.
- 4- If I was in the hotel X loyalty programme, I'd still look for better deals.
- 5- If I was in the hotel X loyalty programme, hotel X would be my first choice.
- 6- If I was in the hotel X loyalty programme, I'd never return to it if staff were rude.

Three-items were adapted from the focus groups' discussions to measure the impact of loyalty programmes on guests' service evaluation during the service encounter. These items were:

- 1- I'd feel special if I was a member of hotel X programme.
- 2- I'd expect the service to be better and quicker as a loyalty member.
- 3- If I was in the hotel X loyalty programme, I'd judge hotel X services differently.

Only one item was adapted from the Leenheer et al. (2002) scale to measure the impact of loyalty programmes after the service encounter. This item was:

- 1- I'd feel more strongly connected to a hotel for which I hold a loyalty card.

Two more items were adapted from the focus groups' discussions to measure the impact of loyalty programmes on guests' commitment after the service encounter as well. These items were:

- 1- If I was in the hotel X loyalty programme, I'd feel a strong sense of belonging
- 2- If I was in the hotel X loyalty programme, I'd feel emotionally attached to the hotel.

Therefore, twelve statements were used in the survey to measure the impact of loyalty programmes in the three stages indicated in the model; before, during, and after the service encounter, as shown in Table 4-8 (see Appendix B for statements 64 to 75 in Section 'B' of the survey). It is of particular note that prior to the statistical analysis, two items were recoded because they were negatively worded in the survey. These items were "If I was in the hotel X loyalty programme, I'd never return to it if staff were rude", and "If I was in the hotel X loyalty programme, I'd still look for better deals".

Table 4-8 Loyalty Programmes Statements

- 1- If I was a member of hotel X programme, I'd return to the hotel.
- 2- Experiencing something unique is what makes me return to hotel X.
- 3- Being recognised as a return guest is what makes me return to hotel X.
- 4- If I was in the hotel X loyalty programme, I'd still look for better deals.
- 5- If I was in the hotel X loyalty programme, hotel X would be my first choice.
- 6- If I was in the hotel X loyalty programme, I'd never return to it if staff were rude.
- 7- I'd feel special if I was a member of hotel X programme.
- 8- I'd expect the service to be better and quicker as a loyalty member.
- 9- If I was in the hotel X loyalty programme, I'd judge hotel X services differently.
- 10- I'd feel more strongly connected to a hotel for which I hold a loyalty card.
- 11- If I was in the hotel X loyalty programme, I'd feel a strong sense of belonging.
- 12- If I was in the hotel X loyalty programme, I'd feel emotionally attached to the hotel.

Through the focus groups' discussions, it was clear that location, price, and staff attitude have an impact on guests' willingness to repeat their stay with a certain hotel even if they hold a loyalty membership with the hotel. Therefore, four-items were adapted and used in two different situations, using the example of whether or not they have stayed in a particular hotel before to test the impact of location, price, and staff attitude on guests' willingness to repeat their stay with a hotel where they hold a loyalty membership. Through the first situation, participants have to assume that they had to go to a place they have never been before and stay

in a hotel, while in the second situation, participants have to assume that they to go to a place they have been to before. Therefore four items were asked twice for the two situations (see Appendix B for statements 76 to 83 in Section 'B' of the survey):

- 1- The hotel with which I hold a loyalty membership would be my first choice.
- 2- I like to try different hotels outside the loyalty programme as a general rule.
- 3- Price is more important to me than choosing a hotel with which I hold membership.
- 4- Location is more important to me than a distant hotel with which I hold membership.

Participants were asked four open questions in Section 'C' in the questionnaire, while demographic questions were covered in Section 'D' such as age, income, marital status, and income. Although the makeup of the population in New Zealand is increasingly multi-cultural (Lockyer, 2003), ethnicity as a variable wasn't included in the demographic questions covered in Section 'D' of the survey because there was no indication from the previously conducted focus groups that participants from different ethnic groups might have any significant preferences regarding hotel loyalty or even regarding their loyalty programme membership.

CHAPTER 5

FOCUS GROUPS RESULTS AND DISCUSSION

5.1 FOCUS GROUPS' RESULTS

The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. Focus groups were used for this part of the research. It was the original objective to establish six focus groups each with ten participants. Morgan (1997) demonstrated this rule of thumb by stating that projects should consist of at least three to five groups for the purpose of reliability because more groups seldom provide meaningful new insights. Qualitative researchers recognise this as the goal of saturation; the point at which additional data collection no longer generates new understanding (Morgan, 1997). In qualitative research, the sample is selected on purpose to yield the most information about the phenomenon of interest (Merriam, 2002). Krueger (1988) noted that in qualitative research we should plan for four focus groups with similar audiences, but to evaluate after the third group. If new insights are provided in the third group, then conduct the fourth and additional groups as needed. That's why the researcher conducted five focus groups based on new insights from participants in the third group. Because of the nature of the major part of the research, a lot of transcribed text to be analyzed was generated, for which content analysis was used.

In using content analysis there is always some concern about the reliability of the findings. This has been defined as the extent to which a measuring procedure yields the same result (Carmines & Zeller, 1979) and whether results are consistent with the data collected (Merriam, 2002). To assist with this, a computer content analysis software package called CATPAC (CATegory PACKage) was used. For a content analysis to be generalisable to some population the sample for the analysis should be randomly selected (Neuendorf, 2002). Participation in the focus group was voluntary, where the researcher distributed 500 flyers randomly in Hamilton to recruit participants, looking for those who had stayed at least twice in a hotel in the past three years (Osman et al., 2009) and who would be interested in participating in a focus group discussion. Therefore, the focus groups

participants sample was selected purposively. The flyers gave an introduction to the research; details about what participants would receive (\$50 petrol voucher and light refreshments) and the intended nights that the research would take place, along with a phone number if they were interested in participating. As there was no reason to believe that the views of those living in Hamilton would be of any different from people living in any other part of New Zealand, the population was defined as all people living in Hamilton aged 18 or older.

Five focus groups were conducted over two weeks with a total of 41 participants. Of this number, 59 per cent were female and 41 per cent were male. The focus groups consisted of six-to-ten participants seated around a conference table with a group moderator who focused their discussion on a series of topics or issues of interest to the researcher, while the proceedings were observed and recorded for analysis and interpretation later (Alerck & Settle, 2004). As illustrated in Table 1 the largest age group of participants (44 per cent) was aged between 41 and 60, the next largest group (37 per cent) was aged between 25 and 40. The focus groups lasted between 45 to 60 minutes and were digitally recorded with participants' permission after signing a consent form outlining their right to withdraw from the study at any time if they chose to. Participants were also given an information sheet that outlined the purpose of the study, assuring them that all records would be erased after the analysis was done. Those participants met in a meeting room in the University of Waikato at a time of greatest convenience for all of them. Complete anonymity was assured to all participants as they were given random numbers to be used during the discussions and in the analysis of data. Prior to the commencement of each focus group, the researcher opened the discussion by introducing the topic to them in a fair fashion with an honest admission that he was there to learn from them, and asked the participants to feel free to comment or say anything that might be relevant to the topic of the study.

The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. This research aim was achieved through a number of research objectives in the study (Table 2-1). Therefore, the participants in each group were given a short survey

(Appendix B) at the beginning of the discussion covering fourteen factors guests may consider as a motive to repeat their stay with a particular hotel (Lockyer, 2005b). Focus group participants were asked to rate each factor on a five-point Likert-type scale that has the advantage of being balanced; it has two positive, two negative, and one neutral response (Schall, 2003), where 1 = Very Unimportant, 3 = Neutral, and 5 = Very Important.

Through the five focus groups, participants were asked a series of questions covering drivers of guest loyalty as suggested in the proposed model (Figure 1-1) in the study based on the literature (questions are listed in Appendix B). In addition to that, participants were asked a number of questions as a result of the normal flow of the different group discussions. For example, during one group discussion, participants highlighted the importance of the condition of the room (such as room cleanliness), and how this factor can impact their future decision to return to the same hotel. As a result, a follow up question was introduced: “Do you ever go out of your way and try to develop a relationship with the hotel staff?”, and one of the participants said:

“Yes I do and I always try to develop a relationship with the cleaning staff because they are the people that provide you with the toiletries, the tea bags, all these sorts of facilities and they look after you if they know that you are going to be pleasant to them, and it works every time.” (Focus group #3, participant #21)

Afterwards, the five focus groups’ discussions were transcribed, written in a word document and transformed to a text format for further analysis. To analyze the data obtained from participants through the focus group discussions, a content analysis software package called CATPAC (CATegory PACKage) was used, originally developed in the late 1970s and upgraded to artificial neural technology in 1989. CATPAC reads and analyzes text, unlike traditional text analysis packages, however, CATPAC does not require any precoding of the text, nor is it necessary for the analyst to precode or determine what categories of information might lie in the text in advance. CATPAC reads the text, discovers the main concepts which the text embodies and the interrelationships among those main

concepts. It uses the theory of neural networks to establish patterns within written text (Hample, 1996).

CATPAC uses the theory of neural networks to establish patterns within written text. Within the hospitality industry, Law (1998) undertook a study that applied a neural network approach to room occupancy rate forecasting. CATPAC reads and analyses text by using a neural pathway. This is achieved by running a scanning window through the window. The software seeks to simulate what happens in the human brain. As messages, thoughts, or re-lived memories pass from brain cell to brain cell, a biochemical electromagnetic pathway is established (memory track). Every time there is a thought with the brain, the biochemical/electromagnetic resistance along the pathway carrying that thought is reduced. The more frequently patterns or maps of thought are repeated, the less resistance there is to links being developed (Caudill & Butler, 1990; Lockyer, 2005b). As a result, the brain is very good at pattern recognition. Neural software seeks to imitate this function. CATPAC establishes patterns within written text and learns the underlying concepts of clusters of meaning which it reports in the form of a Dendogram (Hample, 1996).

CATPAC is a self-organising artificial neural network that has been optimised for reading text. CATPAC reads and analyzes text by simulating a neural pathway. CATPAC is able to identify the most important words in a text and determine patterns of similarity based on the way they are used in text. It does this by assigning a neuron to each major word in the text. The neuron representing a word becomes active when that word appears in the window and remains active as long as the word remains in the window. This is achieved by running a scanning window through the text. This scanning window consists of η consecutive words, where η is a parameter set by the user (by default $\eta = 7$). The window slides to the right through the text so that for a η of 7, the window will first contain words of 1 to 7, then 2 to 8 and so on. Whenever a word is in the scanning window, its neuron is activated. Thus, for a scanning window of 7, seven neurons will be activated. The result is that only frequently reinforced connections will grow strong, while those that are only infrequently or never reinforced become weak. After reading the text, the software detects those stimuli that co-occur. These will

tend to be positively interconnected in the network, while those that seldom or never co-occur will become negatively interconnected (Lockyer, 2002).

Table 5-1 Age of focus groups participants		
Age	Frequency	Percent
< 25 years	2	5
25 – 40 years	15	37
41 – 60 years	18	44
> 61 years	6	14
Total	41	100.0

According to Morgan (1997), interpreting the data from focus groups requires distinguishing between what participants find interesting and what they find important. Therefore, to determine what the participants think is important, the researcher used SPSS version 18 to analyze participants' responses for the short survey given at the beginning of each group discussion. All of them indicated that condition of the room, courtesy and friendliness of staff, and hotel location were the top attributes that would influence both their selection of a specific accommodation and whether they would return to this accommodation in the future or not. While they stated that hotels' star rating is not an important factor for them, they declared that these ratings only constitute a guide for the basic facilities provided in each hotel and the level of service quality they should expect in relation to the star rating. In addition to that, most of the participants agreed that loyalty programmes provided an incentive for them to repeat their stay with the same hotel but they would still look for better deals with others hotels with whom they didn't hold loyalty programme membership.

Table 5-2 indicates the means of participants' responses in a descending order according to their gender. The condition of the room (such as room cleanliness) had the highest mean for both males and females (Males mean = 4.75, very important; Females mean = 4.95, very important) followed by hotel location (Males mean = 4.42, imporant; Females mean = 4.48, important), and the courtesy and friendliness of the staff (Males mean = 4.42, imporant; Females mean = 4.57,

important). Accessibility to spa, health club, and swimming pool had a mean of 3 (neutral) for males and 3.24 (neutral) for females (ranked twelfth in importance). The existence of hotel loyalty programme (i.e., frequent visitors programme) had a mean of 3 (neutral) for males and 3.33 (neutral) for females, while accessibility to entertainment (such as casino and club house) had the lowest mean for both males and females (Males mean = 2.92, neutral; Females mean= 2.90, neutral). Comparing participants' responses according to their gender also shows a great difference between them in relation to three main factors: hotel loyalty programme (i.e., frequent visitors programme), billing accuracy and minimal waiting time at "check-out" and minimal waiting time at "check-out", and strong sense of belonging and dedication. Males had a higher mean for the factor strong sense of belonging and dedication (males mean 4, important; females mean 3.67; important) while females had a higher mean for both hotel loyalty programme (i.e., frequent visitors programme) (females mean 3.33, neutral; males mean 3, neutral) and billing accuracy and minimal waiting time at "check-out" (females mean 4.33, important; males mean 4, important. Also, female participants had a higher mean than males for two other factors: room safety "such as secure door, personal lockers, etc", (females mean 4.52, very important; males mean 4.25, important) and room rate/package price (females mean 4.52, very important; males mean 4.25, important). The T-test illustrates that there were no statistically significant differences between male and female participants, and this was due to the small sample size of the focus groups (41 participants).

The fourteen items in the survey were analyzed to identify underlying drivers of guest loyalty. Analysis using SPSS revealed a Cronbach's alpha coefficient of 0.76. A value of approximately 0.70 or above indicates it is appropriate to proceed with factor analysis (Lockyer, 2004). However, the Kaiser-Meyer-Olkin test of adequacy was 0.43, classified as "unacceptable" (Ryan, 1995, p.256). Therefore, factor analysis wasn't done for this part of the survey.

	Male		Female		Mean Difference	<i>t</i> -value
	Mean	S.D.	Mean	S.D.		
Condition of room (such as room cleanliness).	4.75	0.45	4.95	0.22	-0.20	-1.74
Hotel Location.	4.42	0.79	4.48	0.60	-0.06	-0.24
Courtesy and friendliness of the staff.	4.42	0.51	4.57	0.68	-0.15	-0.69
Room rate/package price.	4.25	0.87	4.52	0.68	-0.27	-1.01
Room safety (such as secure door, personal lockers, etc.).	4.25	0.75	4.52	0.81	-0.27	-0.95
Complaints handling.	4.25	0.75	4.24	0.70	0.01	0.05
Billing accuracy and minimal waiting time at "check-out".	4.00	0.74	4.33	0.66	-0.33	-1.34
Strong sense of belonging and dedication.	4.00	0.60	3.67	0.97	0.33	1.08
Hotel star rating.	3.75	0.62	3.76	0.89	-0.01	-0.04
Reservation in order and minimal waiting time at "check-in".	3.75	0.62	4.00	0.84	-0.25	-0.90
Hotel Facilities (such as lounge and bar).	3.67	0.89	3.52	1.08	0.14	0.39
Accessibility to spa, health club, swimming pool, etc.	3.00	1.28	3.24	0.94	-0.24	-0.61
Hotel loyalty programme (i.e., frequent visitors programme).	3.00	0.85	3.33	0.91	-0.33	-1.03
Accessibility to entertainment (such as casino).	2.92	0.67	2.90	1.18	0.01	0.03

ANOVA (Analysis Of Variance) was conducted to see if there were any differences between participants' responses according to their different age groups. The age variable was recoded in the SPSS programme because there were fewer than three participants in the groups who were under 25. So participants under 25 and those between 25 and 40 were grouped into group A, participants aged between 41 and 60 were coded as group B, while participants older than 60 were grouped in group C. Table 5-3 shows ANOVA results. The condition of the room (such as room cleanliness), and room rate/package price had the highest level of importance among the three age groups, while accessibility to entertainment (such as casino and club house), and hotel loyalty programme (i.e., frequent visitors programme) had the lowest level of importance, which is quite similar to what is shown in Table 5-2. However, looking for differences between

age groups, results highlight the fact that at some point in people's lives certain facilities would be more important than others. For example, participants older than 60 indicated a high level of importance for room safety (such as secure door, personal lockers, etc.) than other groups, while participants under 40 indicated a high level for accessibility to spa, health club, swimming pool, etc. than other groups. According to Table 5-2, participants older than 60 indicated a high level of importance for ten factors than other groups, which illustrates that older people tend to be more loyal than younger age groups. One of the participant's comments during the focus groups discussion was illustrative:

“If we were going to a hotel where they were offering us incentives for children facilities that would be the very hotel that we would definitely not go to. So we all have different priorities and anything with children sorry we don't want to go there.”(Focus group #1, participant #4)

Table 5-3 ANOVA for focus groups participants' age groups			
	Age		
	A 18 - 40	B 41 - 60	C > 60
Room rate/package price.	4.73	4.16	5.00
Condition of room (such as room cleanliness).	4.73	4.95	5.00
Room safety (such as secure door, personal lockers, etc.)	4.36	4.37	5.00
Hotel Location.	4.27	4.53	4.67
Complaints handling.	4.27	4.26	4.00
Courtesy and friendliness of the staff.	4.18	4.63	5.00
Billing accuracy and minimal waiting time at "check-out".	3.91	4.32	4.67
Hotel Facilities (such as lounge and bar).	3.73	3.53	3.33
Reservation in order and minimal waiting time at "check-in".	3.73	3.89	4.67
Hotel star rating.	3.45	3.89	4.00
Accessibility to spa, health club, swimming pool, etc.	3.36	3.21	2.00
Strong sense of belonging and dedication.	3.36	3.95	4.33
Accessibility to entertainment (such as casino).	3.00	2.84	3.00
Hotel loyalty programme (i.e., frequent visitors programme).	3.00	3.32	3.33

As discussed earlier, CATPAC was used for content analysis. Participants' responses were entered into a word processor. At this stage some editing was carried out so that different words with the same meaning were altered to the same word, given that reference was made to the text for each of these words to ensure that the meaning as used by the focus groups was not altered. Certain words with similar meaning appeared in relationships; for example the word price as in "room price" is closely related to rate as in "room rate" and as part of text editing these two words could be changed to one (which is price). Another example of editing was done for words "people" and "staff". This is illustrated from one of the participant's comments "...I always try to develop a relationship with the cleaning staff because they are the people that provide you with the toiletries..."; therefore the word people has been replaced by the word staff for the purpose of consistency. In using CATPAC, a number of different learning parameters are used, such as varying the number of unique words, the window size and slide size. This gives the researcher the ability to experiment and focus on the words that are strongly reinforced. However, many of the most frequent words are not content-

bearing words at all. Such words include determiners, prepositions, etc. Through CATPAC, an exclude file was created (including all the prepositions such as we, were, their, etc.) to ensure that those non content-bearing words (i.e., have no underlying meaning) were excluded from the analysis.

Figures 5-1 and 5-2 show the output from the hierarchical cluster analysis produced by CATPAC for the data set using the setting of 15 unique words, with the parameters set to window size of 7, slide size 1, meaning that words one through seven are first read and analyzed, then words two through eight, then words three through nine, and so on. These figures are called Dendogram, and they look like the skyline of a city seen from a far. The buildings underneath the words show which words cluster together. It must be noted that CATPAC can only be used in conjunction with a careful reading of the comments made by respondents, and is an aid to understanding and analysis. Dendograms are good for identifying clusters of concepts, but to get a better picture of the concepts it may be better to look at conceptual maps. Figures 5-3, 5-4, and 5-5 are examples of perceptual maps pasted from Thought View.

Thought View displays conceptual maps from conceptual map files also known as coordinate files, or .crd files. However, it needs to be noted that these figures do not give a quantifiable indication of strength, but do give valuable insight into the word groupings. Catpac's Dendogram windows contain all information necessary to produce a conceptual map file. Thus, Figures 5-3, 5-4 and 5-5 are special models produced through CATPAC in a 3D presentation, where cubes' sizes are standard and are similar to the Dendogram in the sense that the cubes represent those words that cluster together. The length of the lines connected to words in these figures depends on how often these words have been repeated between participants in the focus group discussions. The more a word is repeated between participants the longer the length of the line becomes connecting this word to a specific cube. For example, the word breakfast in Figure 5-3 is connected to a longer line than any other word in the same figure. It was evident through the focus groups how important it was for guests to have free breakfast as a part of being a member in a hotel loyalty programme. Other words appear in one group in these figures within a specific cube because they have been closely connected to

each other through the focus group discussions. These figures indicate a special relationship between words that are closely related and therefore it is impossible to separate them into individual items. For example, the words return, hotel, price, staff, location, service, and loyalty programme were grouped together in Figure 5-3 for all participants.

Focus groups dendogram by gender

It was evident that loyalty programmes, the level of service, staff attitude, price and location are all important factors that have a significant impact on guests' decisions to return to the same hotel and repeat their stay in the future. Figure 5-4 (male participants) shows a strong relationship between club, customer and recognition and it is evident that the main incentive for male membership in hotel loyalty programmes is being recognised. In this respect, the word 'club' was used by the participants as in 'loyalty club' not as in a club meaning a 'night club or bar'. Figure 5-5 (female participants) shows a strong relationship between unique and times, which indicates that the main incentive for females joining hotel loyalty programmes is experiencing a unique stay each time. The word breakfast appears in all figures as it is evident through the focus groups how important it is for guests to have free breakfast as part of being a member in a hotel loyalty programme. As was expressed by one of the participants:

"... I returned to one hotel in Melbourne and it had like this amazing like breakfast and we ate that early in the morning and you didn't even need to eat lunch or anything so you didn't eat until dinner time again because they had the selection like the cooked as well as the fruits and then they had the pastries and everything". (Focus group #5, participant #36)

Figure 5-1 shows a comparison between the focus groups' participants according to their gender with the different relationships highlighted in different colours. The first part of the table shows the Dendogram for all male participants. It indicates a strong relationship between club, customer, and recognition, a relationship between loyalty programmes, staff, hotel, price and return, and another relationship between unique and belonging. The second part in Figure 5-1 shows females' responses which indicate a strong relationship between unique, times, friendly, and facilities and another relationship between staff, price,

location, loyalty, hotel and return. The following is a detailed analysis for males' and females' Dendogram followed by an analysis for all participants' responses as shown in Figure 5-2.

Males' participants

Most of the male participants indicated through the focus group discussions the importance of recognition in hotels where they hold loyalty card membership. One of the participants stated "...as part of a loyalty programme you sort of feel a bit above a normal person walking in off the street" (focus group #1, participant #8). Similarly, another participant said:

"I belonged to a hotel loyalty group in New Zealand and I would stay by preference when I was booking in with a part of that group....and a part of that was at least when you rocked up and handed the loyalty card over you got a bit of recognition for that...even maybe for someone off the street and hope it made a difference." (Focus group #3, participant #19)

Another participant stated that "...you get preferential treatment so it's kind of a mixture of all we are recognised as being loyalty members", (focus group #1, participant #3) similarly, another participant said

"I am in a programme where you get one free night in any hotel that they own, in any part of the South Pacific area. Number two when there is a shortage of accommodation they are more likely to let you have the accommodation in preference to others...that's probably the main reason. Because you have stayed with them once, if you go back you are recognised." (Focus group #1, participant #1)

While another participant stated:

"...recognition that you are coming back, it might be sending you a card to remind you of some sort of good things that are happening or trying to tempt you back." (Focus group #5, participant #39)

Males' participants' views towards staff attitude

Through the discussions, participants were asked how important was the staff attitude in making them return to the same hotel again and whether or not they seek to develop a relationship with the staff. Males agreed that it would be nice to know the name of the person who is serving to enable them to be friendlier; however, they expressed their willingness to pay more money and go to another place if the staff were rude to them, and they wouldn't join a hotel loyalty programme whose staff were rude to them from the beginning.

As was expressed by one participant:

“Yes it's quite nice to know the name of the person, the first name so that you can refer to them by their name and if you have got issues you know who to talk to. I think we talk about it a little bit, not hugely, but it's a nice option we have had that in a number of places that we have stayed where we have struck up a relationship with the staff whether it be in the bar, restaurant or the concierge and such like and I think it makes it just a little bit more friendlier.” (Focus group #1, participant #3)

The same participant added:

“We stayed at a place where they had a promotion in the bar and they didn't have the product and they ran out of stock which was annoying but was not enough to put us off the staff the way the staff dealt with that was very good. I mean little things like that can be frustrating but other than that we would still go back there.” (Focus group #1, participant #3)

Also, this participant expressed how important staff attitude was to make guests join hotels' loyalty programmes:

“I think we joined the hotel loyalty programme because of the staff as we liked the hotel chain and we weren't part of the loyalty programme until we stayed there and liked it....and in fact we had stayed there twice before we joined the loyalty programme.” (Focus group #1, participant #3)

Another participant indicated the importance of the staff and how they should be nice with the guests "...there is not much point in having some sort of discount on the price if you get treated like dirt when you're there or they ignore you...I would rather be treated well, I would rather have nice people to deal with and pay more money if that is what it comes down to". (Focus group #2, participant #16)

Males' participants' views towards loyalty programmes

The first part in Figure 5-1 shows a strong relationship between loyalty programmes, staff, hotel, price and return. Males indicated how important it was joining hotels' loyalty programmes in relation to the preferential treatment associated with the membership even if they had to pay an annual fee for it, as stated by one of the participants

"I believe in hotels if they did loyalty programmes and if there was a stuff up that they would fix it because you are part of that loyalty programme and they wouldn't say oh I will see what I can do, or no we will fix it for you sort of thing because you are part of that club you are not just a normal person you know. I don't join any loyalty clubs that normally the membership 2 to 300 or whatever it is a year and if you are paying that little bit extra you expect them to come through with you." (Focus group #1, participant #8)

Another participant who is a member in a hotel loyalty programme stated:

"...you can stay in any of their chain of hotels and they guarantee you the cheapest rate of the day less the discount, so that if somebody or their hotel prices change according to the demand – so if there is a period of high demand the prices are higher but they will always discount reasonably well for a member of the programme but they will also give you a free night which virtually pays for your membership fee and as an example we went to a concert in Auckland which was peak demand when we asked for a car park when we got there it was late in the afternoon like about 5:30 – 5:45 and there was cars everywhere. So I pulled up at the hotel parked in the entrance and blocked it went into the desk and there was people running around everywhere trying to do something about the number of cars outside and the guy said to me is that your car there is the key and I am

checking in and you are supposed to have a car park and he said they are all taken and I said well you do something with it. So he took my key and we were there for two nights and I never saw my car until it was time to go. That was the service there was no question about it.” (Focus group #1, participant #1)

However, other participants indicated that by being a member in a hotel loyalty programme they expect a higher level of service, which would adversely affect them if the hotel didn't deliver what it promised through the programme. This was illustrated by one of the participants' comments:

“The loyalty programme that we belong to, didn't fulfill the obligation that it gave across and we ended up I think we went to the hotel and we were a little disappointed and we haven't actually been back and we didn't bother with that programme anymore.” (Focus group #1, participant #3)

Females' participants

The second part of Figure 5-1 shows strong relationship between unique, times, friendly, and facilities and another relationship between staff, price, location, loyalty, hotel and return. Most of the female participants indicated through the focus group discussions the importance of having a unique experience in hotels where they hold loyalty card membership. During the discussions, participants pointed the importance of having a unique experience for their stay, and how important this was in making them return to the same hotel again in the future. As expressed by one participant “...great service and a little bit extra going above and beyond what is expected basically.” (Focus group #3, participant #20)

Another participant stated:

“It would be something unique and the way I am thinking cheaper tour dates or a special tour date that they might have in the area...something local to the area, like just off the top of my head I am thinking about Otorohanga like if you got an entrance into the Kiwi enclosure that they have got there, things like that.” (Focus group #1, participant #6)

Similarly, another participant said:

“We just had that experience in Gisborne and we went one weekend to see a friend who was passing away and we stayed two nights at this particular hotel and then the next weekend we went back for his funeral and they remembered us and they even had a bottle of wine waiting for us in the same room that we had booked, and to me that was just service.” (Focus group #1, participant #2)

Through the focus group discussions, most females indicated that price and location and friendliness of staff in relation to loyalty programmes were the top attributes that would influence both their selection of a specific hotel and whether or not they would return to the same hotel in the future. As one of the participants put it “...location I think would be the key thing and I don’t think I would want to go too far out of my even if it was part of a loyalty scheme.” (Focus group #3, participant #20)

“I have never actually been a member of a loyalty programme and even to think of becoming one it would have to offer a really good package for me to be interested....probably price wise and its geographical position in the city that I wanted to stay in.” (Focus group #3, participant #23)

Another participant stated:

“I think a special rate would be important to me or like I think someone said earlier if you stay for two nights perhaps you would get the third night free or cheaper or something like that.” (Focus group #1, participant #5)

Females’ participants views towards loyalty programmes

Participants were asked through the focus groups discussion whether or not they thought the general overall service in a hotel should be different if they were a member in a loyalty programme. Most of the participants agreed that they would like to think that everybody was treated the same by all the staff whether or not they hold a loyalty card, however, they just ask for friendly staff. As expressed by one participant:

“... it would be nice to have just a little bit of recognition...like when they welcome you and things and they have your details there and welcoming you and thanking you for returning...I don't know...it would be nice to have a little bit of recognition as a loyalty card member but I don't think it would make a huge difference, as long as they were polite and friendly anyway.” (Focus group #3, participant #22)

Another participant said in relation to friendly staff:

“When we rock up to the hotel that we frequently stay at in Melbourne they do not have a loyalty club per se but whenever we go there, Jim's name comes up on the computer so they say hello Mr and they are very friendly and we do get special offers like cut price breakfast and stuff like that so I think it is actually quite nice.” (Focus group #1, participant #4)

Through the focus group discussions, participants (particularly females) agreed that they would join a loyalty programme only if they would get back the amount of money (i.e. membership fee) they paid in the form of free facilities usage plus any additional things they could get normally without being members.

As expressed by one of the participants:

“...I did stay in the hotels in the loyalty programme if it was convenient and they had the facilities at the time, I used to go to the gym a lot so if they had a good gym there and things like that.” (Focus group #3, participant #22)

Another participant stated:

“...if I belonged to a loyalty type programme my expectation would be that all of the facilities that it offered, all the different hotels would be of an acceptable standard.” (Focus group #3, participant #23)

Other participants stated that although membership in any hotels loyalty programmes would make them feel special, they would still do a comparison with other hotels having different sort of facilities. As one of the participants stated:

“I think it is quite nice, it makes you feel like a valued or special customer. I would still prefer to go somewhere and see what else was in the area, because I

like to just do a comparison and see what else is on offer as well. I wouldn't be bound by just where the loyalty card took me. If there was something else that suited my needs at the time, a bit better facilities or maybe they had a promotion or something on and the location might be better, then I would go there, I wouldn't be bound by just a loyalty unless there were some very good loyalty scheme where I could get lots of points for something...then I would probably would like to do a comparison." (Focus group #3, participant #22)

Females' participants views towards staff attitude

Female participants were asked how staff attitude in hotels would affect their decision to repeat their stay with the same hotel. One participant stated, "If they were rude or discourteous I wouldn't be back, in fact if it was halfway through the first day of my stay I would be inclined to pack up and leave." (Focus group #3, participant #22). Afterwards, participants were asked whether a rude member of staff would stop them from going to a hotel where they held a loyalty card. One of the participants stated, "I wouldn't want to go back regardless of whether I was a member of the loyalty club or not, if the staff were rude and just didn't or weren't friendly." (Focus group #3, participant #21).

Most of the participants stated explicitly that no matter how much reward they would get in relationship to the loyalty programmes, the rudeness of the staff would negate all of that.

Another participant expressed her opinion differently:

"If there was a hotel I were staying in, everything was a good price, good location, the room was comfortable but the staff were rude to me.... I would pick somewhere more expensive even if it meant that the staff would treat me better." (Focus group #1, participant #6)

Another participant said:

"I think if I was treated badly enough then that wouldn't really come into it because you can go to a loyalty club at another hotel and get really good treatment, so if I had a situation where a staff member was completely obnoxious

then I would probably write them a letter explaining what happened but I would be quite happy to go somewhere else.” (Focus group #1, participant #4)

Another participant stated:

“When we go to the place that we frequently stay in Melbourne they know that we are there to dance and they really go out of their way to be helpful and they will find us a place to practice and things like that, we have even been directed to a studio to go and practice in...and that has kind of come from telling people why we are there and stuff like that. You don’t want to sort of be bosom buddies or anything like that but establishing some kind of communication is really helpful and it has definitely helped us in the past.” (Focus group #1, participant #4)

Afterwards, female participants were asked through the discussion whether they try to develop a relationship with the hotel staff, perhaps by talking to them by name, and they all indicated that they are always keen to establish a relationship with the staff especially the cleaning staff as they give them extra towels and all sorts of stuff and one of the participants said “I do...I do with the cleaner, because I think that if I have a good relationship with the cleaner they will do an extra special job.” (Focus group #5, participant #31)

Similarly, another participant stated:

“Yes I do and I always try to develop a relationship with the cleaning staff because they are the people that provide you with the toiletries, the tea bags, all these sorts of facilities and they look after you if they know that you are going to be pleasant to them, and it works every time.” (Focus group #3, participant #21)

Similarly, as was expressed by another participant:

“I do I like it because it makes it feel a little bit more personal, so if you manage to have some sort of rapport with them it rubs off and you get a bit of extra service as well.” (Focus group #1, participant #6)

All participants’ views

Figure 5-2 shows the Dendogram for all participants’ responses through the five focus groups for all males and females. Figure 5-2 indicates a strong relationship between belonging, unique and recognition, simply because it is a combination of

male and female responses. There is also a strong relationship between hotel, staff, price, return, location and service. Through the five focus group discussions, participants expressed different motivations behind building a strong sense of belonging and dedication with hotels. Some of them stated that loyalty programmes made them feel special, there was a level of standardised service and there was a “sort” of relationship with the hotel, while others indicated how staff attitude would make more difference to them than just a loyalty card. One participant stated “I had a card and they sent me newsletters and emailed me about different promotional things, so I suppose that did make me feel like there was a relationship there.” (Focus group #3, participant #22)

One of the participants stated:

“...the thought of belonging to something of that nature for me I am relatively lazy person so it would be attractive in the sense that if it makes things easy for me, if I know it is going to be a particular standard would be part of the package that would be an attraction to me. There is nothing worse than ending up at a motel that looks good in a brochure and it is crap when you get there. So if I belonged to a loyalty type programme my expectation would be that all of the facilities that it offered, all the different hotels would be of an acceptable standard.....and I think it would have an element of a good feel about it because it takes away any concerns for me about where am I going to end up staying. I have had some nasty experiences when I have gone into an accommodation brochure and booked accommodation and it has been crap.” (Focus group #3, participant #23)

Another participant said:

“...I have been a member of a couple of different programmes especially when I was doing more travelling, and one of them I think offered a better rate and some sort of gift after you stay there for a certain amount of time and I thought it was quite well put to me and there wasn't a cost associated with it...I thought it was quite a good idea, I felt some sense of belonging to a group.” (Focus group #3, participant #19)

The following participant stated how important is the staff attitude to make someone stay special and to form an attachment to the place:

“...I was travelling on my own with my son who was a year old at the time and a woman who worked there had gone completely out of her way to just help me and babysit and was just wonderful, because I was very stressed out at the time and she organised all the people to carry the stuff for me and it was just great. I can’t remember exactly but she was very helpful...the whole staff but particularly she had made my stay really special, I really enjoyed my time there and just felt like people really went out of their way to help you and especially because they could see that when I went out there the first time I was on my own...people really helped me with a small child. So yeah I did form an attachment.” (Focus group #3, participant #22)

It was clear from figure 5-1 how price was an important factor in relation to other factors, particularly for female participants, and those who hold membership in any loyalty programmes offered by hotels always look for price, location, and any extra service in relation to that.

As was expressed by one participant:

“I am a member of a hotel loyalty programme and it is very useful for two reasons you get special rates and you tend to get better service than you would otherwise get and they give you discounts on food and so on...so that is how I would look at loyalty programmes.” (Focus group #1, participant #1)

Another participant stated:

“A complimentary first drink or something like that, something that other people don’t get because you have handed your loyalty card over when you have checked in and you get a voucher to go with it.” (Focus group #3, participant #19)

Another participant said:

“I believe price and value and if they did offer a free breakfast like....this is my opinion like some places have a free buffet breakfast up to 10:00 and I would generally go there at 9:30, eat up and I am done for the day...you know I can get out and do things, that is just the way I have done things sometimes. Free breakfast, maybe upgrades and loyalty programmes.” (Focus group #1, participant #8)

Through the focus groups discussions, participants were asked whether memberships in a hotel loyalty programme affect their judgments regarding how the service is delivered. Participants had differing opinions; for example, as one participant put it, “I would expect things to be quicker when you go to the desk and check in and checking out and any complaints and things you have had been dealt with courteously and swiftly as well.” (Focus group #3, participant #22). Another participant stated that it is the level of hotel staff experience not just being member in a loyalty programme which makes difference in how the service is delivered. This participant said:

“I think that service comes from well trained staff and you can see that immediately when staff know how to do their job well and that is immediately apparent and I think that is important...and probably because [customers are] generally paying good money to get that service and it should be there.” (Focus group #3, participant #19)

Another participant expressed:

“We like the hotel chain, so they offered the membership as a result and we know how the level of service is consistent across all chains and we know if we want to stay at that particular hotel and hopefully when we stay in the next one in Sydney they will be of the same standard. We like the hotel because more of its location and the loyalty programme was offered there without any cost, we knew that we would be going back to that particular hotel regularly...so it was sort of attachment to the hotel and the membership doesn't offer a free room, it offers air points and at this point are of no value whatsoever. So the loyalty thing has limited use for us; but we like the hotel and the service that's what we expect so.” (Focus group #1, participant #3)

Similarly, another participant said in relation to standardised service:

“I was going to say one other thing, the other benefit I would see is you would be sure that there would be a standardised sort of level of service right across the country, wherever you go or I was thinking like the AA card you have got the star rating so you know that before you go, so that if I am going to Wellington and I am a member of it this is probably going to be of the same sort of standard” (Focus group #4, participant #24)

Another participant expressed her opinion differently:

“I think that you would expect a high level of service regardless of whether you were a loyalty member or not, but I think because you have made that extra commitment to that hotel chain that you would sort of expect a little bit more, just in recognition and whether or not that be in one of those benefits listed....This recognition distinguishes between me and someone else who has just walked in off the street randomly, as a loyalty member you had made a conscious effort to return to that place.” (Focus group #5, participant #41)

Participants were asked whether or not they speak to their friends and workmates about the hotels that they stay in. They all stated that they pass on good as well as negative feelings about their experiences to their friends. As expressed by one participant:

“I go to Wellington annually and the hotel we stay at there is just great, the second time we went back they really accommodated us because there was a big group and they shifted people, they fed us, it was late and the kitchen was about to close, they gave us a good deal and they made our meal a lot cheaper so it’s very comfortable and they have rolled in beds when we have had extra people in our group and they have done everything to make it really comfortable for us. It is in a very handy location and it has its own car park in the middle of Wellington City where we can go for four days leave the car parked and walk and boy I tell everybody about it.” (Focus group #3, participant #21)

Another participant stated:

“...it was a pleasant stay where we were because it is...I am sure we have all had difficult stays in accommodation and we have heard horror stories ...it was a pleasant experience, it was a good location, nice rooms, that is what I would have shared with my colleagues.” (Focus group #3, participant #23)

Through the focus group discussions, the price factor was shown to be an important factor in relation to the selection of hotels, particularly for female participants. However, when participants were asked whether or not they speak to their friends and workmates about the hotels that they stayed in, they all revealed that they do so without speaking about price. In other words, participants tend to

share with their friends and colleagues their staying experiences; they talk to people about the hotels' attributes (such as quality, service, facilities, cleanliness, and staff attitude) without talking about the price element.

As one participant stated:

“We stayed in a place where the service was, like I mean like faulty towers was probably saying it was better than what it was actually...and we would tell everybody how bad it was and it is a joke actually so we would do it in a laughing way, but not only do we not go back there but we probably made sure nobody else ever went there too. I am sure everybody does that you know when you have a bad experience.” (Focus group #5, participant #39)

Also, participants showed that when they choose a particular loyalty programme, they do so with an expectation of some sort of discounts or free stays, but their membership in hotels' loyalty programmes does not change their expectation regarding the level of service delivered. As expressed by one of the participants:

“...it would be some sort of discount or free stay, because I would expect the quality of service would be there anyway and I could get it elsewhere....but what I am belonging to a loyalty programme we know you had a choice and we all have a choice, so if we choose a particular group of hotels through a loyalty scheme then there has got to be something in it for us....you would expect the service...so something physical.....show me the money.” (Focus group #3, participant #19)

Figure 5-3: Perceptual map of CATPAC analysis for all participants

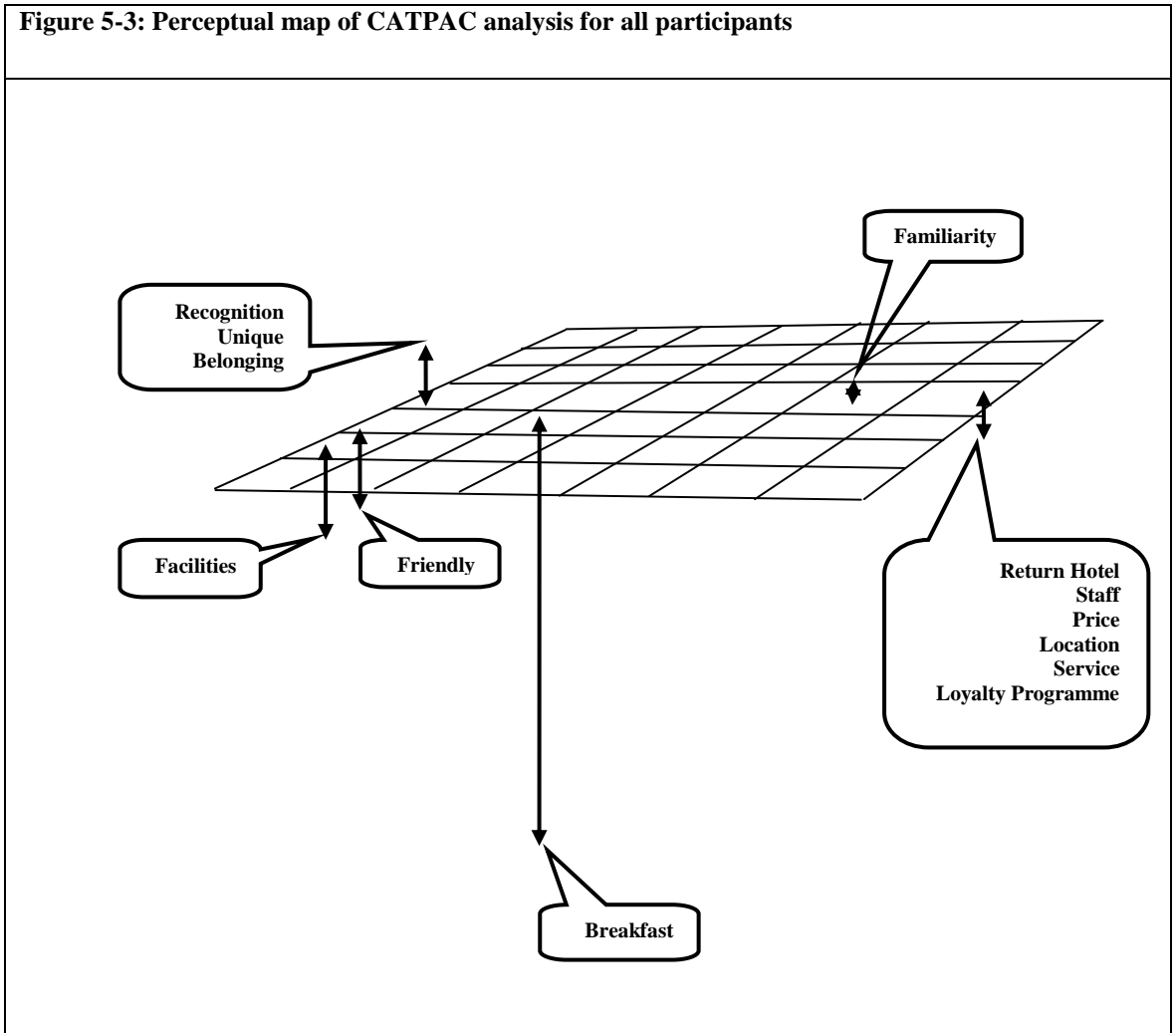


Figure 5-4: Perceptual map of CATPAC analysis for Male Participants

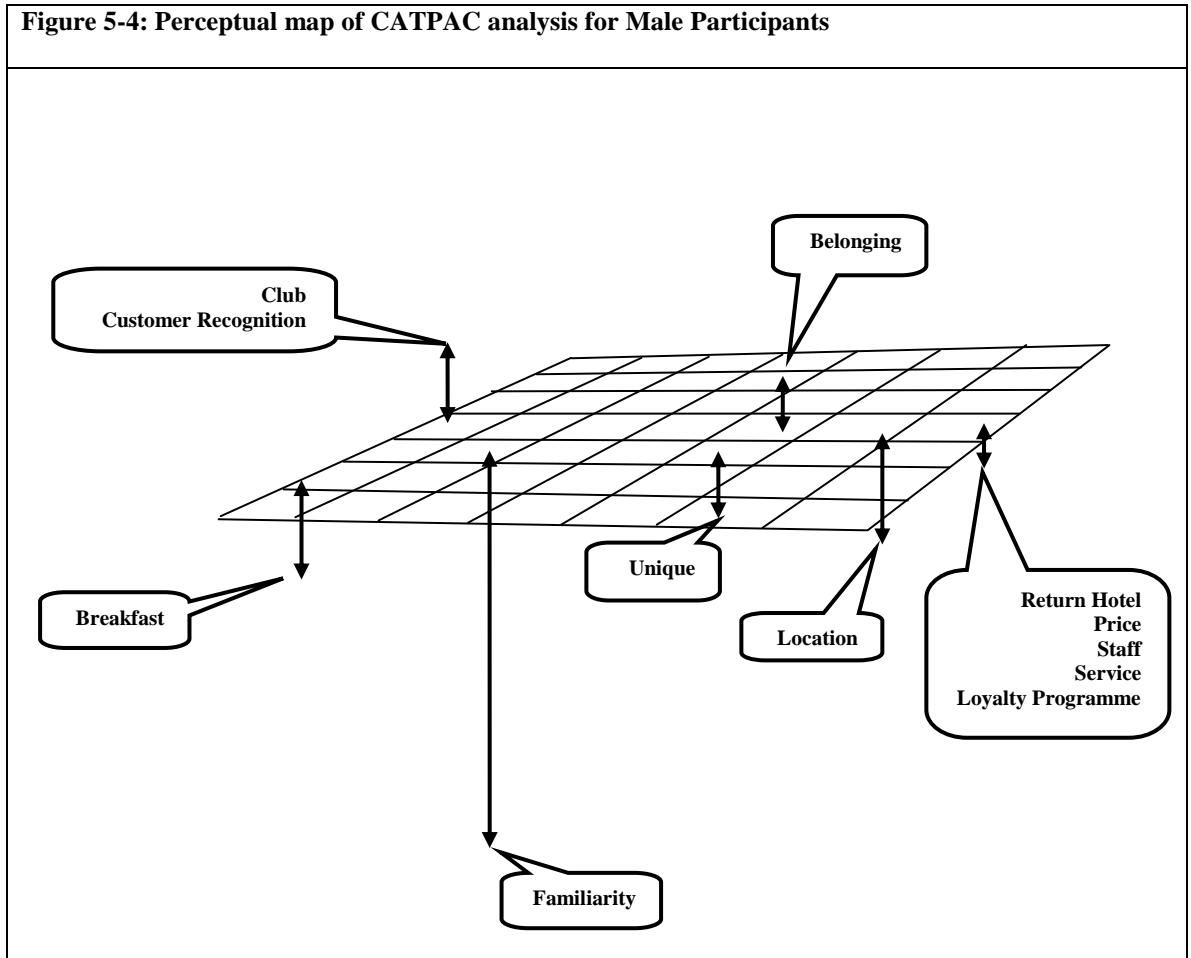
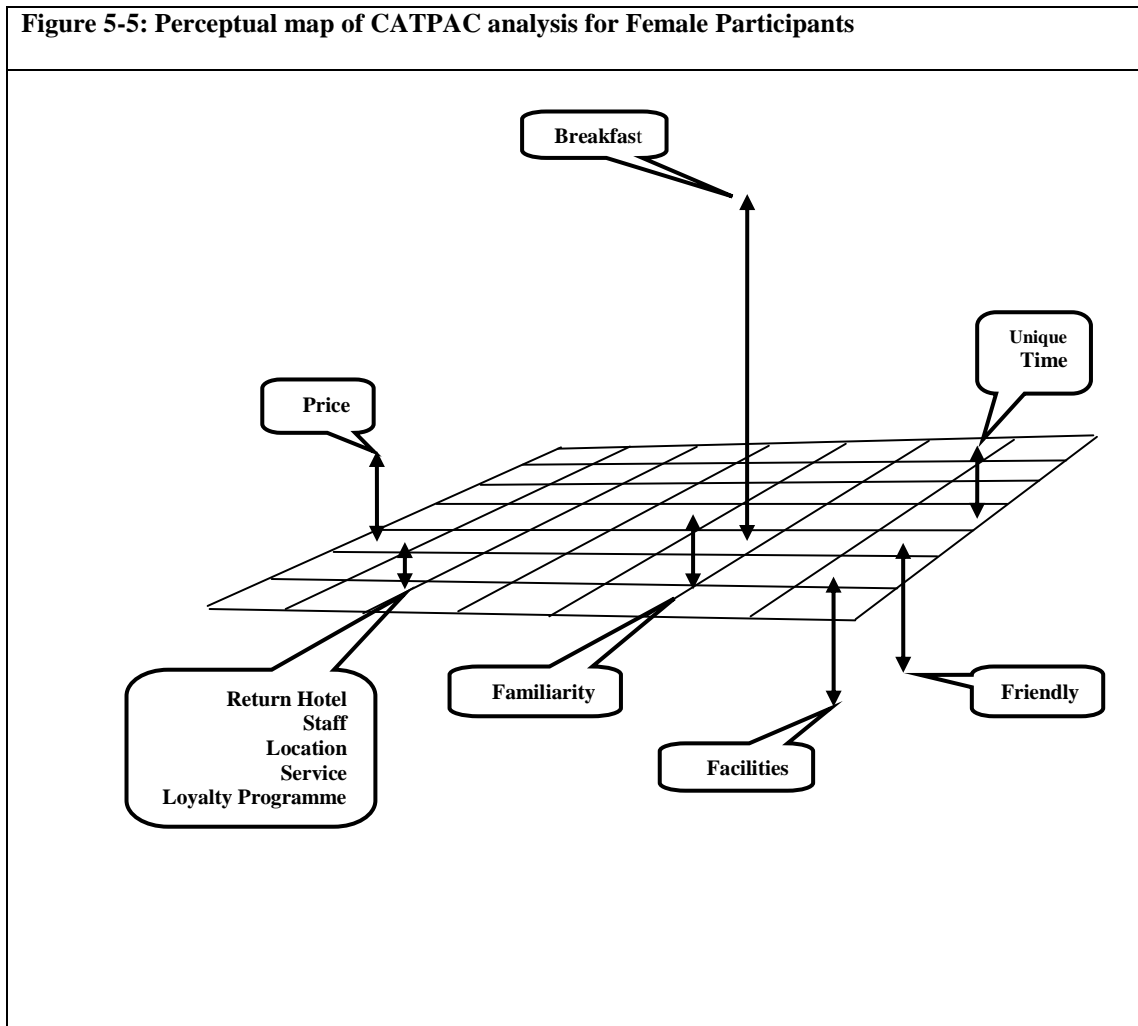


Figure 5-5: Perceptual map of CATPAC analysis for Female Participants



5.2 FOCUS GROUPS RESULTS DISCUSSION

The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. Therefore, the participants in each group were given a short survey (Appendix B) at the beginning of the discussion covering fourteen factors guests may consider as a motive to repeat their stay with a particular hotel (Lockyer, 2005b). Focus group participants were asked to rate each factor on a five-point Likert-type scale that has the advantage of being balanced; it has two positive, two negative, and one neutral response (Schall, 2003), where 1 = Very Unimportant, 3 = Neutral, and 5 = Very Important. Data obtained from participants through the focus group discussions were analyzed using a content analysis software package called CATPAC. Most of the male participants indicated through the focus group discussions the importance of recognition in hotels where they hold loyalty card membership. Males indicated that joining hotel loyalty programmes was important in relation to the preferential treatment associated with the membership, even if they had to pay an annual fee for it. Most of the female participants indicated through the focus group discussions the importance of having a unique experience in hotels where they hold loyalty card membership. Most females also indicated that price and location and friendliness of staff in relation to loyalty programmes were the top attributes that influence both their selection of a specific hotel and whether or not they would return to the same hotel in the future.

These results provide support for Melnyk et al. (2009) who found that although female customers are relatively more loyal to individuals, such as individual service providers, male customers are relatively more loyal to groups and group-like entities, such as companies. This is also consistent with the work of Gabriel and Gardner (1999), who found that when participants were asked to describe an emotional experience, women were more likely to describe a relational experience with specific individuals, whereas men were more likely to mention a collective experience with larger groupings of people. This was consistent again with Baumeister and Sommer's (1997) proposition that women tend to focus more on establishing and maintaining a small number of close relationships with specific

individuals (relational interdependence) whereas men tend to focus more on establishing and maintaining relationships with more abstract and larger groupings of people (collective interdependence). However, focus group results in this study showed significant differences between male and female participants. Most of the male participants indicated through the focus group discussions the importance of recognition in hotels where they hold loyalty card membership, and the importance of joining hotels' loyalty programmes because of the preferential treatment associated with the membership even if they have to pay an annual fee for it. In contrast, females indicated that price was an important factor for them, and those who hold membership in any loyalty programmes offered by hotels always look for price, location, and any extra service in relation to that.

Participants were asked through the focus group discussion whether or not they thought the general overall service in a hotel should be different if they are a member in a loyalty programme. Opinions were divided. Some participants indicated that their membership in a hotel loyalty programme did not change their view regarding how service is delivered, but they agreed that they would like to think everybody was treated the same by all the staff whether or not they held a loyalty card. Other participants indicated that their membership in a hotel loyalty programme tended to have an impact on their judgments regarding how service is delivered, in the sense that loyalty members would expect service to be quicker when they went to the desk for check in and check out, any complaints and other matters that needed to be dealt with courteously and swiftly.

Some other participants put their views differently. They said they chose a particular loyalty programme with an expectation of some sort of discounts or free stays, but their membership in hotels loyalty programmes did not change their expectation regarding the level of service delivered. But in general, all participants indicated that it was quite nice to be a loyalty member as it makes them feel like a valued or special customer. These results provide support for Bolton et al. (2000) who argued that members in a loyalty programme tend to overlook negative evaluations of the company, vis-à-vis competition, as they perceive that they are getting better quality and service for their price. Bolton et al. (2000) also suggested that the impact of loyalty rewards programmes on customer loyalty is

likely to be moderated by customers' assessments of their service experiences, as being a member in a loyalty rewards programme makes customers feel that they are special, which influences their perceptions of the service provider.

It was evident through the study how important loyalty programmes and staff loyalty (measured by staff attitude) were on guests' loyalty (measured by their willingness to return). Male and female participants in the focus groups indicated their willingness to pay more money and go to another place if the staff were rude to them and they wouldn't join a hotel loyalty programme whose staff were rude to them from the start. Other participants indicated that they were always keen to develop a relationship with the hotel staff, especially female participants. This finding provides support for Ndubisi's study (2006), who argued that women tend to be more loyal than men. Most of female participants said that they always try to develop a relationship with the cleaning staff because they are the people who provide them with the toiletries, the tea bags, all these sorts of facilities and who look after them if they know that guests are going to be pleasant to them, and the participants indicated that this way worked with them every time they stayed in a hotel. According to Table 5-2, participants older than 60 indicated a high level of importance for ten factors than other groups, which illustrates that older people tend to be more loyal than younger age groups. This finding provides support for Ndubisi's study (2007), who argued that older people tend to be more loyal than younger age groups.

Although most of the participants showed the importance of having a loyalty membership card and its influence on their willingness to repeat their stay, they indicated explicitly that no matter how much reward they might get from loyalty programmes, the rudeness of the hotel staff would negate all that. In other words, if everything in the hotel is good; good price, good location, comfortable room, and a guest is earning points by being a member in the hotel loyalty programme, if the hotel staff were rude, the guest would be inclined to pick somewhere more expensive in order to receive better treatment from staff. These findings provide support for the studies of Toh et al. (1991) and Bowen and Shoemaker (1998) which demonstrated that staff attitude has more significant impact on guests' willingness to repeat their stay with a certain hotel than loyalty programmes. The findings also support McCleary and Weaver's study (1991) which demonstrated

that dropping frequent-guest programmes will not have an effect on customers' loyalty for nearly half of the guests who belonged to frequent-stay programmes.

It was evident from the focus group discussions that free breakfast was an important component of loyalty membership. Participants also showed that when they choose a particular loyalty programme, they do so with an expectation of some sort of discounts or free stays, but their membership in a hotel loyalty programmes does not change their expectation regarding the level of service delivered.

The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. Through the five focus group discussions, participants expressed different motivations behind building strong sense of belonging and dedication with hotels. Some of them stated that loyalty programmes made them feel special, there is a level of standardised service and there is a sort of relationship established with the hotel, while others indicated how staff attitude would make more difference to them than just a loyalty card. Overall, the focus groups conducted in the first part of the study demonstrated that hotel guests tend to evaluate the holistic experience of staying at hotels, not an individual factor. But when it comes to making a decision about repeating their stay in the future, some factors tend to be more important than others. In other words, when guests decide to repeat their stay, they tend to take price, location, familiarity with the level of service, staff attitude and loyalty programmes into consideration. But, no matter how much reward they would get in relationship to loyalty programmes, the rudeness of the hotel staff in their previous stay will always negate all of that. These findings provide support for the studies of Toh et al. (1991) and Bowen and Shoemaker (1998) which demonstrated that staff attitude has more significant impact on guests' willingness to repeat their stay with a certain hotel than loyalty programmes. It is of particular note that although the price factor was shown to be important in the selection of hotels, particularly for female participants, when participants were asked whether or not they speak to their friends and workmates about the hotels that they stayed in, they all revealed that they do so without speaking about price. In other words, participants tend to share with their friends and colleagues their staying

experiences; they talk to people about the hotels' attributes (such as quality, service, facilities, cleanliness, and staff attitude) without talking about the price element.

CHAPTER 6

SURVEYS RESULTS AND DISCUSSION

6.1 SURVEYS' RESULTS

The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes on domestic hotel guests. Therefore, the subjects for this study were domestic hotel guests in New Zealand (i.e., residents who lived in New Zealand at the time of the study) who had stayed more than once in a particular hotel (as an indication of loyalty) over a three year time frame (Osman et al., 2009). These subjects were chosen because this present thesis deals with guest loyalty. According to statistics New Zealand (2011), domestic guest nights decreased 2.8 percent in the South Island but increased 4.3 percent in the North Island. It is of particular note that the proposed model was tested only on domestic guests in New Zealand. It excluded international guests because studying international guests' behaviour in the current model requires a different methodology and consequently falls outside the scope of the present thesis. Domestic guest nights (a guest night is equivalent to one guest spending one night at an establishment) in 2010 increased 0.8 percent in the North Island but decreased 0.6 percent in the South Island compared with 2009 (Statistics New Zealand, 2010). Therefore, a survey was conducted in three cities in the North Island in New Zealand; Auckland (New Zealand's largest city, population approximately 1.3 million), Hamilton (New Zealand's fourth largest city, 125km south of Auckland, population approximately 155,000), and Tauranga (New Zealand's sixth largest city, 105km east of Hamilton, population approximately 109,000). These three cities were chosen because their location was most convenient for the researcher and was judged to be representative to the type of respondents required from the entire population. Two thousand self-completion surveys were delivered in each location.

Alreck and Settle (2004) asserted that the more the sample deviates from purely random selection, the less representative it is likely to be, and the less legitimate the results of statistical computation will be. Therefore, the delivery areas for the surveys were randomly selected, in the sense that the distribution of the survey to

the letter boxes was done after drawing grid lines on a map and randomly selecting the grid where the survey would be deposited. Random sampling allows the researcher to calculate and report the statistical significance of relationships between survey items, based on the probability that such relationships would result only from sampling error (Alreck & Settle, 2004). Out of the 6000 surveys distributed, 59 surveys were not usable because large sections had not been completed. This resulted in 635 (10.6%) usable responses. The largest number of the usable surveys returned came from Hamilton (38.4%), followed by Auckland (38.1%), and Tauranga (23.5%).

Some parts of the survey were not answered by some survey participants. For example, just 628 participants indicated the reason for staying at hotels (whether for business visit/work or family visit/vacation), 632 participants indicated their marital status, 634 participants indicated their annual individual income, 634 participants indicated their age, 631 participants specified their occupation, and 596 respondents indicated the location of the survey after filling the draw form attached with the survey outlining participants' details and address. It is of particular note that a high response rate is often important for recruiting a representative population (White, Carney & Kolar, 2005), as the larger the sample size, the fewer sampling errors and the greater the reliability (repeatability) (Alreck & Settle, 2004). Previous studies indicated the importance of the response rate and asserted the existence of a significant relationship between incentives (particularly immediate rather than promised) and high response rates for mailed questionnaires, as well as supporting the value of compensation for increasing cooperation and improving the speed and quality of response (Kanuck & Berenson, 1975; Erwin & Wheelright, 2002; White et al., 2005). Alreck and Settle (2004) argued that the researcher can buy higher reliability, lower sampling error, and greater confidence for additional time, money, and effort. However, achieving a high response rate in research at reasonable costs can often be challenging. Therefore, participants in this study were promised a \$25 gift voucher based on completing a draw form that accompanied the survey.

Socio-Demographic Variables

The purpose of this section is simply to report the socio-demographic characteristics of the sample. Further analyses will be available later in this chapter to examine whether socio-demographic variables have an impact on guest loyalty.

Gender

As indicated in Table 6-1, the survey sample consists of more female participants (63.6%) than male participants (36.4%).

	Frequency	Percentage
Male	231	36.4
Female	404	63.6
Total	635	100.0

Age

Table 6-2 indicates that the highest number of survey participants are older than 60 years (25.9%), and the next largest percentage are for those between the ages 51 and 60 (24.8%). There is also a considerable amount of participants between the ages 41 and 50 (19.6%), and relatively fewer participants between the ages 20 and 30 (9.3%) and under 20 (3.8%) who do not use hotels much.

Table 6-2: Age		
	Frequency	Percentage
Under 20	24	3.8
20 – 30	59	9.3
31 – 40	106	16.7
41 – 50	124	19.6
51 – 60	157	24.8
Over 60	164	25.9
Total	634	100.0

Marital Status

Table 6-3 indicates that there are significantly more married participants in the survey (68.8%) than other groups of participants. This probably indicates that most of those who hold loyalty membership with hotels in New Zealand and benefit from loyalty programmes are married.

Table 6-3: Marital Status		
	Frequency	Percentage
Single	99	15.7
Married	435	68.8
Divorced	51	8.1
Partnership	47	7.4
Total	632	100.0

Annual Individual Income

Table 6-4 illustrates that most of the survey participants earn between \$30,001 and \$50,000 yearly (20.2%). There are 113 participants (17.8%) who earn more than \$100,000 per year and 17.8 per cent earn between \$50,001 and \$70,000 yearly. The lowest percentage for participants was for those whose annual individual income was under \$30,000 (13.9%). This is probably because most

loyalty programmes offered by most hotels in New Zealand require a membership fee to join, thus, the higher the income, the higher the probability of joining a hotel loyalty programme.

Table 6-4: Annual Individual Income		
	Frequency	Percentage
Under \$30,000	88	13.9
\$30,001 - \$50,000	128	20.2
\$50,001 - \$70,000	113	17.8
\$70,001 - \$100,000	93	14.7
Over \$100,000	113	17.8
Prefer not to answer	99	15.6
Total	634	100.0

Reason for Staying at Hotels

Table 6-5 shows that for most survey participants (66.7%), family visit/vacation is the main reason they choose to stay at hotels, while 209 (33.3%) of participants said they stayed at hotels for business visits or work purposes.

Table 6-5: Reason for Staying at Hotels		
	Frequency	Percentage
Business visit/work	209	33.3
Family visit/vacation	419	66.7
Total	628	100.0

Occupation

Table 6-6 shows most survey participants have professional occupations (53.7%), and the lowest percentage is for no paid employment (2.9%). This is probably because most loyalty programmes offered by most hotels in New Zealand require

a membership fee to join, and thus, those with professional occupations are more likely than people with other occupations to stay in hotels and hold hotel loyalty programme membership.

Table 6-6: Occupation		
	Frequency	Percentage
Semi-skilled worker	27	4.3
Skilled manual worker	23	3.6
Agricultural worker	2	.3
Administrative	82	13.0
Home carer/housewife	45	7.1
Professional	339	53.7
No paid employment	18	2.9
Retired	95	15.1
Total	631	100.0

Loyalty Programme Membership

Table 6-7 shows survey participants who are currently loyalty club members and those who are not, and Table 6-8 shows participants who have been loyalty programme members before and those who have not. Table 6-7 shows a higher percentage for those who do not hold loyalty programme membership (72.4%) than those who are currently loyalty programme members in one of the loyalty programmes offered by hotels (27.6%). However, as shown in Table 6-8, a total of 264 participants (41.6%) indicated that they have had a loyalty programme membership with one of the hotels before. Tables 6-7 and 6-8 show a big difference between those who are currently loyalty programme members in one of the loyalty programmes offered by hotels (27.6%) and those who have had a loyalty programme membership with one of the hotels before (41.6%), and this probably indicates that loyalty programmes often fall short of guests' expectations after being members.

Table 6-7: Loyalty Programmes Members (currently)		
	Frequency	Percentage
Yes	175	27.6
No	459	72.4
Total	634	100.0

Table 6-8: Loyalty Programmes Members (before)		
	Frequency	Percentage
Yes	264	41.6
No	370	58.4
Total	634	100.0

Methodology

Two methods of analysis were considered for the survey; regression (using SPSS version 18) (Coakes et al., 2010) and Structural Equation Modeling (SEM) using AMOS version 18 (Blunch, 2008) as discussed previously in the methodology part of this text. Both methods are required to test the validity of the model suggested in the study. In addition, CATPAC as a qualitative technique was used for analyzing the four qualitative open questions in the survey (Section ‘C’ of the survey). Regression analysis was used as a statistical technique to analyze the relationship between a single dependent variable and one or more predictor variable (Alonso, 2000). In this case, regression analysis helped to determine whether the variance of the dependent variable (guest loyalty) is being explained by the predictors suggested in the model. A high coefficient of determination (R^2) implies a good explanation.

However, according to Alonso (2000), regression analysis is not without disadvantages and there are some limitations in regression analysis that suggest avoiding its employment as the only tool of analysis. One common problem is the multicollinearity; which is the existence of a perfect linear relationship among some or all the explanatory variables. Whenever some of the independent variables are correlated, it would be impossible to isolate the effect of each one of the independent variables on the dependent variable, and only the combined effect

will be measured. A second problem is that regression analysis considers all predictor variables as independent. But in the case of the model proposed, some predictor variables depend on each other. For example, guest satisfaction is hypothesised to be dependent on service quality and loyalty programmes before service encounter, and guest commitment is dependent on loyalty programmes after service encounter. For that reason, it was important to complement the analysis with a second method – SEM. The superiority of structural equation modeling over other statistical techniques is based on its ability to include several observed and latent variables simultaneously in predicted paths (Alonso, 2000). Mueller (1996) asserted that path analysis using structural equation modeling provides the researcher with a multivariate (more than one dependent variable) method to estimate structurally interpretable terms – the direct, indirect, and total effects among a set of variables – provided a correct priori path model is specified.

Section ‘A’ of the survey

As discussed earlier, Section ‘A’ in the survey was used to measure how respondents rated (important or unimportant) the 24 advantages of hotel loyalty programme membership listed using a seven point Likert type scale from 1 = Extremely unimportant to 7 = Extremely important, along with a Zero option (Not applicable/don’t know/have no opinion). Table 6-9 lists the advantages in Section ‘A’ of the survey by descending mean. It should be noted that the tables followed were calculated for only individual items based on those who selected numbers 1-7 on the scale, while ‘Zero’ scores for ‘non-response’ option were encoded as a missing value in the study and thus were excluded from the calculations. The four items with the highest mean and the four items with the lowest mean have been highlighted in Table 6-9. The items with the highest mean were “Price discounts (special rates)” (mean 5.96, very important), and “Greater value for money” (mean 5.78, very important). These were followed by “Early check-in and late check-out” (mean 5.50, very important), and “Room upgrades earned after a number of stays” (mean 5.45, very important). The four items with the lowest mean scores were, “Unique experience as a special guest” (mean 4.15, neutral), “Customised (personalised) service” (mean 4.14, neutral), “Staff recognising me

during my stay” (mean 3.94, neutral), and “Staff recognising me upon arrival” (mean 3.91, neutral).

Table 6-9 Advantages of Hotels Loyalty Programmes (Section ‘A’)		
	Mean	S.D.
Price discounts (special rates).	5.96	1.11
Greater value for money.	5.78	1.16
Early check-in and late check-out.	5.50	1.27
Room upgrades earned after a number of stays.	5.45	1.28
Earning points toward free accommodation.	5.41	1.36
Requests are handled appropriately.	5.40	1.20
Quick processing of my reservation.	5.32	1.21
Accessibility of staying at different hotels’ chains.	5.23	1.27
Privilege booking at times of high demand.	5.13	1.33
Receiving complimentary breakfast.	5.12	1.32
A loyalty card with special deals.	5.05	1.40
Access to hotel facilities.	5.01	1.30
More hassle-free stay.	4.99	1.33
Booking my preferred room.	4.88	1.43
Availability to access the internet.	4.81	1.63
Familiarisation with the hotel and the level of service.	4.80	1.29
Special amenities in my room.	4.67	1.27
A complimentary drink with meals.	4.44	1.51
Preferential treatment during my stay.	4.23	1.44
Hotel staff gives me personal attention.	4.18	1.39
Unique experience as a special guest.	4.15	1.52
Customised (personalised) service.	4.14	1.50
Staff recognising me during my stay.	3.94	1.47
Staff recognising me upon arrival.	3.91	1.57

SPSS was used to determine whether there were any statistically significant differences between the different groups of participants for the statements in Table 6-9 (Section ‘A’ of the survey). The first test used was Independent Sample *t*-test to see if there was any statistically significant differences by loyalty programme

membership (between survey participants who belong to a loyalty programme and those who do not); by gender; and by reason for stay (between survey participants who stay at hotels for business visit/work and those who stay at hotels for familyvisit/vacation) for the advantages of hotels' loyalty programmes. Tables 6-10, 6-11 and 6-12 illustrate these differences respectively.

Table 6-10 illustrates the differences between survey participants who belong to a hotel loyalty programme and those who do not. Item "Price discounts (special rates)" was the most important (members mean 6.05, very important; non members mean 5.63, very important), and the least important was "Staff recognising me upon arrival" (members mean 3.99, neutral; non members mean 3.87; neutral) for all participants (i.e., participants who belong to a loyalty programme and those who do not). It is of particular note that the last column, the *t*-value shows four items which were statistically significant at the level of $p < 0.01$ and four items at the level of $p < 0.05$. Only items which were statistically significant at the level of $p < 0.01$ and $p < 0.05$ have been highlighted in Table 6-10. All eight items were of a higher level of importance to participants who belonged to a hotel loyalty programme than participants who did not. However, there were four statements, which although they were not statistically significant, non-members of hotel loyalty programmes showed a higher level of importance than members. These statements are "Greater value for money", "Access to hotel facilities", "Special amenities in my room", and "A complimentary drink with meals".

	Members		Non Members		Mean Difference	<i>t</i> -value
	Mean	S.D.	Mean	S.D.		
Price discounts (special rates).	6.05	1.00	5.93	1.15	0.12	1.17
Greater value for money.	5.74	1.00	5.79	1.22	-0.05	-0.45
Early check-in and late check-out.	5.73	1.21	5.41	1.28	0.32	2.83**
Room upgrades earned after a number of stays.	5.67	1.11	5.36	1.32	0.32	2.82**
Earning points toward free accommodation.	5.59	1.28	5.33	1.39	0.25	2.11*
More hassle-free stay.	5.53	4.98	4.93	1.42	0.61	2.37*
Quick processing of my reservation.	5.50	1.11	5.25	1.24	0.25	2.37*
Requests are handled appropriately.	5.46	1.12	5.38	1.22	0.08	0.71
Privilege booking at times of high demand.	5.43	1.18	5.01	1.36	0.42	3.55**
Accessibility of staying at different hotels’ chains.	5.37	1.29	5.18	1.27	0.19	1.71
Receiving complimentary breakfast.	5.20	1.35	5.08	1.30	0.12	1.01
A loyalty card with special deals.	5.07	1.31	5.04	1.44	0.03	0.20
Booking my preferred room.	5.01	1.34	4.83	1.46	0.18	1.42
Access to hotel facilities.	4.95	1.19	5.03	1.34	-0.07	-0.63
Familiarisation with the hotel and the level of service.	4.93	1.29	4.74	1.29	0.19	1.69
Availability to access the internet.	4.86	1.69	4.79	1.60	0.07	0.49
Special amenities in my room.	4.57	1.21	4.71	1.29	-0.14	-1.21
Preferential treatment during my stay.	4.49	1.42	4.13	1.44	0.36	2.83**
Hotel staff gives me personal attention.	4.36	1.41	4.11	1.37	0.25	2.04*
Customised (personalised) service.	4.30	1.45	4.08	1.51	0.22	1.64
Unique experience as a special guest.	4.30	1.45	4.09	1.54	0.21	1.53
A complimentary drink with meals.	4.26	1.49	4.50	1.52	-0.24	-1.77
Staff recognising me during my stay.	4.02	1.42	3.91	1.49	0.10	0.80
Staff recognising me upon arrival.	3.99	1.52	3.87	1.59	0.12	0.87

Note: **t*-test two tail probability < 0.05; ***t*-test two tail probability < 0.01

Table 6-11 illustrates the differences between male and female survey participants for the statements in section “A” of the survey. Item “Price discounts (special rates)” was the most important (male mean 5.64, very important; female mean 6.15, very important), and the least important was “Staff recognizing me upon arrival” (male mean 3.89, neutral; female mean 3.92, neutral) for both male and female participants. It is of particular note that the last column, the *t*-value shows eleven items which were statistically significant at the level of $p < 0.01$ and five items at the level of $p < 0.05$. The whole sixteen items were of a higher level of

importance to female participants than to male participants. Only items which were statistically significant at the level of $p < 0.01$ and $p < 0.05$ have been highlighted in Table 6-11.

	Male		Female		Mean Difference	t-value
	Mean	S.D.	Mean	S.D.		
Price discounts (special rates).	5.64	1.29	6.15	0.95	-0.51	-5.69**
Greater value for money.	5.37	1.43	6.01	0.90	-0.64	-6.83**
Early check-in and late check-out.	5.32	1.32	5.60	1.23	-0.27	-2.62*
Quick processing of my reservation.	5.18	1.30	5.40	1.15	-0.22	-2.19*
Requests are handled appropriately.	5.16	1.30	5.54	1.11	-0.38	-3.87**
Room upgrades earned after a number of stays.	5.15	1.39	5.62	1.17	-0.47	-4.51**
More hassle-free stay.	5.07	4.50	5.11	1.19	-0.03	-0.13
Privilege booking at times of high demand.	5.05	1.38	5.18	1.29	-0.13	-1.19
Earning points toward free accommodation.	5.03	1.52	5.62	1.21	-0.60	-5.43**
Accessibility of staying at different hotels’ chains.	5.01	1.31	5.36	1.24	-0.35	-3.39**
Receiving complimentary breakfast.	4.88	1.39	5.26	1.26	-0.38	-3.51**
Access to hotel facilities.	4.75	1.43	5.15	1.19	-0.41	-3.85**
A loyalty card with special deals.	4.75	1.55	5.23	1.29	-0.47	-4.09**
Familiarisation with the hotel and the level of service.	4.69	1.40	4.85	1.22	-0.16	-1.52
Availability to access the internet.	4.63	1.80	4.91	1.51	-0.28	-2.10*
Booking my preferred room.	4.56	1.60	5.07	1.28	-0.51	-4.36**
Special amenities in my room.	4.49	1.37	4.77	1.19	-0.28	-2.69*
Hotel staff gives me personal attention.	4.18	1.50	4.18	1.32	0.01	0.05
Preferential treatment during my stay.	4.16	1.53	4.27	1.39	-0.11	-0.89
A complimentary drink with meals.	4.15	1.53	4.60	1.49	-0.45	-3.59**
Unique experience as a special guest.	4.03	1.58	4.22	1.48	-0.18	-1.45
Customised (personalised) service.	3.96	1.59	4.24	1.43	-0.28	-2.30*
Staff recognising me during my stay.	3.94	1.55	3.94	1.43	0.00	0.03
Staff recognising me upon arrival.	3.89	1.63	3.92	1.53	-0.02	-0.18

Note: *t-test two tail probability < 0.05; **t-test two tail probability < 0.01

Table 6-12 illustrates the differences between survey participants who stayed at hotels for business visit/work and those who stayed at hotels for family visit/vacation for the statements in Section ‘A’ of the survey (a list of 24 advantages of hotel loyalty programme membership). Item “price discounts (special rates)” was the most important (business visitors mean 5.87, very

important; vacation visitors mean 6.01, very important), and the least important was “staff recognising me upon arrival” (business visitors mean 3.94, neutral; vacation visitors mean 3.88, neutral) for both participants who stay at hotels for business visit/work and for familyvisit/vacation.

It is of particular note that the last column, the *t*-value shows only one item that was statistically significant at the level of $p < 0.01$ and three items at the level of $p < 0.05$. Only items which were statistically significant at the level of $p < 0.01$ and $p < 0.05$ have been highlighted in Table 6-12. Items “Privilege booking at times of high demand”, and “Availability to access the internet” were more important to business/work visitors than those guest who stay at hotels for family visit/vacation. But items “A loyalty card with special deals” and “Special amenities in my room” were more important for guests who stay at hotels for family visit/vacation than those who stay for business/work purposes. This difference is probably due to who pays the bill for staying in hotels. The bills for guests who stay at hotels for business/work purposes are often paid by their employers in contrast to guests who stay in hotels for family visit/vacation who pay their own bills. However, there are statements, which although they were not statistically significant by *t*-value, where vacation visitors showed a higher level of importance than those who stay at hotels for business purposes. These statements were “Price discounts (special deals)”, “Greater value for money”, “Earning points towards free accommodation”, “Requests are handled appropriately”, “Receiving complimentary breakfast”, “Access to hotel facilities”, “Booking my preferred room”, “Familiarisation with the hotel and the level of service”, “Special amenities in my room”, and “A complimentary drink with meals”.

It is of particular note that items “Price discounts (special rates)” followed by “Greater value for money”, and “Early check-in and late check-out” showed the highest level of importance in the three tables (Tables 6-10, 6-11 & 6-12) for all participants, which illustrates the importance of these items among all participants, regardless of their differences. Also, items “Staff recognising me during my stay” and “Staff recognising me upon arrival” showed the lowest level of importance among all survey participants.

	Business visit/Work		Family visit/Vacation		Mean Difference	<i>t</i> -value
	Mean	S.D.	Mean	S.D.		
Price discounts (special rates).	5.87	1.16	6.01	1.07	-0.15	-1.56
Greater value for money.	5.66	1.27	5.83	1.10	-0.18	-1.77
Early check-in and late check-out.	5.51	1.24	5.49	1.29	0.02	0.19
Room upgrades earned after a number of stays.	5.47	1.27	5.42	1.28	0.05	0.42
Earning points toward free accommodation.	5.38	1.30	5.41	1.40	-0.03	-0.29
Quick processing of my reservation.	5.37	1.10	5.27	1.26	0.10	0.98
Requests are handled appropriately.	5.36	1.28	5.42	1.15	-0.06	-0.60
Privilege booking at times of high demand.	5.34	1.22	5.02	1.37	0.32	2.88**
More hassle-free stay.	5.28	4.65	5.00	1.29	0.28	1.14
Accessibility of staying at different hotels’ chains.	5.25	1.30	5.21	1.26	0.04	0.36
Availability to access the internet.	5.01	1.59	4.72	1.63	0.29	2.11*
Receiving complimentary breakfast.	5.01	1.23	5.15	1.36	-0.14	-1.30
A loyalty card with special deals.	4.89	1.50	5.13	1.34	-0.23	-1.96*
Access to hotel facilities.	4.88	1.32	5.07	1.28	-0.19	-1.71
Booking my preferred room.	4.78	1.46	4.93	1.40	-0.15	-1.24
Familiarisation with the hotel and the level of service.	4.73	1.27	4.81	1.30	-0.07	-0.68
Special amenities in my room.	4.50	1.33	4.74	1.23	-0.24	-2.21*
A complimentary drink with meals.	4.38	1.51	4.45	1.51	-0.07	-0.53
Preferential treatment during my stay.	4.28	1.48	4.19	1.43	0.10	0.80
Hotel staff gives me personal attention.	4.28	1.39	4.11	1.39	0.16	1.38
Customised (personalised) service.	4.23	1.48	4.08	1.51	0.15	1.14
Unique experience as a special guest.	4.18	1.49	4.11	1.53	0.07	0.53
Staff recognising me during my stay.	3.98	1.46	3.91	1.48	0.07	0.54
Staff recognising me upon arrival.	3.94	1.49	3.88	1.61	0.06	0.44

Note: **t*-test two tail probability < 0.05; ***t*-test two tail probability < 0.01

Analysis Of Variance

The second test used was Analysis of Variance (ANOVA) using Scheffe post hoc test to see if there was any statistically significant differences between survey participants by marital status; income, age, occupation, and by the survey location for the statements in Section ‘A’ of the survey (a list of 24 advantages of hotel loyalty programme membership). This revealed no statistically significant difference by marital status, income, and by the survey location.

However, age and occupation showed statistically significant differences between survey participants for a number of items in Section 'A' of the survey. First, there were five items with statistically significant difference by age, as shown in Table 6-13 at level of $p < 0.05$. The first relates to "greater value for money", which was important to those aged 20-30 (mean 6.25, very important), more so than participants aged between 31 and 40 (mean 6.03, very important), and those who were older than 60 (mean 5.46, very important). Also, this same 20-30 group indicated that "price discounts" were also significantly more important (mean 6.31, extremely important) than participants aged between 31 and 40 (mean 6.27, very important), and those who were older than 60 (mean 5.60, very important).

Item "A loyalty card with special deals" was more important for participants aged 31-40 (mean 5.54, very important), more than participants aged less than 20 (mean 4.42, important), participants aged 51-60 (mean 4.85, important), and participants older than 60 (mean 4.94, important). The same group aged between 31-40 indicated that "Earning points toward free accommodation" was also significantly more important (mean 5.92, very important) than participants aged 51-60 (mean 5.35, very important), and participants older than 60 (mean 4.99, important). The same group (aged 31-40) also had a higher level of importance for item "room upgrades earned after a number of stays" than participants aged 41-50 (mean 5.50, very important), and participants older than 60 (mean 5.07, important). Regarding type of occupation, only one item "Room upgrades earned after a number of stays" was statistically significant at the level of $p < 0.05$. This item was more significantly important to professional participants (mean 5.53) than participants who were retired (mean 4.96).

Table 6-13: Advantages of hotel loyalty programme membership vs. age

	Age						F-value	Sig.	Scheffe
	A < 20	B 20-30	C 31-40	D 41 - 50	E 51-60	F > 60			
Greater value for money.	5.92	6.25	6.03	5.80	5.70	5.46	5.74	0.00	B>C,F
Price discounts (special rates).	5.96	6.31	6.27	6.03	5.94	5.60	6.51	0.00	B>C,F
A loyalty card with special deals.	4.42	4.88	5.54	5.25	4.85	4.94	5.2	0.00	C>A,E,F
Earning points toward free accommodation.	5.67	5.51	5.92	5.50	5.35	4.99	6.73	0.00	C>E,F
Room upgrades earned after a number of stays.	5.42	5.63	5.78	5.57	5.45	5.07	4.98	0.00	C>D,F

Factor Analysis

The 24 items in Section “A” of the survey (a list of 24 advantages of hotel loyalty programme membership) were analyzed to identify underlying themes in the advantages of hotels’ loyalty programmes membership. Analysis using SPSS revealed a Cronbach’s alpha coefficient of 0.91. A value of approximately 0.70 or above indicates it is appropriate to proceed with factor analysis (Lockyer, 2004). The Kaiser-Meyer-Olkin test of adequacy was 0.91, classified as “meritorious” (Ryan, 1995, p.256). The investigation was achieved by using principal component factor analysis. Examination of the correlation matrices revealed a number of relationships, thus making the use of factor analysis appropriate. In addition, an alpha coefficient of 0.91 and a Kaiser-Meyer-Olkin measure of sample adequacy (0.91) also indicated that the data was suitable for analysis.

Previous researchers (Tang, Toner, Stuckless, Dion, Kaplan, and Ali, 1998; Dancey & Reidy, 2004) suggested that more than one method can be used to determine the number of factors in factor analysis. According to Tang, Toner, Stuckless, Dion, Kaplan and Ali (1998) methodology for determining the number of factors; factors should be selected on the basis of those with an eigenvalues of above 1. Dancey & Reidy (2004) added that the least number of factors should be used to explain the most variance. However, by looking at the scree plot it was

clear that six factors explain the most variance, although only five factors had an eigenvalue above 1. Therefore, six factors were rotated which accounted for 65.59% of the variance using a Varimax rotation procedure. The rotation solution is shown in Table 6-14. From the factor analysis, Table 6-14 shows that the 24 items in Section 'A' of the survey consist of six main themes:

- 1- Guest recognition, customised and preferential treatment, which accounts for 21.33% of variance with a cronbach's reliability of 0.93.
- 2- Earning points, room upgrades complimentary drink and breakfast, which account for 12.15% of variance with a Cronbach's reliability of 0.81.
- 3- Greater value for money and price discounts, which accounts for 9.75% of variance with a Cronbach's reliability of 0.76.
- 4- Early check-in and late check-out, and availability to access the internet, which accounts for 9.38% of variance with a Cronbach's reliability of 0.54.
- 5- Receiving complimentary breakfast and drink, and requests are handled appropriately, which accounts for 7.36% of variance with a Cronbach's reliability of 0.64.
- 6- Quick processing of reservation and more hassle-free stay, which accounts for 5.62% of variance with a Cronbach's reliability of 0.21.

	1	2	3	4	5	6
Staff recognising me during my stay.	0.85	0.02	0.06	0.06	0.12	0.10
Staff recognising me upon arrival.	0.84	0.04	0.08	0.13	0.09	0.08
Customised (personalised) service.	0.82	0.09	0.16	0.20	0.09	0.10
Unique experience as a special guest.	0.81	0.18	0.09	0.13	0.17	0.03
Preferential treatment during my stay.	0.80	0.24	0.09	0.13	0.17	-0.02
Hotel staff gives me personal attention.	0.79	0.14	0.04	0.16	0.14	0.11
Earning points toward free accommodation.	0.09	0.85	0.15	0.11	0.13	0.00
Room upgrades earned after a number of stays.	0.21	0.79	0.14	0.18	0.16	0.05
Accessibility of staying at different hotels’ chains.	0.08	0.63	0.05	0.29	0.23	0.23
A loyalty card with special deals.	0.26	0.53	0.46	0.15	0.03	-0.08
Privilege booking at times of high demand.	<u>0.39</u>	0.42	0.11	<u>0.36</u>	0.11	0.11
Greater value for money.	-0.09	0.28	0.71	-0.05	0.17	0.33
Price discounts (special rates).	0.02	0.46	0.67	-0.01	0.20	0.08
Access to hotel facilities.	0.17	-0.05	0.59	0.46	0.06	0.10
Special amenities in my room.	<u>0.35</u>	0.01	0.54	<u>0.34</u>	0.26	-0.10
Booking my preferred room.	<u>0.42</u>	0.09	0.50	<u>0.36</u>	-0.07	0.11
Availability to access the internet.	0.16	0.20	0.05	0.72	0.01	-0.04
Early check-in and late check-out.	0.13	0.24	0.25	0.58	0.06	-0.03
Familiarisation with the hotel and the level of service.	0.36	0.22	-0.04	0.46	0.17	0.32
Receiving complimentary breakfast.	0.20	0.24	0.19	0.03	0.75	-0.03
A complimentary drink with meals.	0.34	0.23	0.11	0.06	0.65	-0.14
Requests are handled appropriately.	0.17	0.12	0.13	0.40	0.49	0.45
More hassle-free stay.	0.12	0.04	0.15	-0.06	-0.17	0.75
Quick processing of my reservation.	0.32	0.13	0.14	0.39	0.35	0.44

Note: Those statements which have loaded heavily into more than one factor have been underlined.

It was evident from the analyses for Section ‘A’ of the survey that “Price discounts (special rates)” followed by “Greater value for money”, and “Early check-in and late check-out” showed the highest level of importance for all survey participants which illustrates the importance of these items among all participants regardless of their differences. Also, items “Staff recognising me during my stay” and “Staff recognising me upon arrival” showed the lowest level of importance among all participants.

However, “Price discounts (special rates)” and “Greater value for money” were more important to participants aged between 20 and 30 than to other participants, especially those aged between 31 and 40 and those older than 60 (Table 6-13).

Items “A loyalty card with special deals”, “Earning points toward free accommodation”, and “Room upgrades after a number of stays” were more important for participants aged between 31 and 40 than to other participants, particularly those aged between 51 and 60 and those older than 60 (Table 6-13).

The first part of the analysis has looked at Section ‘A’ of the survey (see Appendix B for statements 1 to 24), the next part of the analysis considers Section ‘B’ of the survey (see Appendix B for statements 25 to 83).

Section ‘B’ of the survey

The second part of the survey (Section ‘B’) addressed the measurement of the variables comprising the model in the study (Figure 6-2) covering 51 statements (from 25 to 75 in Appendix B) plus eight statements in Section ‘B’ of the survey (statements from 76 to 83 in Appendix B) that were designed to measure any difference in responses that may be evident between survey participants using the example of whether or not they have stayed in the same place before and how this may impact their decision to choose a particular hotel.

The variables in the model include service quality (on the basis of three dimensions; technical, tangible, and human), guest satisfaction, guest commitment, staff loyalty, guest loyalty and the impact of loyalty programmes on guest loyalty through the three stages indicated in the model; before, during, and after the service encounter. The model was developed based on the literature review, and afterwards, 51 statements in Section ‘B’ of the survey were developed from both the information collected from the focus groups in the study and a review of the literature to measure the variables comprising the model in the study (see Appendix B for the survey statements 25 to 75).

Participants in the survey in Section ‘B’ were given a set of statements which that related to reasons why they would repeat their stay with hotel X (an imaginary hotel). Participants were instructed to think of hotel X as a hotel they had stayed at more than once (as an indication of loyalty) over the past three years (Osman et al., 2009), then rate each item using a seven point Likert-type scale from 1 = Very

strongly disagree to 7 = Very strongly agree, along with a Zero option (Not applicable/don't know/have no opinion). It should be noted that the tables followed were calculated for only individual items based on those who selected numbers 1-7 on the scale, while 'Zero' scores for 'non-response' option were encoded as a missing value in the study and thus were excluded from the calculations. Though Section 'B' covers 51-items using a seven point scale to measure service quality, guest satisfaction, guest commitment, staff loyalty, guest loyalty and the impact of loyalty programmes on guest loyalty through the three stages indicated in the model; before, during, and after the service encounter.

It is of particular note that the 51 items in Section 'B' of the survey were structured into clear divisions, so that each of the main variables in the model (service quality, guest commitment, guest satisfaction, staff loyalty, guest loyalty, and loyalty programmes) were written in the survey in Section 'B' followed by a set of statements measuring a particular construct in question (see Appendix B for the survey for statements from 25 to 75). For example, service quality as a construct was written in the heading (in section 'B') followed by 16 statements from the literature to measure service quality on the basis of three dimensions; technical, tangible, and staff interaction (see Appendix B for the complete survey for questions 25 to 40). Two items were recoded because they were negatively worded in the survey. These items were "If I was in the hotel X loyalty programme, I'd never return to it if staff were rude", and "If I was in the hotel X loyalty programme, I'd still look for better deals".

Table 6-15 lists the 51 items in Section 'B' of the survey by descending mean. The items with the highest mean were "The hotel's premises were clean" (mean 5.80, strongly agree), and "The hotel's furniture was comfortable for the guests" (mean 5.39, strongly agree). These were followed by "The hotel staff provides services as promised" (mean 5.37, strongly agree), and "The hotel's premises were noise acceptable" (mean 5.35, strongly agree), and "The hotel staff were courteous, polite, and well mannered" (mean 5.34, strongly agree). The four items with the lowest mean scores were, "I feel emotionally attached to the hotel" (mean 3.75, neither agree nor disagree), "If I was in the hotel X loyalty programme, I'd feel emotionally attached to the hotel" (mean 3.71, neither agree nor disagree), "I feel a strong sense of belonging toward the hotel" (mean 3.68, neither agree nor

disagree), and “If I wanted to stay at another hotel, it would be very difficult” (mean 3.37, neither agree nor disagree). The four items with the highest mean and the four items with the lowest mean have been highlighted in Table 6-15.

Table 6-15: Descriptive for 51 items (Section ‘B’)		
	Mean	S.D.
The hotel’s premises were clean.	5.80	1.26
The hotel’s furniture was comfortable for the guests.	5.39	1.27
The hotel staff provides services as promised.	5.37	1.33
The hotel’s premises were noise acceptable.	5.35	1.39
The hotel staff were courteous, polite, and well mannered.	5.34	1.24
I am satisfied with my decision to choose the hotel.	5.31	1.31
The hotel services adequately fulfilled my expectations.	5.29	1.25
I truly enjoyed staying at the hotel.	5.27	1.27
The hotel staff were knowledgeable and competent.	5.26	1.33
The hotel staff helped me and responded to my requests.	5.25	1.47
The hotel’s facilities were reliable.	5.22	1.27
The hotel’s facilities were easy to use.	5.20	1.27
The hotel staff cared and were concerned about guests’ comfort.	5.19	3.22
The hotel’s facilities were visually appealing.	5.16	1.30
The hotel staff provided services right from the first moment of contact.	5.16	1.41
The hotel staff provided a prompt response to guest needs.	5.15	1.49
The hotel services were exactly what I needed.	5.14	1.31
The hotel staff understood the needs of their guests.	5.13	1.37
If I was in the hotel X loyalty programme, I’d never return to it if staff were rude.	5.07	2.99
The hotel staff had a smart appearance.	5.07	1.32
The hotel staff were able to take proper actions when needed.	5.04	1.58
I’d expect the service to be better and quicker as a loyalty member.	4.96	1.44
The hotel provided fast check-in and check-out.	4.94	1.33
If I was a member of hotel X programme, I’d return to the hotel.	4.87	1.49
The hotel staff responded to my requests promptly.	4.87	1.40
I recommend hotel X to my friends and workmates.	4.86	1.47
If I was in the hotel X loyalty programme, hotel X would be my first choice.	4.83	1.52
If I was in the hotel X loyalty programme, I’d still look for better deals.	4.76	1.55
I always think of hotel X as an ideal accommodation.	4.74	1.53
The hotel staff were enthusiastic and committed.	4.71	1.32
I’d feel more strongly connected to a hotel for which I hold a loyalty card.	4.68	1.46
I consider hotel X as my first choice when I need to stay in a hotel.	4.61	1.64
If I like hotel X service, I rarely switch from it just to try another hotel.	4.51	1.64
Experiencing something unique is what makes me return to hotel X.	4.47	1.53
The hotel services were some of best hotel services I’ve ever received.	4.40	1.57
The hotel staff went beyond their specified duties to serve me.	4.39	1.46
The hotel staff gave me personal attention.	4.34	1.40
I’d feel special if I was a member of hotel X programme.	4.29	1.59
The hotel staff knew exactly what my needs were.	4.28	1.35
I always stay at hotel X, even though there are other options.	4.25	1.64
Being recognised as a return guest is what makes me return to hotel X.	4.18	1.56
If I was in the hotel X loyalty programme, I’d feel a strong sense of belonging.	4.15	1.55
If I was in the hotel X loyalty programme, I’d judge hotel X services differently.	4.00	1.53
If I wanted to stay at another hotel, it would be more costly.	3.93	1.65
I hate to switch once I get used to a hotel service.	3.89	1.65
I feel that I care about the success of the hotel.	3.88	1.57
I stay at the hotel more as a matter of necessity than of desire.	3.85	1.57
I feel emotionally attached to the hotel.	3.75	1.67
If I was in the hotel X loyalty programme, I’d feel emotionally attached to the hotel.	3.71	1.57
I feel a strong sense of belonging toward the hotel.	3.68	1.56
If I wanted to stay at another hotel, it would be very difficult.	3.37	1.57

An independent sample *t*-test was used to evaluate if there were any statistically significant differences for the 51 statements in Section ‘B’ of the survey by loyalty programme membership (between survey participants who belong to a loyalty programme and those who do not); by gender; and by reason for stay (between survey participants who stay at hotels for business visit/work and those who stay at hotels for familyvisit/vacation). Tables 6-16, 6-17, and 6-18 illustrate these differences respectively. It is of particular note that item “The hotel’s premises were clean” had the highest mean, and item “If I wanted to stay at another hotel, it would be very difficult” had the lowest mean in the three tables (tables 6-16, 6-17 & 6-18) among all the survey participants regardless of their differences.

Table 6-16 illustrates the differences between survey participants who belong to a hotel loyalty programme and those who do not. The item with the highest mean was “The hotel’s premises were clean” (members mean 5.95, strongly agree; non members mean 5.74, strongly agree), and the lowest mean was for item “If I wanted to stay at another hotel, it would be very difficult” (members mean 3.24, disagree; non members mean 3.41, neither agree nor disagree) for participants who belong to a hotel loyalty programme and those who do not. It is of particular note that the last column, the *t*-value shows 14 items which were statistically significant at the level of $p < 0.01$ and 12 items at the level of $p < 0.05$. Loyalty members showed a higher level of agreement for the whole 26 items than non-members. Only items which were statistically significant at the level of $p < 0.01$ and $p < 0.05$ have been highlighted in Table 6-16.

Table 6-16: Independent Sample *t*-test by loyalty membership (Section ‘B’)

	Members		Non Members		Mean Difference	<i>t</i> -value
	Mean	S.D.	Mean	S.D.		
The hotel’s premises were clean.	5.95	0.96	5.74	1.35	0.21	1.90
The hotel’s premises were noise acceptable.	5.61	0.98	5.25	1.51	0.37	2.97*
I am satisfied with my decision to choose the hotel.	5.59	0.92	5.20	1.42	0.39	3.41*
The hotel’s furniture was comfortable for the guests.	5.53	0.98	5.33	1.36	0.20	1.80
The hotel staff provides services as promised.	5.53	0.93	5.30	1.45	0.23	1.94
The hotel services adequately fulfilled my expectations.	5.52	0.92	5.19	1.35	0.33	2.93*
The hotel staff cared and were concerned about guests’ comfort.	5.51	5.63	5.07	1.51	0.44	1.53
I truly enjoyed staying at the hotel.	5.51	1.01	5.17	1.34	0.34	3.07*
The hotel staff were courteous, polite, and well mannered.	5.49	1.02	5.28	1.31	0.21	1.86
The hotel’s facilities were reliable.	5.47	0.98	5.12	1.36	0.35	3.09*
The hotel’s facilities were easy to use.	5.44	0.93	5.11	1.37	0.32	2.89*
The hotel staff were knowledgeable and competent.	5.41	1.10	5.21	1.41	0.20	1.72
The hotel services were exactly what I needed.	5.41	1.00	5.04	1.39	0.37	3.25*
The hotel’s facilities were visually appealing.	5.34	1.06	5.09	1.37	0.24	2.13*
The hotel staff helped me and responded to my requests.	5.34	1.36	5.21	1.51	0.13	1.01
The hotel staff had a smart appearance.	5.29	1.15	4.98	1.37	0.31	2.63*
The hotel staff understood the needs of their guests.	5.27	1.17	5.08	1.45	0.19	1.57
The hotel provided fast check-in and check-out.	5.21	1.18	4.83	1.36	0.37	3.18*
The hotel staff provided services right from the first moment of contact.	5.21	1.28	5.13	1.47	0.07	0.58
I’d expect the service to be better and quicker as a loyalty member.	5.17	1.26	4.88	1.50	0.29	2.29*
If I was in the hotel X loyalty programme, I’d never return to it if staff were rude.	5.15	4.96	5.04	1.73	0.11	0.40
The hotel staff provided a prompt response to guest needs.	5.13	1.44	5.16	1.52	-0.03	-0.25
I recommend hotel X to my friends and workmates.	5.13	1.15	4.75	1.57	0.38	2.94*
The hotel staff were able to take proper actions when needed.	5.09	1.59	5.02	1.58	0.06	0.44
I always think of hotel X as an ideal accommodation.	5.08	1.21	4.61	1.62	0.47	3.46*
If I was a member of hotel X programme, I’d return to the hotel.	5.08	1.26	4.79	1.57	0.29	2.15*
I consider hotel X as my first choice when I need to stay in a hotel.	5.02	1.38	4.45	1.70	0.57	3.95*
If I was in the hotel X loyalty programme, I’d still look for better deals.	4.99	1.27	4.68	1.64	0.32	2.30*
If I was in the hotel X loyalty programme, hotel X would be my first choice.	4.98	1.26	4.78	1.61	0.20	1.45
The hotel staff responded to my requests promptly.	4.96	1.30	4.83	1.44	0.13	1.04
I’d feel more strongly connected to a hotel for which I hold a loyalty card.	4.88	1.20	4.60	1.54	0.28	2.17*
The hotel staff were enthusiastic and committed.	4.85	1.16	4.65	1.37	0.20	1.73
If I like hotel X service, I rarely switch from it just to try another hotel.	4.82	1.41	4.39	1.71	0.43	2.93*
Experiencing something unique is what makes me return to hotel X.	4.64	1.29	4.40	1.60	0.23	1.71
The hotel staff gave me personal attention.	4.57	1.22	4.25	1.46	0.32	2.55*
I always stay at hotel X, even though there are other options.	4.54	1.53	4.13	1.66	0.41	2.80*
The hotel staff went beyond their specified duties to serve me.	4.53	1.35	4.33	1.49	0.21	1.61
Being recognised as a return guest is what makes me return to hotel X.	4.47	1.37	4.07	1.62	0.40	2.91*
The hotel services were some of best hotel services I’ve ever received.	4.46	1.39	4.37	1.64	0.08	0.59
I’d feel special if I was a member of hotel X programme.	4.46	1.32	4.22	1.68	0.24	1.66
The hotel staff knew exactly what my needs were.	4.39	1.21	4.24	1.39	0.14	1.19
If I was in the hotel X loyalty program, I’d feel a strong sense of belonging.	4.30	1.31	4.09	1.63	0.21	1.52
I hate to switch once I get used to a hotel service.	4.14	1.61	3.79	1.66	0.34	2.35*
I feel that I care about the success of the hotel.	4.10	1.40	3.79	1.62	0.30	2.18*
If I was in the hotel X loyalty programme, I’d judge hotel X services differently.	4.07	1.40	3.97	1.58	0.10	0.72
I feel emotionally attached to the hotel.	4.05	1.55	3.64	1.70	0.42	2.81*
I feel a strong sense of belonging toward the hotel.	3.99	1.44	3.55	1.58	0.44	3.23*
If I was in the hotel X loyalty programme, I’d feel emotionally attached to the hotel.	3.93	1.41	3.62	1.62	0.31	2.23*
If I wanted to stay at another hotel, it would be more costly.	3.88	1.52	3.95	1.70	-0.07	-0.50
I stay at the hotel more as a matter of necessity than of desire.	3.69	1.48	3.89	1.60	-0.20	-1.40
If I wanted to stay at another hotel, it would be very difficult.	3.24	1.56	3.41	1.57	-0.17	-1.24

Note: **t*-test two tail probability < 0.05; ***t*-test two tail probability < 0.01

Table 6-17 illustrates the differences between male and female survey participants for the 51 statements in Section 'B' of the survey. Item "The hotel's premises were clean" had the highest mean (male mean 5.69, strongly agree; female mean 5.86, strongly agree), and the lowest mean was for item "If I wanted to stay at another hotel, it would be very difficult" (male mean 3.36, neither agree nor disagree; female mean 3.37, neither agree nor disagree) both for male and female participants. It is of particular note that the last column, the *t*-value shows only one item "I hate to switch once I get used to a hotel service" which was statistically significant at the level of $p < 0.01$, where male participants had a higher mean (mean 4.17, neither agree nor disagree) than female participants (mean 3.73, neither agree nor disagree). This indicates the importance of variety for female participants who are always after a unique experience in every stay at hotels. It is of particular note that previously in the focus groups conducted in the first part of the study, female participants indicated that a unique experience was one of the important advantages they always looked for a hotel loyalty programme to provide (Table 5B). Three other items were statistically significant at level of $p < 0.05$. Female participants had a higher level of agreement than males in the three items, "The hotel staff provides services as promised"; "The hotel's furniture was comfortable for the guests"; and "The hotel's facilities were visually appealing". Only items which were statistically significant at the level of $p < 0.01$ and $p < 0.05$ have been highlighted in Table 6-17. Although there were only four statements with statistically significant difference between male and female participants in Table 6-17, female participants showed a higher level of agreement for almost all of the statements in Table 6-17 (except for only 16 of the 51 statements where male participants showed a higher level of agreement).

	Male		Female		Mean Difference	<i>t</i> -value
	Mean	S.D.	Mean	S.D.		
The hotel’s premises were clean.	5.69	1.29	5.86	1.23	-0.18	-1.69
The hotel staff cared and were concerned about guests’ comfort.	5.36	4.98	5.09	1.49	0.27	1.00
I am satisfied with my decision to choose the hotel.	5.33	1.19	5.30	1.38	0.03	0.31
The hotel staff were courteous, polite, and well mannered.	5.32	1.19	5.35	1.27	-0.03	-0.29
The hotel’s premises were noise acceptable.	5.27	1.40	5.40	1.38	-0.13	-1.17
The hotel staff provides services as promised.	5.23	1.38	5.45	1.30	-0.22	-2.04*
The hotel’s furniture was comfortable for the guests.	5.22	1.30	5.48	1.24	-0.26	-2.51*
The hotel staff helped me and responded to my requests.	5.21	1.41	5.27	1.51	-0.06	-0.53
The hotel services adequately fulfilled my expectations.	5.21	1.22	5.33	1.27	-0.13	-1.22
The hotel’s facilities were reliable.	5.17	1.28	5.25	1.27	-0.08	-0.76
The hotel staff were knowledgeable and competent.	5.17	1.35	5.32	1.32	-0.16	-1.42
I truly enjoyed staying at the hotel.	5.17	1.27	5.33	1.26	-0.16	-1.54
The hotel staff provided a prompt response to guest needs.	5.15	1.38	5.15	1.56	-0.01	-0.05
The hotel staff provided services right from the first moment of contact.	5.09	1.40	5.19	1.42	-0.10	-0.85
The hotel’s facilities were easy to use.	5.08	1.30	5.27	1.25	-0.19	-1.79
The hotel staff understood the needs of their guests.	5.07	1.35	5.17	1.39	-0.10	-0.91
The hotel staff had a smart appearance.	5.06	1.36	5.08	1.30	-0.03	-0.23
The hotel services were exactly what I needed.	5.06	1.28	5.19	1.32	-0.13	-1.20
The hotel staff were able to take proper actions when needed.	5.03	1.48	5.05	1.64	-0.03	-0.22
The hotel’s facilities were visually appealing.	5.01	1.29	5.25	1.30	-0.24	-2.23*
If I was in the hotel X loyalty programme, I’d never return to it if staff were rude.	4.96	4.49	5.14	1.63	-0.17	-0.69
The hotel provided fast check-in and check-out.	4.92	1.37	4.95	1.30	-0.03	-0.26
I’d expect the service to be better and quicker as a loyalty member.	4.86	1.49	5.02	1.41	-0.16	-1.34
If I was in the hotel X loyalty programme, hotel X would be my first choice.	4.84	1.51	4.83	1.53	0.01	0.09
The hotel staff responded to my requests promptly.	4.83	1.40	4.89	1.40	-0.05	-0.45
I recommend hotel X to my friends and workmates.	4.78	1.44	4.90	1.50	-0.12	-1.01
I always think of hotel X as an ideal accommodation.	4.76	1.46	4.73	1.57	0.03	0.21
I consider hotel X as my first choice when I need to stay in a hotel.	4.74	1.57	4.53	1.67	0.21	1.52
If I was a member of hotel X programme, I’d return to the hotel.	4.71	1.53	4.95	1.47	-0.24	-1.94
The hotel staff were enthusiastic and committed.	4.69	1.28	4.71	1.34	-0.02	-0.18
If I like hotel X service, I rarely switch from it just to try another hotel.	4.67	1.54	4.42	1.69	0.25	1.86
If I was in the hotel X loyalty programme, I’d still look for better deals.	4.64	1.58	4.83	1.53	-0.20	-1.54
I’d feel more strongly connected to a hotel for which I hold a loyalty card.	4.59	1.47	4.73	1.45	-0.14	-1.19
I always stay at hotel X, even though there are other options.	4.41	1.49	4.16	1.71	0.25	1.84
The hotel staff gave me personal attention.	4.39	1.28	4.31	1.46	0.08	0.65
The hotel staff went beyond their specified duties to serve me.	4.38	1.42	4.39	1.48	0.00	-0.02
Experiencing something unique is what makes me return to hotel X.	4.37	1.45	4.52	1.57	-0.15	-1.18
The hotel staff knew exactly what my needs were.	4.29	1.28	4.28	1.39	0.01	0.09
The hotel services were some of best hotel services I’ve ever received.	4.28	1.57	4.47	1.57	-0.19	-1.45
I’d feel special if I was a member of hotel X programme.	4.23	1.54	4.32	1.62	-0.09	-0.67
Being recognised as a return guest is what makes me return to hotel X.	4.18	1.61	4.17	1.54	0.01	0.06
I hate to switch once I get used to a hotel service.	4.17	1.54	3.73	1.69	0.44	3.24**
If I was in the hotel X loyalty programme, I’d feel a strong sense of belonging.	4.15	1.57	4.15	1.55	0.00	-0.02
I feel that I care about the success of the hotel.	3.96	1.64	3.83	1.53	0.12	0.94
If I was in the hotel X loyalty programme, I’d judge hotel X services differently.	3.94	1.53	4.04	1.53	-0.09	-0.73
I stay at the hotel more as a matter of necessity than of desire.	3.89	1.58	3.80	1.57	0.09	0.71
If I wanted to stay at another hotel, it would be more costly.	3.77	1.62	4.03	1.67	-0.26	-1.90
I feel emotionally attached to the hotel.	3.73	1.68	3.77	1.67	-0.04	-0.26
If I was in the hotel X loyalty programme, I’d feel emotionally attached to the hotel.	3.71	1.57	3.70	1.57	0.01	0.09
I feel a strong sense of belonging toward the hotel.	3.67	1.59	3.68	1.54	-0.02	-0.13
If I wanted to stay at another hotel, it would be very difficult.	3.36	1.66	3.37	1.52	-0.01	-0.10

Note: **t*-test two tail probability < 0.05; ***t*-test two tail probability < 0.01

Table 6-18 illustrates the differences between survey participants who stayed at hotels for business visit/work and those who stayed at hotels for family visit/vacation for the 51 statements in Section ‘B’ of the survey. Item “The hotel’s premises were clean” had the highest mean (business mean 5.78, strongly agree; vacation mean 5.80, strongly agree), and the lowest mean was for item “If I wanted to stay at another hotel, it would be very difficult” (business mean 3.37, neither agree nor disagree; vacation mean 3.35, neither agree nor disagree) both for survey participants who stay at hotels for business visit/work and those on family visit/vacation.

It is of particular note that the last column in Table 6-18, the *t*-value shows only one item which was statistically significant at the level of $p < 0.01$, “I stay at the hotel as a matter of necessity than of desire”. Business visitors had a higher mean than vacation visitors (business mean 4.14; neither agree nor disagree, vacation mean 3.67, neither agree nor disagree), which illustrates that guests who choose hotels for vacation do so out of desire rather than necessity. This is because when vacation visitors choose a specific hotel to stay at, it is their own choice not others, while business visitors usually stay at hotels chosen by their employers. Only one item was statistically significant at the level of $p < 0.05$, “I truly enjoyed staying at the hotel”. Vacation visitors had a higher level of agreement than business visitors for this item (vacation mean 5.33, strongly agree; business visitors mean 5.11, agree) for the same reason as above. Only items which were statistically significant at the level of $p < 0.01$ and $p < 0.05$ have been highlighted in Table 6-18.

Table 6-18: Independent Sample *t*-test by reason of stay (Section ‘B’)

	Business visit/Work		Family visit/Vacation		Mean Difference	<i>t</i> -value
	Mean	S.D.	Mean	S.D.		
The hotel’s premises were clean.	5.78	1.17	5.80	1.30	-0.03	-0.26
The hotel’s furniture was comfortable for the guests.	5.44	1.11	5.35	1.33	0.09	0.84
The hotel’s premises were noise acceptable.	5.40	1.31	5.32	1.43	0.09	0.75
The hotel staff provides services as promised.	5.34	1.37	5.37	1.32	-0.03	-0.27
The hotel staff were courteous, polite, and well mannered.	5.34	1.16	5.34	1.29	0.00	0.05
The hotel’s facilities were reliable.	5.26	1.12	5.19	1.34	0.07	0.62
The hotel staff cared and was concerned about guests’ comfort.	5.25	5.23	5.14	1.42	0.11	0.40
The hotel services adequately fulfilled my expectations.	5.25	1.16	5.29	1.30	-0.04	-0.34
The hotel staff helped me and responded to my requests.	5.24	1.46	5.24	1.48	0.00	0.00
I am satisfied with my decision to choose the hotel.	5.24	1.24	5.33	1.35	-0.09	-0.83
The hotel’s facilities were easy to use.	5.22	1.15	5.20	1.33	0.02	0.19
The hotel staff were knowledgeable and competent.	5.21	1.29	5.28	1.35	-0.08	-0.68
If I was in the hotel X loyalty programme, I’d never return to it if staff were rude.	5.16	4.65	5.02	1.66	0.14	0.54
The hotel’s facilities were visually appealing.	5.12	1.18	5.18	1.35	-0.06	-0.55
The hotel staff provided services right from the first moment of contact.	5.11	1.40	5.16	1.42	-0.05	-0.42
I truly enjoyed staying at the hotel.	5.11	1.22	5.33	1.28	-0.22	-2.10*
The hotel staff had a smart appearance.	5.07	1.23	5.06	1.36	0.01	0.11
The hotel staff provided a prompt response to guest needs.	5.07	1.58	5.18	1.45	-0.11	-0.86
The hotel services were exactly what I needed.	5.07	1.23	5.17	1.34	-0.10	-0.87
The hotel staff understood the needs of their guests.	5.04	1.38	5.16	1.37	-0.12	-0.99
The hotel provided fast check-in and check-out.	5.02	1.21	4.89	1.38	0.13	1.20
I’d expect the service to be better and quicker as a loyalty member.	5.00	1.32	4.93	1.51	0.08	0.65
The hotel staff were able to take proper actions when needed.	4.97	1.63	5.06	1.56	-0.10	-0.71
If I was in the hotel X loyalty programme, hotel X would be my first choice.	4.91	1.44	4.79	1.56	0.13	0.99
The hotel staff responded to my requests promptly.	4.85	1.37	4.87	1.42	-0.03	-0.22
If I was a member of hotel X programme, I’d return to the hotel.	4.82	1.42	4.88	1.52	-0.06	-0.48
If I was in the hotel X loyalty programme, I’d still look for better deals.	4.76	1.37	4.76	1.64	0.00	0.02
I recommend hotel X to my friends and workmates.	4.68	1.53	4.93	1.44	-0.24	-1.94
The hotel staff was enthusiastic and committed.	4.64	1.26	4.73	1.35	-0.08	-0.74
I consider hotel X as my first choice when I need to stay in a hotel.	4.63	1.59	4.59	1.66	0.03	0.22
I’d feel more strongly connected to a hotel for which I hold a loyalty card.	4.63	1.35	4.70	1.51	-0.07	-0.56
I always think of hotel X as an ideal accommodation.	4.61	1.55	4.80	1.52	-0.19	-1.48
If I like hotel X service, I rarely switch from it just to try another hotel.	4.54	1.67	4.50	1.62	0.05	0.33
Experiencing something unique is what makes me return to hotel X.	4.48	1.51	4.44	1.53	0.04	0.32
The hotel staff went beyond their specified duties to serve me.	4.38	1.32	4.39	1.52	0.00	0.00
I always stay at hotel X, even though there are other options.	4.36	1.56	4.19	1.67	0.17	1.21
The hotel staff gave me personal attention.	4.31	1.35	4.34	1.43	-0.03	-0.26
The hotel services were some of best hotel services I’ve ever received.	4.22	1.56	4.48	1.58	-0.26	-1.98
I’d feel special if I was a member of hotel X programme.	4.21	1.56	4.31	1.59	-0.09	-0.70
Being recognised as a return guest is what makes me return to hotel X.	4.20	1.60	4.15	1.54	0.06	0.43
The hotel staff knew exactly what my needs were.	4.19	1.35	4.32	1.35	-0.13	-1.17
I stay at the hotel more as a matter of necessity than of desire.	4.14	1.61	3.67	1.53	0.47	3.56**
If I was in the hotel X loyalty programme, I’d feel a strong sense of belonging.	4.07	1.60	4.17	1.53	-0.10	-0.73
I hate to switch once I get used to a hotel service.	4.01	1.70	3.81	1.62	0.20	1.44
If I was in the hotel X loyalty programme, I’d judge hotel X services differently.	4.01	1.58	3.98	1.51	0.04	0.28
If I wanted to stay at another hotel, it would be more costly.	3.86	1.71	3.97	1.63	-0.11	-0.78
I feel that I care about the success of the hotel.	3.75	1.60	3.92	1.55	-0.16	-1.23
I feel emotionally attached to the hotel.	3.65	1.60	3.79	1.70	-0.14	-0.99
I feel a strong sense of belonging toward the hotel.	3.58	1.59	3.71	1.55	-0.12	-0.94
If I was in the hotel X loyalty programme, I’d feel emotionally attached to the hotel.	3.58	1.60	3.75	1.55	-0.16	-1.24
If I wanted to stay at another hotel, it would be very difficult.	3.37	1.66	3.35	1.52	0.02	0.14

Note: **t*-test two tail probability < 0.05; ***t*-test two tail probability < 0.01

Analysis Of Variance

Analysis of Variance (ANOVA) using Scheffe post hoc test was used for statements in Section 'B' of the survey (see Appendix B for statements from 25 to 75) to see if there any statistical significant differences between survey participants by marital status, income, age, occupation, and by the survey location. This revealed no statistically significant difference by marital status, age, and the survey location. One item was statistically significant in relation to income at the level of $p < 0.05$. Participants with an annual individual income greater than \$100,000 showed a higher level of agreement (mean 5.40, strongly agree) than participants with an annual individual income less than \$30,000 (mean 4.68, agree) in the survey for item "The hotel staff had a smart appearance".

Two items were statistically significant in relation to participants' occupation at the level of $p < 0.05$. Participants with semi-skilled occupations had a higher mean (mean 4.89, neither agree nor disagree) than participants with an administrative occupation (mean 3.56, neither agree nor disagree), and participants who were retired (mean 3.57, neither agree nor disagree) for item "I stay at the hotel as a matter of necessity than of desire". Participants who were in the retired group showed a higher mean (mean 4.73, neither agree/disagree) for item "The hotel staff gave me personal attention" than participants who indicated that they work as a home carer/housewife (mean 3.73, neither agree/disagree), and this indicates the differences in expectations for careful attention between participants who were in the retired group and participants who indicated that they worked as a home carer/housewife.

Factor Analysis

The 51 items in Section 'B' of the survey were analyzed to identify underlying themes in factors leading to guest loyalty. Analysis using SPSS revealed a Cronbach's alpha coefficient of 0.97, which is usually perceived as a good result. The alpha coefficients for each half were 0.94 and 0.94, indicating internal consistency within the data set. Also, the alpha coefficients for odd and even numbers were quite similar; 0.94 and 0.93 respectively. Since the battery measuring the variables in the model was made up from an odd number of items

(51 items), a split half would produce an unequal number of items on each half, so Unequal-length Spearman-Brown calculated was 0.90, which is usually perceived as a good result. The Kaiser-Meyer-Olkin test of sample adequacy was 0.97, classified as 'marvellous' (Ryan, 1995, p.256). A value of approximately 0.70 or above indicates it is appropriate to proceed with factor analysis (Lockyer, 2004). The investigation was achieved by using principal component factor analysis. Examination of the correlation matrices revealed a number of relationships, thus making the use of factor analysis appropriate. In addition, an alpha coefficient of 0.97 and a Kaiser-Meyer-Olkin measure of sample adequacy (0.97) also indicated that the data was suitable for analysis.

It was clear from the Scree plot that seven factors should be rotated. These seven factors had an eigenvalues of above 1 (Tang et al., 1998). However, the seventh factor had only one variable which accounts for only 2.12% of the variance, and as a rule of thumb, factors are not usually kept when fewer than three variables load on them (Dancey & Reidy, 2004). It is of particular note that although all of the above was undertaken, it was still impossible to isolate the 51 statements in Section 'B' of the survey into clear factors. This was due to the fact that the 51 items were structured into clear divisions in the survey, and some of the items loaded heavily in more than one factor at the same time. Thus it was impossible to extract factors out of a number of clearly structured divisions.

However, factor analysis was still conducted for statements 25 to 40 in Section 'B' of the survey which relate to the hotel level of service (i.e., service quality) to determine if there were any clear determinants (human, technical, and tangible) making up the service quality dimension as was discussed previously in the literature (Lenka et al., 2009). Analysis using SPSS revealed a Cronbach's alpha coefficient of 0.94. A value of approximately 0.70 or above indicates it is appropriate to proceed with factor analysis (Lockyer, 2004). The Kaiser-Meyer-Olkin test of sample adequacy was 0.95, classified as 'marvellous' (Ryan, 1995, p.256). Four factors were rotated according to the scree plot which explained the most variance. The four factors rotated accounted for 79.05% of the variance using a Varimax rotation procedure. The rotation solution is shown in Table 6-19. From the factor analysis, Table 6-19 shows items 25 to 40 consist of four main themes, where only one item is loaded in the fourth factor:

- 1- Staff interaction as a dimension of service quality, which accounts for 27.64% of variance with a Cronbach's reliability of 0.85.
- 2- Tangible dimension of service quality, which accounts for 24.89% of variance with a Cronbach's reliability of 0.91.
- 3- Technical dimension of service quality, which accounts for 19.67% of variance with a Cronbach's reliability of 0.90.
- 4- The hotel staff cared and were concerned about guests' comfort, which accounts for 6.85% of variance.

	1	2	3	4
The hotel staff provided a prompt response to guest needs.	0.86	0.24	0.27	0.14
The hotel staff helped me and responded to my requests.	0.85	0.24	0.28	0.09
The hotel staff were able to take proper actions when needed.	0.82	0.23	0.20	0.17
The hotel staff understood the needs of their guests.	0.73	0.47	0.23	0.11
The hotel staff were knowledgeable and competent.	0.69	0.49	0.25	0.08
The hotel staff provided services right from the first moment of contact.	0.54	0.41	0.43	0.23
The hotel staff provides services as promised.	0.52	<u>0.52</u>	0.38	0.09
The hotel's facilities were visually appealing.	0.28	0.83	0.25	0.10
The hotel staff had a smart appearance.	0.25	0.77	0.27	0.11
The hotels' furniture was comfortable for the guests.	0.33	0.74	0.34	0.09
The hotel's premises were noise acceptable.	0.27	0.68	0.31	0.06
The hotel's premises were clean.	0.36	0.56	<u>0.51</u>	0.05
The hotel's facilities were reliable.	0.28	0.34	0.83	0.08
The hotel's facilities were easy to use.	0.29	0.34	0.81	0.09
The hotel provided fast check-in and check-out.	0.25	0.28	0.75	0.11
The hotel staff cared and were concerned about guests' comfort.	0.23	0.13	0.14	0.95

Note: Those statements which have loaded heavily into more than one factor have been underlined.

Factor analysis was also conducted for statements 41 to 46 in Section 'B' of the survey which relate to guest commitment to determine if there are any clear determinants (affective and continuance) making up the commitment dimension as was discussed previously in the literature (Garbarino & Johnson, 1999;

Fullerton's, 2003). Analysis using SPSS revealed a Cronbach's alpha coefficient of 0.75. A value of approximately 0.70 or above indicates it is appropriate to proceed with factor analysis (Lockyer, 2004). The Kaiser-Meyer-Olkin test of sample adequacy was 0.74, classified as 'middling' (Ryan, 1995, p.256). Two factors were rotated according to the scree plot which explained the most variance. The two factors rotated accounted for 76.56% of the variance using a Varimax rotation procedure. The rotation solution is shown in Table 6-20. From the factor analysis, Table 6-20 shows items 41 to 46 consist of two main themes:

- 1- Affective commitment, which accounts for 43.47% of variance with a Cronbach's reliability of 0.92.
- 2- Continuance commitment, which accounts for 33.10% of variance with a Cronbach's reliability of 0.75.

	1	2
I feel a strong sense of belonging toward the hotel.	0.94	0.09
I feel that I care about the success of the hotel.	0.91	0.08
I feel emotionally attached to the hotel.	0.91	0.06
If I wanted to stay at another hotel, it would be more costly.	0.09	0.85
If I wanted to stay at another hotel, it would be very difficult.	0.22	0.81
I stay at the hotel more as a matter of necessity than of desire.	-0.08	0.77

The survey contained a set of eight questions in Section 'B' that were designed to measure any difference in response that may be evident between survey participants using the example of whether they have or have not visited a particular place before and face the decision of choosing a particular hotel to stay in (see Appendix B for the complete survey, statements 76 to 83). For example the question "The hotel with which I hold a loyalty membership would be my first choice" (see Table 6-21 for all questions asked) was asked twice, once in the situation of having stayed in the same place before and once for not. These questions were analysed using Independent Sample *t*-test by loyalty programme

membership, gender, and by type of visit (Business / Vacation). Tables 6-21, 6-22, and 6-23 illustrate these differences respectively.

Table 6-21 details the results by those who are and those who are not members of a hotel loyalty programme. As illustrated, there are two items that are statistically significant. The first relates to those who have visited the same place before and the item “The hotel with which I hold a loyalty membership would be my first choice” and their level of agreement with this statement. As is illustrated, those who were members of a loyalty programme had a higher level of agreement (mean = 5.26, agree) in comparison with those who were not members of a loyalty programme (mean = 4.92, agree) and this difference was statistically significant at the level of $p < 0.05$. The second relates to those people who visited a place they have never been to before and the item “The hotel with which I hold a loyalty membership would be my first choice” and their level of agreement with this statement. Those who were members of a loyalty programme (mean = 5.24, agree) showed a higher level of agreement in comparison with those who were not members of a loyalty programme (mean = 4.81, agree) and this difference was statistically significant at the level of $p < 0.01$. This illustrates the impact of loyalty programmes on participants’ loyalty towards hotels, particularly those who hold hotel loyalty programme membership as measured in the words “first choice”. However, loyalty programme members showed a higher level of agreement for item “Location is more important to me than a distant hotel with which I hold membership” for these two situations. Therefore, although loyalty membership had an impact on guests’ choice, location was still more important. It is of particular note that in the last column, the t -value shows the two items which were statistically significant at the level of $p < 0.05$ and at the level of $p < 0.01$ respectively. Only items which were statistically significant at the level of $p < 0.01$ and $p < 0.05$ have been highlighted in Table 6-21.

Table 6-21: Independent Sample <i>t</i>-test by Loyalty Programme Membership						
	Members		Non Members		Mean Difference	<i>t</i> -value
	Mean	S.D.	Mean	S.D.		
Visited the same place before						
The hotel with which I hold a loyalty membership would be my first choice.	5.26	1.22	4.92	1.50	0.34	2.68*
I like to try different hotels outside the loyalty programme as a general rule.	3.68	1.19	3.78	1.50	-0.10	-0.81
Price is more important to me than choosing a hotel with which I hold membership.	4.74	1.56	4.92	1.62	-0.19	-1.31
Location is more important to me than a distant hotel with which I hold membership.	5.45	1.27	5.30	1.47	0.15	1.21
Never visited the place before						
The hotel with which I hold a loyalty membership would be my first choice.	5.24	1.15	4.81	1.54	0.43	3.36**
I like to try different hotels outside the loyalty programme as a general rule.	3.55	1.22	3.79	1.43	-0.25	-1.99
Price is more important to me than choosing a hotel with which I hold membership.	4.74	1.48	4.94	1.62	-0.20	-1.42
Location is more important to me than a distant hotel with which I hold membership.	5.43	1.34	5.22	1.51	0.21	1.61

Note: **t*-test two tail probability < 0.05; ***t*-test two tail probability < 0.01

Table 6-22 illustrates the differences between male and female participants for these two situations (once visited the same place before and once for not visiting the place before). The item which had the highest mean for females over males in both situations was “Location is more important to me than a distant hotel with which I hold membership” (female mean for the first situation 5.40, strongly agree; female mean for the second situation 5.37, strongly agree; male mean for the first situation 5.22, agree; male mean for the second situation 5.13, agree). It is of particular note that in the last column the *t*-value shows two items which were statistically significant at the level of $p < 0.01$ and at the level of $p < 0.05$. Item “Price is more important to me than choosing a hotel with which I hold membership” showed a statistically significant difference between male and female participants, being more important for females than males in both

situations. Only items which were statistically significant at the level of $p < 0.01$ and $p < 0.05$ have been highlighted in Table 6-22.

	Male		Female		Mean Difference	<i>t</i> -value
	Mean	S.D.	Mean	S.D.		
Visited the same place before						
The hotel with which I hold a loyalty membership would be my first choice.	5.00	1.44	5.03	1.43	-0.03	-0.21
I like to try different hotels outside the loyalty programme as a general rule.	3.70	1.31	3.78	1.48	-0.07	-0.61
Price is more important to me than choosing a hotel with which I hold membership.	4.64	1.56	5.00	1.61	-0.36	-2.74*
Location is more important to me than a distant hotel with which I hold membership.	5.22	1.46	5.40	1.39	-0.18	-1.56
Never visited the place before						
The hotel with which I hold a loyalty membership would be my first choice.	4.97	1.39	4.91	1.50	0.07	0.54
I like to try different hotels outside the loyalty programme as a general rule.	3.59	1.37	3.81	1.38	-0.22	-1.94
Price is more important to me than choosing a hotel with which I hold membership.	4.57	1.56	5.06	1.57	-0.49	-3.80**
Location is more important to me than a distant hotel with which I hold membership.	5.13	1.49	5.37	1.44	-0.24	-1.97

Note: **t*-test two tail probability < 0.05; ***t*-test two tail probability < 0.01

Table 6-23 illustrates the differences between survey participants who stayed at hotels for business visit/work and those who stayed at hotels for family visit/vacation for these two situations (once visited the same place before and once for not visiting the place before). There was no statistically significant difference between these two types of participants regarding the eight items in Table 6-23. Loyalty programme membership showed to have more impact on business visitors than on vacation visitors in both situations and this was illustrated in item “The hotel with which I hold a loyalty membership would be my first choice”. But price had more impact on vacation visitors than on business visitors in both situations assumed in Section ‘B’ of the survey and this was illustrated in item “Price is more important to me than choosing a hotel with which I hold membership”. These results in Table 6-23 illustrate the impact of price and loyalty programme membership on the decision of selecting a particular

hotel, and how price is more important for vacation visitors while loyalty programmes are more important for business visitors. This is because when vacation visitors choose a particular hotel to stay at, it is their own choice, while business visitors usually stay at hotels chosen by their employers not by themselves.

Table 6-23: Independent Sample *t*-test by reason of stay

	Business visit/work		Family visit/vacation		Mean Difference	<i>t</i> -value
	Mean	S.D.	Mean	S.D.		
Visited the same place before						
The hotel with which I hold a loyalty membership would be my first choice.	5.05	1.38	4.99	1.47	0.06	0.53
I like to try different hotels outside the loyalty programme as a general rule.	3.75	1.29	3.74	1.48	0.02	0.16
Price is more important to me than choosing a hotel with which I hold membership.	4.76	1.48	4.93	1.67	-0.17	-1.21
Location is more important to me than a distant hotel with which I hold membership.	5.45	1.21	5.27	1.51	0.17	1.45
Never visited the place before						
The hotel with which I hold a loyalty membership would be my first choice.	5.00	1.33	4.88	1.52	0.12	0.97
I like to try different hotels outside the loyalty programme as a general rule.	3.65	1.26	3.76	1.44	-0.10	-0.88
Price is more important to me than choosing a hotel with which I hold membership.	4.78	1.47	4.94	1.64	-0.16	-1.21
Location is more important to me than a distant hotel with which I hold membership.	5.40	1.24	5.22	1.56	0.19	1.49

Section ‘C’ of the survey

Through the third section of the survey (Section ‘C’), survey participants were asked to rank five items (hotel location, friendly staff, loyalty programme, service quality, and room price) using the numbers 1 to 5 (with 5 = most important to 1 = least important) (see Appendix B for question 90 in Section ‘C’ of the survey). Survey participants were instructed to use each number only once. Table 6-24 illustrates the mean (in a descending order) and mode for these items. Room price had the highest mean (mean 3.76), followed by items “Hotel location”, “Service quality”, and “Friendly staff”, while item “Loyalty programme” had the lowest

mean (mean 2.69). Items “Room price”, “Hotel location”, and “Service quality” had the highest mode (mode = 5), while item “Loyalty programme” had the lowest mode (mode = 1).

	Mode	Mean	S.D.	Skewness	Kurtosis
Room Price	5.00	3.76	1.36	-0.76	-0.75
Hotel Location	5.00	3.68	1.40	-0.74	-0.80
Service Quality	5.00	3.55	1.25	-0.45	-0.80
Friendly Staff	4.00	3.37	1.25	-0.29	-1.01
Loyalty Programme	1.00	2.69	1.53	0.25	-1.41

Cross Tabulation

A cross tabulation test was conducted to discover whether or not there was a significant association between being a hotel loyalty programme member and gender; type of visit to hotels; marital status; income; age; and type of occupation (Dancey & Reidy, 2004).

Cross Tabulation for Loyalty members vs. Gender

Chi-square was calculated for gender and loyalty members. Chi-Square (χ^2) value is 21.71 (DF = 1, $p < 0.01$), where 38.53% of males currently hold a hotel loyalty membership (89 out of 231 males indicated that they held a loyalty membership), in contrast to only 21.33% of females (86 out of 403 females). Thus, it can be concluded that there is an association between gender and being a loyalty member, where males are more likely than females to hold a loyalty membership. Cramer’s V was found to be 0.19, thus nearly 38% of the variation in frequencies of loyalty members can be explained by gender. It can therefore be concluded that there is a significant association between members of hotels loyalty programmes and gender.

Cross Tabulation for Loyalty members vs. Reason for stay

Chi-square was calculated for the reason of stay at hotels and loyalty programme members. Chi-Square (χ^2) value is 12.07 (DF = 1, $p < 0.01$), where 36% of business visitors currently hold a loyalty membership with one of the hotels (76 out of 209 business visitors indicated that they held a loyalty membership), in contrast to only 23% of family visitors (97 out of 418 family visitors). Thus, it can be concluded that there is an association between the type of guest and being a loyalty member, where business visitors are more likely to be loyalty members than those who visit hotels for vacation. Cramer's V was found to be 0.14, thus nearly 28% of the variation in frequencies of loyalty members can be explained by the types of guests. It can therefore be concluded that there is a significant association between members of hotels loyalty programmes and type of guests.

Cross Tabulation for Loyalty members vs. Marital status

Chi-square was calculated for marital status and loyalty programme members. Chi-Square (χ^2) value is 8.63 (DF = 3, $p < 0.05$), where 31% of married participants currently held a loyalty membership with one of the hotels (135 out of 434 married participants indicated that they hold a loyalty membership), in contrast to only 1.53% of divorced participants (8 out of 51), as well as other kinds of relationships. Thus, it can be concluded that there is an association between marital status and being a loyalty member, where married people are more likely to be loyalty programme members than others. Cramer's V was found to be 0.12, thus nearly 24% of the variation in frequencies of loyalty members can be explained by marital status. It can therefore be concluded that there is a significant association between members of hotels loyalty programmes and marital status.

Cross Tabulation for Loyalty members vs. Income

Chi-square was calculated for participants' annual individual income and loyalty programme members. Chi-Square (χ^2) value is 51.90 (DF = 5, $p < 0.01$), where 52% of those participants with an income greater than \$100,000 currently held a loyalty membership with one of the hotels (59 out of 113 of those whose income

> \$100,000 indicated that they hold a loyalty membership), in contrast to only 12.5% of those participants with an income less than \$30,000 (11 out of 88 of those whose income < \$30,000). Thus it can be concluded that there is an association between guest income and being a loyalty member. Guests with an income greater than \$100,000 are more likely to hold a loyalty membership than guests with income levels less than that. Cramer's V was found to be 0.29, thus nearly 58% of the variation in frequencies of loyalty members can be explained by guests' income. It can therefore be concluded that there is a significant association between members of hotels loyalty programmes and guests' income.

Cross Tabulation for Loyalty members vs. Age

Chi-square was calculated for participants' age and loyalty programme members. Chi-Square (χ^2) value is 13.15 (DF = 5, $p < 0.05$), where 34.62% of those participants between 51 and 60 currently hold a loyalty membership with one of the hotels (54 out of 156 of those aged between 51 and 60 indicated that they held a loyalty membership), in contrast to only 16.95% of those participants aged between 20 and 30 (10 out of 59 of those aged between 20 and 30), as well as other age groups. Thus it can be concluded that there is an association between guest age and being a loyalty member, with guests aged between 51 and 60 more likely to hold a loyalty membership than young guests. Cramer's V was found to be 0.14, thus nearly 28% of the variation in frequencies of loyalty members can be explained by guests' age. It can therefore be concluded that there is a significant association between members of loyalty programmes and guests' age.

Cross Tabulation for Loyalty members vs. Occupation

Finally, Chi-square was calculated to see if there was any statistically significant association between participants' occupation and loyalty members. Chi-Square (χ^2) value is 28.32 (DF = 7, $p < 0.01$), where 35.50% of those participants with a professional occupation currently held a loyalty membership with one of the hotels (120 out of 338 of those with professional occupation indicated that they held a loyalty membership), in contrast to other occupations. Thus it can be concluded that there is an association between guest occupation and being a

loyalty member, with guests in professional occupations more likely to hold a loyalty membership than guests with other occupations. Cramer's V was found to be 0.21, thus nearly 42% of the variation in frequencies of loyalty members can be explained by guest occupation. It can therefore be concluded that there is a significant association between members of loyalty programmes and guests' occupations.

It was evident from the analyses for Section 'B' of the survey (51 items measuring service quality, guest satisfaction, guest commitment, staff loyalty, guest loyalty and the impact of loyalty programmes on guest loyalty through the three stages indicated in the model – before, during, and after the service encounter) that item "The hotel's premises were clean" had the highest mean, and item "If I wanted to stay at another hotel, it would be very difficult" had the lowest mean among survey participants regardless of their differences. However, it is of particular note that females indicated a lower level of agreement than male participants for item "I hate to switch once I get used to a hotel service" in Table 6-17. This indicates the importance of variety for female participants as they are after a different experience in every hotel stay. It is of particular note that previously in the focus groups conducted in the first part of the study, female participants indicated that a unique experience was one of the important advantages they always look for in a hotel loyalty programme (Table 5B).

Survey participants who indicated that they stay at hotels for business purposes showed a higher level of agreement for item "I stay at the hotel as a matter of necessity than of desire" than survey participants who stay at hotels for vacation, which illustrates that guests who choose hotels for vacation do so out of a desire rather than necessity. This is because when vacation visitors choose a specific hotel to stay at, it is their own choice, while business visitors usually stay at hotels chosen by their employers and not by themselves. Another item, "I truly enjoyed staying at the hotel", was more important for vacation visitors than business visitors and again, this was because when vacation visitors choose a specific hotel to stay at, it is their own choice while usually it is not the same for business visitors

Loyalty programme members showed a higher level of agreement for item “The hotel with which I hold a loyalty membership would be my first choice” than non loyalty programme members (Table 6-21), which illustrates the impact of loyalty programmes on participants’ loyalty, particularly those who hold a hotel loyalty programme membership. However, as shown in Table 6-22, female participants indicated a higher level of agreement for item “Price is more important to me than choosing a hotel with which I hold membership” than male participants. This illustrates how price is more important for females than choosing a hotel with which they hold a loyalty membership. It is of particular note that previously in the focus groups conducted in the first part of the study, female participants indicated that price was an important factor in relation to other factors, and those who hold membership in any loyalty programmes offered by hotels always looked for price, location, and any extra service in relation to that. Loyalty programme membership showed to have more impact on the decision of business visitors to select a hotel than on vacation visitors, regardless whether they have or have not visited a particular place before and this was illustrated in item “The hotel with which I hold a loyalty membership would be my first choice” (Table 6-23).

Structural Equation Modeling

Structural equation modeling (SEM) is a statistical methodology used by social, behavioural, and educational scientists as well as biologists, economists, marketing, and medical researchers. The main reason behind its pervasive use in many scientific fields is that SEM provides researchers with a comprehensive method for the quantification and testing of substantive theories (Raykov & Marcoulides, 2006). The history of SEM can be traced back more than 100 years. At the beginning of the 20th century Spearman laid the foundation for factor analysis and thereby for the measurement model in SEM (Spearman, 1904). About 20 years after Spearman, Wright started the development of the so-called path analysis. Based on box-and-arrow diagrams, Wright formulated a series of rules that connected correlations among the variables with parameters in the assumed data-generating model.

Path analysis provides the researcher with a multivariate (more than one dependent variable) method to estimate structurally interpretable terms – the direct, indirect, and total effects among a set of variables – provided a correct a priori path model (i.e., a theory-derived structure of the involved variables) is specified (Mueller, 1996). In the early 1970s path analysis and factor analysis were combined to form the general SEM of today (Blunch, 2008). Maximum likelihood (ML) estimates of regression coefficients can be used to estimate the strengths of the structural relationships specified in the diagram (Mueller, 1996). ML is the most common method for estimating the best fitting parameters for SEM. The foremost researcher in SEM development was Joreskog, who created the well-known LISREL (Linear Structural Relations) programme for analyzing such models (Joreskog, 1973). However, LISREL is not alone on the scene. Among other similar computer programmes mention can be made of EQS (EQuationS), RAM (Reticular Action Model), and AMOS (Analysis of Moment Structures), which is the computer programme that has been used in this study (Blunch, 2008).

The term structural equation modeling entails two important aspects of procedure: a) that the causal processes under study are represented by a series of structural (i.e., regression) equations, and b) that these structural relations can be modeled

pictorially to enable clearer conceptualisation of the theory under study (Byrne, 1998). The hypothesised model can then be tested statistically in a simultaneous analysis of the entire system of variables to determine the extent to which it is consistent with the data. If goodness-of-fit is adequate, the model argues for the plausibility of postulated relations among variables; but if it is inadequate, the tenability of such relations is rejected.

The first step in SEM is to form a graphical depiction – a model – showing how the various concepts fit together, referred to as path diagram (Figure 6-1). A path diagram is a form of graphical representation of a model under consideration. Such a model is equivalent to a set of equations defining a model, and is typically used as an alternative way of presenting a model pictorially (Raykov & Marcoulides, 2006). A model, then, is a set of theoretical propositions that link the exogenous variables to the endogenous variables and the endogenous variables to one another. Taken as a whole, the model explains what relationships we expect to see in the data and what relationships we do not expect to emerge (Kelloway, 1998).

The model as shown in Figure 6-1 illustrates guest loyalty as the dependent variable and staff loyalty, service quality, loyalty programmes, guest satisfaction and guest commitment as the dimensions making up the independent variables. A characteristic of these variables is that they are not directly measurable by a generally accepted instrument; a characteristic they share with many of the concepts from the social and behavioural sciences. Such non-measurable variables are called latent variables. As latent variables cannot be measured directly, they are measured by a set of indicators, usually questions in a questionnaire; these are the so-called manifest variables. Similarly, Blunch (2008) suggested that a theory is a number of hypothesised connections among conceptually defined variables. These variables are usually latent, i.e., they are not directly measurable and must be operationalised in a series of manifest variables. In accordance with general tradition, latent variables are depicted as circles or ellipses and manifest variables as squares or rectangles.

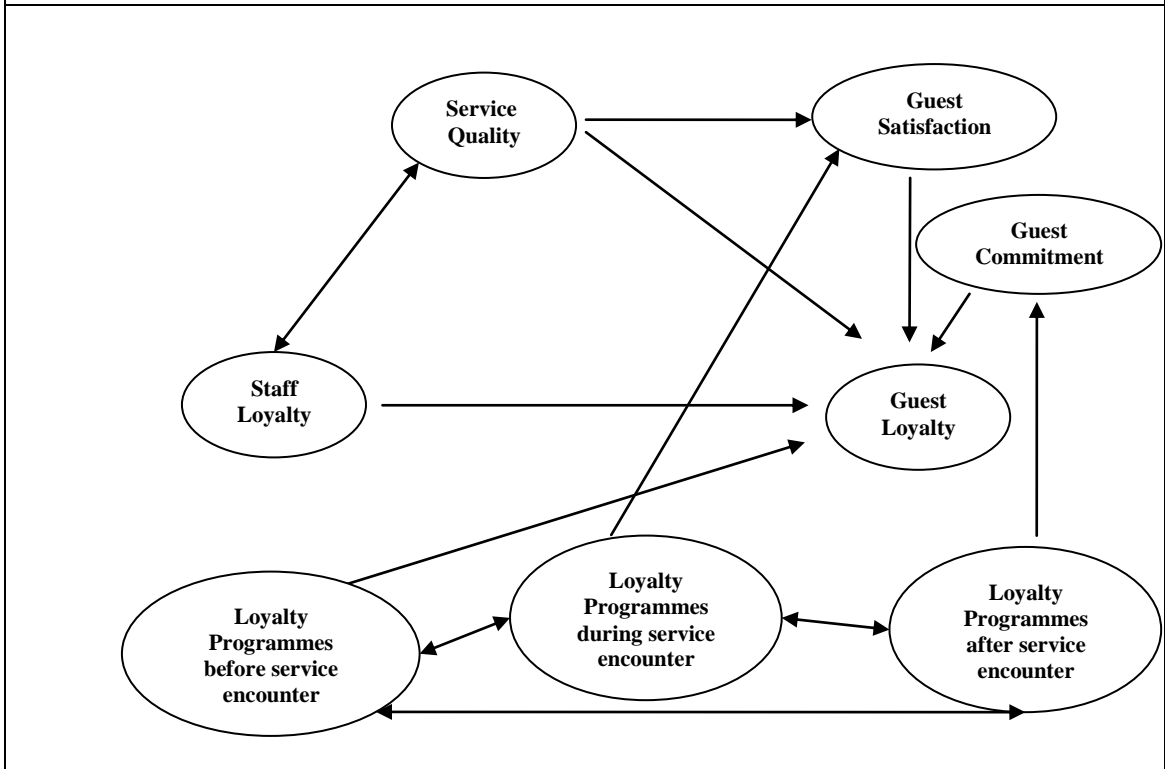
Service quality has been measured by 16 statements (comprising three dimensions; technical, tangible, and human) from the survey (Table 4-1), six

statements were used for measuring guest commitment based on two dimensions – affective and continuance commitment (Table 4-2), five statements for measuring guest satisfaction (Table 4-3), six statements for measuring staff loyalty (Table 4-4), and another six statements for measuring guest loyalty (Table 4-5). Six statements were used for measuring loyalty programmes before service encounter, three statements for measuring loyalty programmes during service encounter, and another three statements for measuring loyalty programmes after service encounter (Table 4-6) (See Appendix B for the complete survey). Thus, a total of 51 statements made up the battery that was used for measuring the variables in the model proposed in this study. The model includes 54 additional latent variables.

Structural equation modeling provides a mechanism for explicitly taking into account measurement error in the observed variables (both dependent and independent) in a given model. In contrast, traditional regression analysis effectively ignores potential measurement error in the explanatory (predictor, independent) variables. As a consequence, regression results can be incorrect and possibly entail misleading substantive conclusions (Raykov & Marcoulides, 2006). There are 51 E-variables (Error) which represent the combined effect of all such disturbing effects. In other words, E is the measurement error of the indicator in question. The four D (Disturbance) variables represent the combined effect of all factors having an effect on the dependent variable, but not being explicitly included in the model. A one-headed arrow depicts a hypothesised relationship between two variables, the arrow pointing from the independent to the dependent variable, while a two-headed arrow indicates co-variance unexplained by other variables in the model.

Figure 6-1:

Guest loyalty drivers proposed model (Figure 1-1) with SEM path diagram



The data were analyzed for sample reliability and adequacy using SPSS (version 18). As indicated before, the Cronbach's alpha for the 51 statements was 0.97, which is usually perceived as a good result. The alpha coefficients for each half were 0.94 and 0.94, indicating internal consistency within the data set. Also, the alpha coefficients for items with odd and even number in the survey were quite similar; 0.94 and 0.93 respectively. Since the battery is made up from an odd number of items, a split would produce an unequal number of items on each half, and SPSS revealed an Unequal-length Spearman-Brown of 0.90. The Kaiser-Meyer-Olkin test of sample adequacy was 0.97, classified as 'marvellous' (Ryan, 1995, p.256). From these statistical tests it can be concluded that the sample data possess rigor as measured by these criteria.

Table 6-25 shows the reliabilities for the eight latent constructs in the proposed model calculated independently as illustrated in Figure 6-1. Further examination of Cronbach's alpha reveals that the reliability of each latent construct is above 0.7, which implies good internal consistency (Nunnally, 1978). Regression analysis served to show the ability of the predictor variables to explain the

variance of the dependent variable (guest loyalty). The coefficient of determination (R^2) of 0.53 calculated using staff loyalty, service quality, guest satisfaction, guest commitment and loyalty programmes BSE, reinforces the idea that these variables are a good predictor of guest loyalty. However, it would not be valid to reach conclusions based only on a single statistic, which is why SEM was conducted. Structural equation modeling using AMOS served to test the hypotheses. Some of the hypotheses were supported (Table 6-30).

Table 6-25: Model's Constructs Reliabilities	
Construct	α
Service Quality	0.94
Guest Commitment	0.73
Guest Satisfaction	0.94
Staff Loyalty	0.93
Guest Loyalty	0.93
Loyalty Programmes Before Service Encounter	0.71
Loyalty Programmes During Service Encounter	0.73
Loyalty Programmes After Service Encounter	0.87

Three separate analyses were performed using guest satisfaction, guest commitment, and guest loyalty as dependent variables. Table 6-26 shows the analyses that include the predictors hypothesized by the model. The method was Enter. The justification for the use of this method is that all constructs are supposed to impact their corresponding dependent variable and the use of the Enter method (inclusion of all variables as predictors) allows the observation of what is happening with each one of them.

The first analysis, service quality and loyalty programmes during service encounter was used as the predictor having guest satisfaction as the dependent variable, and the coefficient of determination (R^2) was 0.47. The high statistical significance of this relationship (at the of $p < 0.01$ level) justifies the idea that service quality and loyalty programmes during service encounter are directly related to guest loyalty as was suggested previously by several researchers

(Parasuaman et al., 1958; Grontoos, 1984; Parasuaman et al., 1988; Cronin & Taylor, 1992). In the second analysis, guest commitment was the dependent variable, and loyalty programmes after service encounter was the independent variable. The coefficient of determination (R^2) of this model is 0.34. The high statistical significance of this relationship (at the level of $p < 0.01$) justifies the idea that loyalty programmes after service encounter is directly related to guest commitment as was suggested previously by several researchers (O'Brien & Jones, 1995; Bolton et al., 2000). The third analysis, having guest loyalty as the dependent variable, finds five significant predictors: staff loyalty, service quality, guest satisfaction, guest commitment, and loyalty programmes before service encounter. The coefficient of determination (R^2) of this model is 0.53. As shown in Table 6-26, all variables had a high statistical significance at the level of $p < 0.01$, except service quality was statistically significant at the level of $p < 0.05$.

The high coefficient of determination (R^2), and the fact that the core predictors hypothesised are significant (namely service quality and loyalty programmes during service encounter to guest satisfaction, loyalty programmes after service encounter to guest commitment, and staff loyalty, service quality, guest satisfaction, guest commitment, and loyalty programmes before service encounter to guest loyalty), gives reason to believe that the proposed theoretical model is resembling reality. Still, regression analysis is not conclusive to test the hypothesis because the method is unable to test the whole model. The observation of the levels of coefficient of determination (R^2) helps to understand which variables are the significant predictors of the selected dependent variables, but regression analysis does this in isolation, meaning that the method is not considering the impact of all the variables simultaneously. For instance, regression can tell us that there are five significant predictors to guest loyalty (staff loyalty, service quality, guest satisfaction, guest commitment, and loyalty programmes before service encounter), but does not consider the predictors of guest satisfaction that could potentially modify the relationships. That is the reason why structural equation modeling is required as a complement to test the hypotheses. Structural equation modeling tests the feasibility of all the relationships to exist simultaneously.

Table 6-26: Regression Analyses – Proposed Model					
Dependent Variable	Predictor Variable	β	Std. β	<i>t</i> -value	R ²
Guest Satisfaction	(Constant)	1.87		1.73	0.47 _a
	Service Quality	0.25	0.01	21.90*	
	Loyalty Programmes	0.19	0.05	3.69**	
Guest Commitment	(Constant)	13.51		23.74*	0.34 _b
	Loyalty Programmes	0.79	0.04	18.25*	
Guest Loyalty	(Constant)	-2.77		-1.89	0.53 _c
	Staff Loyalty	0.19	0.05	3.79**	
	Service Quality	-0.06	-0.02	-2.79*	
	Guest Satisfaction	0.62	0.06	10.80*	
	Guest Commitment	0.36	0.05	7.92**	
	Loyalty Programmes	0.20	0.04	5.53**	

Note: **t*-test two tail probability < 0.05; ***t*-test two tail probability < 0.01

Method: Enter

a- Adjusted R² = 0.47, F = 278.13, p < 0.001

b- Adjusted R² = 0.34, F = 332.99, p < 0.001

c- Adjusted R² = 0.53, F = 144.57, p < 0.001

Structural equation modeling was conducted to test the several paths hypothesised in the model. Structural equation modeling was selected to test the hypotheses because it is recognised as a more comprehensive and flexible approach to research design and data analysis than any other single statistical model in standard use by social and behavioural researchers (Hoyle, 1995). The superiority of structural equation modeling over other statistical techniques is based on its ability to include several observed and latent variables simultaneously in predicted paths. Although the method cannot test causality, structural equation modeling can provide necessary (not sufficient) evidence in that direction. Table 6-27 shows the significance of the paths, and the indirect effects, and Table 6-28 shows the goodness-of-fit indices for the proposed model. AMOS version 18.0 was employed in the construction of all tables followed in this section, except for Table 6-29 where both SPSS and AMOS were used.

Figure 6-2 shows the guest loyalty drivers model (GLDM), and illustrates the results of the AMOS programme including the standardised estimates for the different constructs leading to guest loyalty. Service quality was divided into three dimensions of service quality covering the technical, tangible, and staff interaction. Guest commitment was divided into affective and continuance commitment. All arrows with solid lines indicate that the paths reached the significance level at $p < 0.05$, which indicates that their representative hypotheses were supported, while the dotted lines mean that the paths were insignificant at the level of $p < 0.05$ and thus, their corresponding hypotheses were not supported, except for H_{3c} which although was significant at the level of $p < 0.01$, β_{3c} was negative and opposite to what was hypothesised and thus rejected.

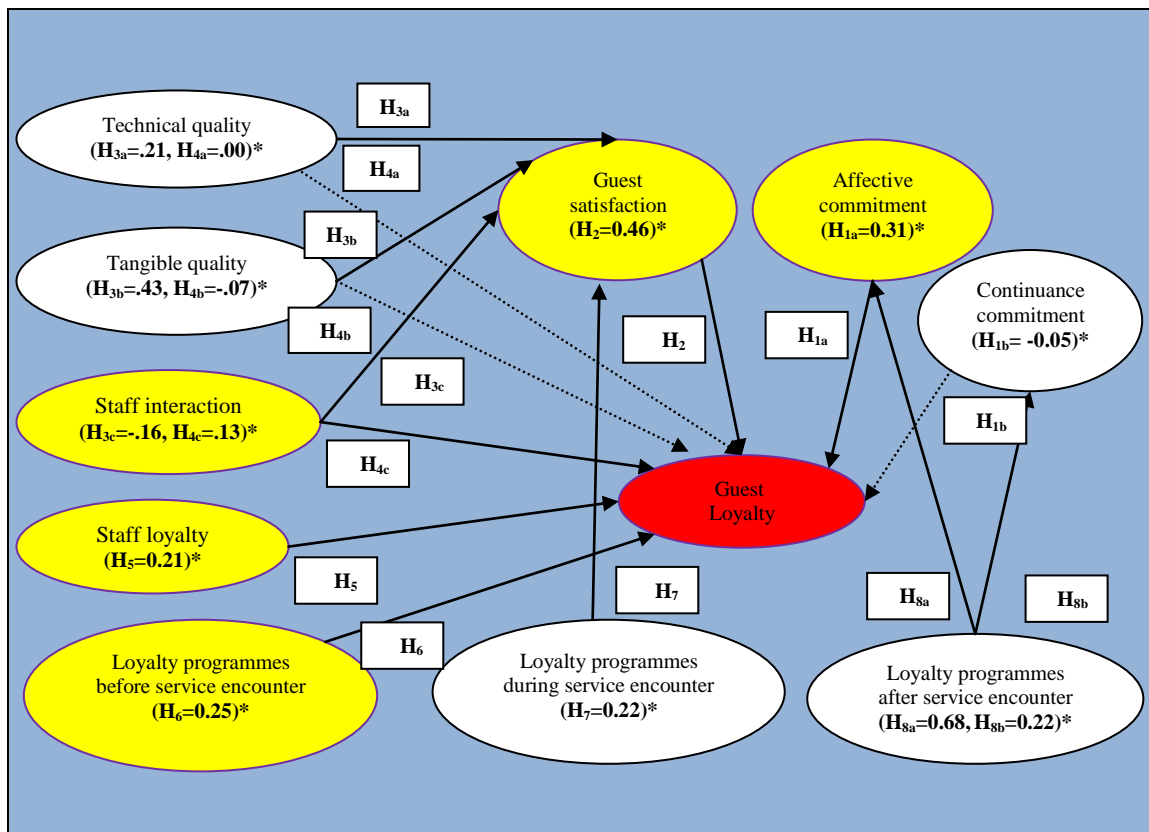
Table 6-27: Proposed Model

Structural Path Analysis / Model Fit	Sign	H	Standardized Estimate (β)	S.E	t-value
Direct Effects					
Guest affective Commitment_Guest Loyalty	+	H_{1a}	0.31	0.04	6.98***
Guest continuance Commitment_Guest Loyalty	-	H_{1b}	0.05	0.04	-1.28
Guest Satisfaction_Guest Loyalty	+	H₂	0.46	0.06	8.55***
Technical quality_Guest Satisfaction	+	H_{3a}	0.21	0.06	4.41***
Tangible quality_Guest Satisfaction	+	H_{3b}	0.43	0.07	7.19***
Staff interaction_Guest Satisfaction	-	H_{3c}	0.16	0.05	-3.29**
Technical quality_Guest Loyalty	+	H_{4a}	0.00	0.07	0.04
Tangible quality_Guest Loyalty	-	H_{4b}	0.07	0.08	-1.04
Staff interaction _Loyalty	+	H_{4c}	0.13	0.07	2.27*
Staff Loyalty_Guest Loyalty	+	H₅	0.21	0.06	3.82***
Loyalty Programmes BSE_Guest Loyalty	+	H₆	0.25	0.25	2.72**
Loyalty Programmes DSE_Guest Satisfaction	+	H₇	0.22	0.05	6.20***
Loyalty Programmes ASE_Affective Commitment	+	H_{8a}	0.68	0.05	15.32***
Loyalty Programmes ASE_Continuance Commitment	+	H_{8b}	0.22	0.04	4.28***
Indirect Effects					
Technical_Guest Satisfaction _G. Loyalty	+		0.09	0.07	1.29
Tangible_Guest Satisfaction _G. Loyalty	+		0.20	0.06	3.33***
Staff interaction_Guest Satisfaction _G. Loyalty	+		-0.07	0.04	1.75
Loyalty ProgrammesDSE_Satisfaction_G. Loyalty	+		0.10	0.08	1.25
Loyalty Programmes ASE_ Commitment_ G. Loyalty	+		0.20	0.30	0.66
Tests of statistical significance					
R ² for Guest Continuance Commitment			0.45		
R ² for Guest Affective Commitment			0.46		
R ² for Guest Satisfaction			0.55		
R ² for Guest Loyalty			0.55		

Note: $N = 635$, * t -test two tail probability < 0.05 ; ** t -test two tail probability < 0.01 ; *** t -test two tail probability < 0.001

Table 6-28: Proposed Model Goodness-of-Fit		
Goodness-of-Fit Indices	Values	
Chi-Square (χ^2)	4279	$p < 0.001$
Degrees of Freedom	1201	
Chi-Square/df (CMIN/DF)	3.56	
Normal Fit Index (NFI)	0.81	
Comparative Fit Index (CFI)	0.86	
Parsimony Ratios (PRATIO)	0.94	
Root Mean Square Error of Approximation (RMSEA)	0.06	
PCLOSE	0.00	

Figure 6-2: Guest Loyalty Drivers Model (GLDM)



Note: *The hypotheses representing each research objective in Table 2-1. Variables coloured in yellow are those variables with significant positive impact on guest loyalty. The solid lines mean the paths reach the significance level at $p < 0.05$, and the dotted lines means the paths insignificant at the level of $p < 0.05$

In practice, every model is not perfect even before it is fitted to data. Simply, a model is used when studying a phenomenon of interest as a useful simplification and approximation of reality rather than as an exact replication of reality. Based on that convention, a model cannot be perfect because then it would be an exact copy of reality and therefore useless. Therefore, one is primarily concerned with evaluating the extent to which the model fails to fit the data using goodness-of-fit indices (Raykov & Marcoulides, 2006). Goodness-of-fit is the empirical correspondence between a model's predictions and observed data. SEM provides a number of fit indices that reflect the extent to which a model can be considered an acceptable means of data representation (Raykov & Marcoulides, 2006). If the match between the model's predictions and observed data is deemed adequate (by reaching or exceeding some benchmark), the model is said to show good fit; an indication that the theory represented by the model has received support (Preacher, 2006). However, Steiger (1990) suggested that it is impossible to define one best way to combine measures of complexity and measures of badness-of-fit in a single numerical index, because of the nature of tradeoff between complexity and fit. Therefore, based on that convention also, there is no one best coefficient for assessing fit or a model which is indisputably best.

Similarly, Fan and Sivo (2007) suggested that for most fit indices, it would be difficult to establish cut-off criteria that would be generally useful in SEM applications. Table 6-28 illustrates Goodness-of-Fit Indices. The Chi-square is 4279 (Df = 1201 at $p < 0.001$). It is normally agreed that a good model should have a Chi-square close to zero, but since Chi-square is sensitive to the sample size, the smaller the sample size the higher the probability of accepting Chi-square (Blunch, 2008). In other words, the smaller the sample size, the more likely of retaining the proposed model as of best fit. Therefore, the Chi-square index and p-value alone cannot be fully trusted in general as a means of model evaluation.

Other fit indices must also be examined in order to obtain a better picture of model fit. The relative Chi-square (CMIN/DF) equals 3.56, and researchers allow values as large as 5 as being an adequate fit (Hoyle, 1995; Kelloway, 1998; Blunch, 2008). There are other descriptive indices that are also very useful for model evaluation purposes. These are the normal fit index (NFI) and the

comparative fit index (CFI). The NFI and CFI are based on the idea of comparing the proposed model to a model in which no interrelationships at all are assumed among any of the variables. The latter model is referred to as the independence model or the null model, and in some sense may be seen as the least attractive, or worst model that could be considered as a means of explanation and description of one's data (Raykov & Marcoulides, 2006). The values of NFI and CFI vary from 0 to 1, where close to 1 indicates a very good fit. For the proposed model, NFI is 0.81 and CFI is 0.86. Lee and Song (2001) suggested that although NFI and CFI have been proposed as complementary measures for the goodness-of-fit of the model; very often, the values of these fit indices are closer to 1, but the p-values of the χ^2 -test are less than 0.01. Therefore, under these situations conclusions drawn from these two testing methods seem contradictory.

The RMSEA (Root Mean Square Error of Approximation) has been found by some of the researchers to be among the fit indices least affected by the sample size; this feature sets RMSEA apart from any other fit indices that are sample-dependent, such as the mean, depending on the sample size (Raykov & Marcoulides, 2006). RMSEA less than or equal to 0.05 is an indication of the model being a reasonable approximation of the analyzed data, and there is an adequate fit if RMSEA is less than or equal to 0.08 (Blunch, 2008). Steiger (1990) suggests that values below 0.10 indicate a good fit to the data, and values below 0.05 a very good fit of data. Values below 0.01 indicate an outstanding fit to the data; although Steiger (1990) notes that values below 0.01 are rarely obtained. Therefore, by this criterion, the proposed model is accepted, since RMSEA is 0.06 (LO 90% 0.06, HI 90% 0.06). According to Blunch (2008), PCLOSE tests the null hypothesis that RMSEA is no greater than 0.05. Since PCLOSE is approximately zero, we reject the null hypothesis and conclude that RMSEA is greater than 0.05, indicating a lack of close fit. Parsimony fit indices are proposed as a penalty for complicating the model. A model is important if it explains much by little. In other words, simple models are preferred with relatively few parameters which make them more generalisable. Parsimony Ratio (PRATIO) is less than 1, and the values for PNFI and PCFI (as result of multiplying NFI and CFI with PARTIO) are 0.77 and 0.80 respectively. According to Blunch (2008), usually parsimony-

based fit indices are much lower than other normed fit measures. Values larger than 0.60 are generally considered satisfying.

Table 6-29 summarises the standardised regression estimates of the seven independent variables proposed in the model to predict guest loyalty calculated by regression and SEM. Guest satisfaction had the highest impact upon guest loyalty under both methods (with the largest regression estimate), followed by guest affective commitment, loyalty programmes before service encounter, staff loyalty, guest continuance commitment, technical quality, staff interaction and tangible quality came with the least impact on guest loyalty. Staff interaction in the service quality was found to have a statistically significant negative impact upon guest loyalty, while the technical and tangible elements didn't have a significant impact. Similarly, affective commitment had a significant impact on guest loyalty while continuance commitment didn't have a significant impact. The coefficient of determination (R^2) calculated for guest loyalty was quite similar in both methods, indicating a high consistency in the results by two different methods.

Although the coefficient of determination (R^2) calculated for guest loyalty was quite similar in both methods, there were still quite differences between the results under both methods and this was due to the existence of a multicollinearity problem (some of the independent variables are correlated to each other). In a multicollinearity problem, the parameter estimates for the independent variables involved become unreliable, insignificant, and sometimes even get the incorrect sign (negative when positive was expected, or the other way around). This was clear from the different signs shown in Table 6-29 for staff interaction quality under both regression and SEM methods. The correct sign for staff interaction quality is probably under SEM because the multicollinearity problem was solved in SEM by drawing two headed arrows between staff interaction quality and other variables which has strong correlation with (staff loyalty, tangible quality, and technical quality) (see Appendix C). Other variables like technical quality, and guest continuance commitment were not significant, because they are also involved in a multicollinearity problem. The eight variables highlighted in Table 6-29 as independent variables explain about 55% (63% under regression) of the variation in guest loyalty under the SEM method.

	Regression Estimates (β)	<i>t</i>-value	SEM Estimates (β)	<i>t</i>-value
Guest Satisfaction	0.50	10.79***	0.46	8.55***
Guest Affective Commitment	0.29	9.12***	0.31	6.98***
Loyalty Programmes before service encounter	0.21	6.71***	0.25	2.72**
Staff Loyalty	0.07	1.47	0.21	3.82***
Guest Continuance Commitment	0.04	1.57	-0.05	-1.28
Technical Quality	0.02	0.62	0.00	0.04
Staff interaction Quality	-0.10	-2.43*	0.13	2.27*
Tangible Quality	-0.09	-2.04*	-0.07	-1.04
R ² for Guest Loyalty	0.63		0.55	

Note: **t*-test two tail probability < 0.05; ***t*-test two tail probability < 0.01; ****t*-test two tail probability < 0.001

Raykov and Marcoulides (2006) suggested that even if all fit indices point to an acceptable model, one cannot claim in empirical research to have found the true model that has generated the analyzed data. This fact is related to another characteristic of SEM that is different from classical modeling approaches. Whereas classical methodology is typically interested in rejecting null hypothesis because the substantive conjecture is usually reflected in the alternative rather than null hypotheses, SEM is pragmatically concerned with finding a model that does not contradict the data. That is, in an empirical SEM session, one is typically interested in retaining a proposed model whose validity is the essence of a pertinent null hypothesis. In other words, statistically speaking, when using SEM one is usually interested in not rejecting the null hypothesis.

The first hypothesis covers the impact of guest commitment dimensions on guest loyalty. The standardised coefficient of the first path from guest affective commitment to guest loyalty (H_{1a}) is $\beta = 0.31$, significant at the level of $p < 0.001$. The second path from guest continuance commitment to guest loyalty (H_{1b}) was not significant (regression estimate $\beta = -0.05$), so the first hypothesis is partially supported. The second hypothesis indicates a path from guest satisfaction to guest

loyalty. The standardized coefficient for this path is $\beta = 0.46$, significant at the level of $p < 0.001$. So the second hypothesis is supported.

The third hypothesis covers the impact of service quality on guest satisfaction. The first path from technical quality to guest satisfaction (H_{3a}) is significant at the level of $p < 0.001$ ($\beta = 0.21$). The second path from tangible quality to guest satisfaction (H_{3b}) was significant at the level of $p < 0.001$ (regression estimate $\beta = 0.43$). The third path from staff interaction to guest satisfaction (H_{3c}) was significant at the level of $p < 0.01$ (regression estimate $\beta = -0.16$). However, although the regression weight showing the impact of staff interaction on guest satisfaction was significant at the level of $p < 0.01$ it is with a negative sign which indicates the negative impact of staff interaction on guest satisfaction, so hypothesis three is partially supported. This negative sign is probably due to the fact that guests appreciate having a hassle-free stay, which was clear from Table 6-10 where participants who belonged to a hotel loyalty programme showed a higher level of importance than non members for item “More hassle-free stay” (mean 5.53, very important) in Section ‘A’ of the survey (mean 5.25, important). This is clear from the indirect effect of staff interaction on guest satisfaction (Appendix D) (regression estimate $\beta = 0.00$), while the direct impact was negative (regression estimate $\beta = -0.16$), and the total effect of staff interaction on guest satisfaction with a negative sign (regression estimate $\beta = -0.16$). Therefore, although H_{3c} was significant at the level of $p < 0.01$; it was with a negative sign which unfortunately is opposite to what was expected, so this hypothesis was not supported.

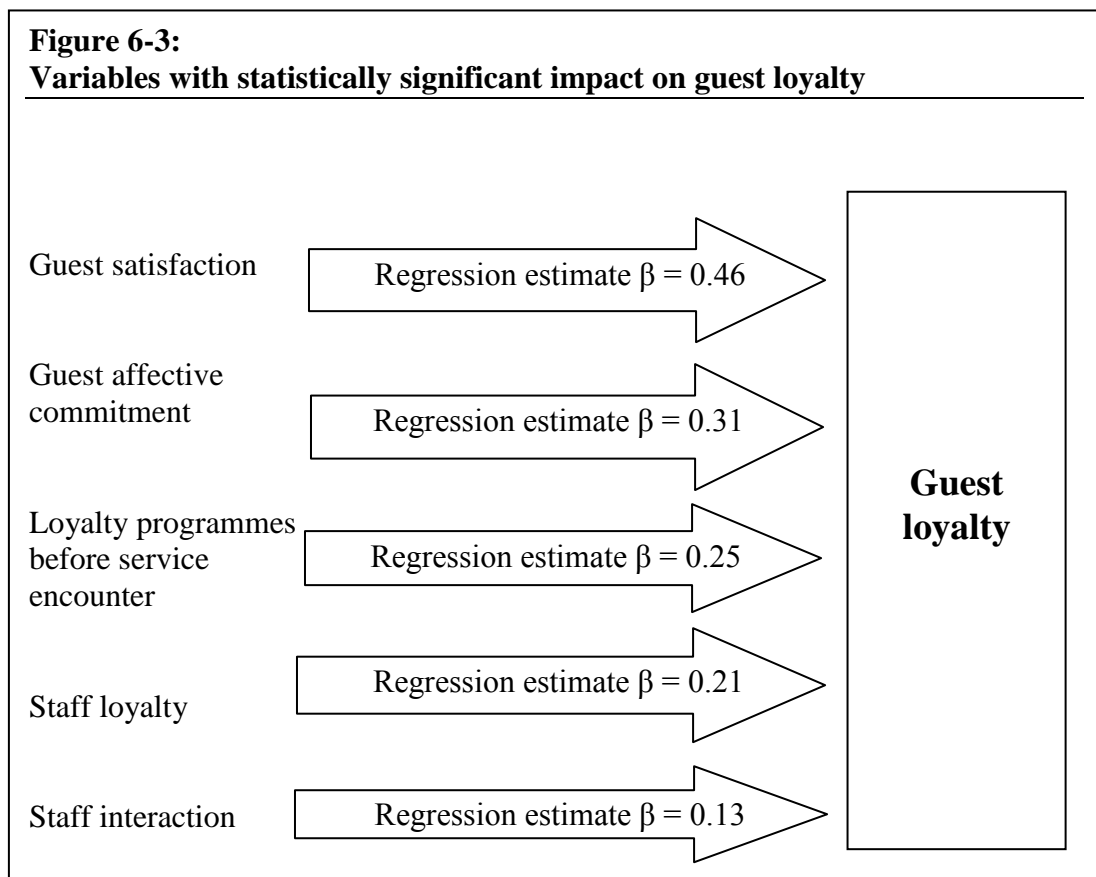
The fourth hypothesis covers the impact of service quality dimensions on guest loyalty. The first path from technical quality to guest loyalty (H_{4a}) was not significant (regression estimate $\beta = 0.00$). The second path from tangible quality to guest loyalty (H_{4b}) was not significant also (regression estimate $\beta = -0.07$). The third path from staff interaction to guest loyalty (H_{4c}) was significant at the level of $p < 0.05$ (regression estimate $\beta = 0.13$). This is clear from the indirect effect of staff interaction on guest loyalty (Appendix D) (regression estimate $\beta = -0.07$), while the direct impact was positive (regression estimate $\beta = 0.13$), and the total effect of staff interaction on guest loyalty had a positive sign (regression estimate $\beta = 0.06$). Therefore, hypothesis four was partially supported.

Hypothesis five indicates a path that goes from staff loyalty to guest loyalty. The standardised coefficient for this path was significant at a level of $p < 0.001$ (regression estimate $\beta = 0.21$), so the fifth hypothesis is supported. Hypothesis six indicates a path that goes from loyalty programmes before service encounter to guest loyalty. The standardised coefficient for this path was $\beta = 0.25$, significant at a level of $p < 0.01$. So this hypothesis is supported. Hypothesis seven indicates a path that goes from loyalty programmes during service encounter to guest satisfaction. The standardised coefficient for this path was $\beta = 0.22$, significant at the level of $p < 0.001$. So this hypothesis was supported also. The last hypothesis (H_8) is divided into two hypotheses which show the impact of loyalty programmes after service encounter on guest affective and continuance commitment respectively. The standardised coefficient for the first part (H_{8a}) is $\beta = 0.68$, significant at a level of $p < 0.001$, and the standardised coefficient for the second part (H_{8b}) is $\beta = 0.22$, significant at a level of $p < 0.001$. Therefore, hypothesis eight is supported. Table 6-30 illustrates these findings. All hypotheses were supported that reached the significance level at $p < 0.05$, except for H_{3c} ; which was not supported although it reached the significance the level at $p < 0.01$ as β_{3c} was negative and opposite to what was hypothesised.

Table 6-30: Summary of Results		
Hypotheses	Results	p-value
<i>H_{1a}</i> : Guest affective commitment has a positive impact on guest loyalty*	Supported	$p < 0.001$
<i>H_{1b}</i> : Guest continuance commitment has a negative impact on guest loyalty	Not Supported	$p > 0.05$
<i>H₂</i> : Guest satisfaction has a positive impact on guest loyalty*	Supported	$p < 0.001$
<i>H_{3a}</i> : Technical quality has a positive impact on guest satisfaction*	Supported	$p < 0.001$
<i>H_{3b}</i> : Tangible quality has a positive impact on guest satisfaction*	Supported	$p < 0.001$
<i>H_{3c}</i> : Staff interaction has a positive impact on guest satisfaction**	Not Supported	$p < 0.01$
<i>H_{4a}</i> : Technical quality has a positive impact on guest loyalty	Not Supported	$p > 0.05$
<i>H_{4b}</i> : Tangible quality has a positive impact on guest loyalty	Not Supported	$p > 0.05$
<i>H_{4c}</i> : Staff interaction has a positive impact on guest loyalty*	Supported	$p < 0.05$
<i>H₅</i> : Staff loyalty has a positive impact on guest loyalty*	Supported	$p < 0.001$
<i>H₆</i> :Loyalty programmes before service encounter has a direct impact on guest loyalty*	Supported	$p < 0.01$
<i>H₇</i> :Loyalty programmes during service encounter has a positive impact on guest satisfaction*	Supported	$p < 0.001$
<i>H_{8a}</i> :Loyalty programmes after service encounter has a positive impact on guest affective commitment*	Supported	$p < 0.001$
<i>H_{8b}</i> :Loyalty programmes after service encounter has a positive impact on guest continuance commitment*	Supported	$p < 0.001$

Note: * All hypotheses were supported that reached the significance level at $p < 0.05$; ** **H_{3c}** was not supported although it reached the significance the level at $p < 0.01$, β_{3c} was negative and opposite to what was hypothesised.

Figure 6-3 illustrates the standardised regression estimates for variables with statistically significant impact on guest loyalty in order of magnitude that were calculated by AMOS and similar to those shown in Figure 6-2. Guest satisfaction had the highest direct impact upon guest loyalty (regression estimate $\beta = 0.46$), followed by guest affective commitment (regression estimate $\beta = 0.31$), loyalty programmes before service encounter (regression estimate $\beta = 0.25$), staff loyalty (regression estimate $\beta = 0.21$), while staff interaction had the lowest impact (regression estimate $\beta = 0.13$).



CATPAC was used to analyze the data obtained from the four open questions in Section ‘C’ of the survey (see Appendix B for questions 86 to 89 in Section ‘C’ of the survey). It is of particular note that some minor words have been changed in the participants’ responses, those with similar meanings, in order to improve readability and understanding, as well as to avoid analyzing more than one word with the same underlying meaning. For example, the word ‘well-mannered’ is closely related to polite as in ‘polite staff’ as part of text editing these two words have been changed to one (which is polite). Another example was done for words

comfort and comfortable; these two words have been changed to comfortable. Figures 6-4, 6-5, 6-6, and 6-7 show the Dendogram produced by CATPAC for the data set using the setting of 15 unique words, with the parameters set to window size of 7, slide size 1, meaning that words one through seven are first read and analyzed, then words two through eight, then words three through nine, and so on. These figures were divided into two different groups each (A & B); according to either members or non-members or male and female participants, while Figure 6-12 shows the Dendogram for whole survey's participants regarding their thought about loyalty programmes. It is of particular note that words that were clustered together were given the same colour for the purpose of group identification. For example, Figure 6-12 (loyalty programmes for all participants) shows three different groups of words that were given the same colour as they were grouped together regarding the opinion of all survey's participants regarding loyalty programmes. The first group (in red) was for words 'deals', 'discounts' and 'special', the second group (in green) was for words 'better' and 'treatment', and the third group (in blue) was for words 'convenience' and 'rewards'. These results provide support to focus groups' results which indicated that guests join loyalty programmes because of the special rewards and deals included, and they tend to feel that they are special and this influences their perceptions regarding the service provider as they perceive that they are having better treatment.

Figures 6-8, 6-9, 6-10 and 6-11 are special models produced through CATPAC and they are equivalent and parallel to Figures 6-4, 6-5, 6-6 and 6-7 respectively. They are perceptual maps pasted from Thought View. These figures provide an alternative method for viewing the different words' relationships that appeared in the Dendogram. The length of the lines connected to words in these figures depends on how often these words have been repeated between participants, and the spaces between the words on the grid indicate the words that were used in relationship to each other. For example, the word "Check" in Figure 6-8A has a longer line than any other word in the same figure for survey participants who indicated that they currently held a loyalty membership with one hotel.

Similarly, the word "Choice" in Figure 6-8 B has a longer line than any other word in the same figure for survey participants who indicated that they currently did not hold a loyalty membership with any hotel. Whereas the words "Deals",

“Offered”, “Free”, “Price”, “Rates” and “Hotel” were used less frequently but were very closely grouped and thus it was difficult to isolate between them in Figure 6-8A, and that’s way these words appear clustered over each other in Figure 6-8A. It is of particular note that Figures 6-8, 6-9, 6-10 and 6-11 used for analyzing the four open questions in Section ‘C’ of the survey are similar in shape to Figures 5-3, 5-4 and 5-5 used in analyzing the text from the focus groups in the first part of this study. The only difference between these figures is that some editing was done for Figures 5-3, 5-4 and 5-5 to make them look clearer for the reader, while no editing was done on Figures 6-8, 6-9, 6-10 and 6-11 and they were presented in this study in the same shape as they were produced from the Thought View programme.

Through the first open question, participants were asked to indicate why they joined (or did not joined) a hotel loyalty programme. Figures 6-4A and 6-4B illustrate the Dendogram for the participants who were currently members and those who had not joined a hotel loyalty programme before, showing different reasons for joining or not joining a hotel loyalty programme. For members, words in blue were ‘joined’ and ‘chain’, words in green were ‘feel’ and ‘special’, and words in red were ‘deals’ and ‘offered’. It was evident that members join loyalty programmes offered by chain hotels as indicated by the following participants’ comments. “Hilton gave membership to me as part of an award”; “I enjoyed a conference at a particular hotel chain and wished to visit it again, so investigated if a loyalty programme was available, then joined up”; “Better service and personal attention”; and “Hotel chain was my preferred choice before joining, joined for additional deals and rewards”.

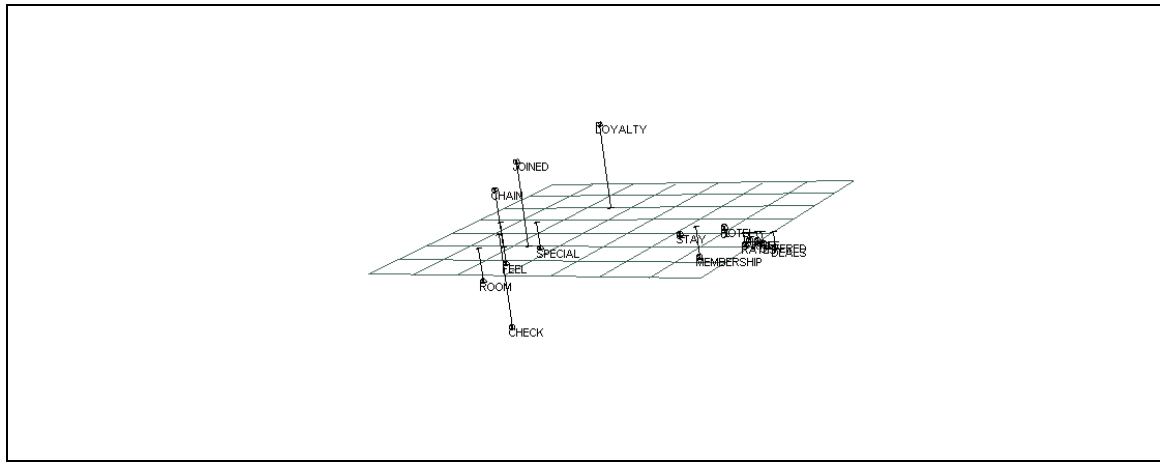
The second Dendogram in Figure 6-4B is for those participants who indicated they had not joined a hotel loyalty programme ever. Words in green were ‘fee’, ‘situation’ and ‘membership’, words in blue were ‘needed’ and ‘choice’, and words in red were ‘hotel’, ‘never’, ‘offered’, and ‘stay’. It is of particular note that most of those participants who didn’t join a hotel loyalty programme before indicated that they had never been offered membership during their stay and this was illustrated by the following most repeated comment among the participants “Never been offered membership by hotels during stay”. Another common comment among those participants related to the contradiction between joining

Participants were instructed in the third open question to write two words or phrases when they thought of a hotel loyalty programme. Figures 6-6A and 6-6B illustrate the Dendogram for the male and female participants. Through Figure 6-6A, words were given the same colour which grouped together. The first group (in red) was for words 'better' and 'service', the second group (in green) was for words 'special', 'treatment', 'good' and 'deals', and the third group (in blue) was for words 'chain' and 'points'. It was evident that male participants joined loyalty programmes mainly for better service, special treatment and collecting points. This was clear from the following two comments: "Preferred guest privilege, and preferential treatment", and "Feel special and expect service to be better and quicker".

Figure 6-6B illustrates different views for female participants regarding loyalty programmes. It is of particular note that female participants were more influenced by price than male participants were. This was clear from the words grouped together showing price as a pivotal element. For example, the first group (in red) shows 'treatment' and 'savings' together, and the second group (in green) showed words 'deals', 'discounts', 'price' and 'value for money' grouped together. These results provide support to focus groups' results which indicated that price more an incentive and motive for females than it was for males. This was clear from females' comments "Priority one cheap rates"; "Saving money and preferential treatment"; and "Value for money and competitive pricing".

Figure 6-8: Loyalty programme members versus non-members

A - Loyalty Programme Members:



B - Non-members:

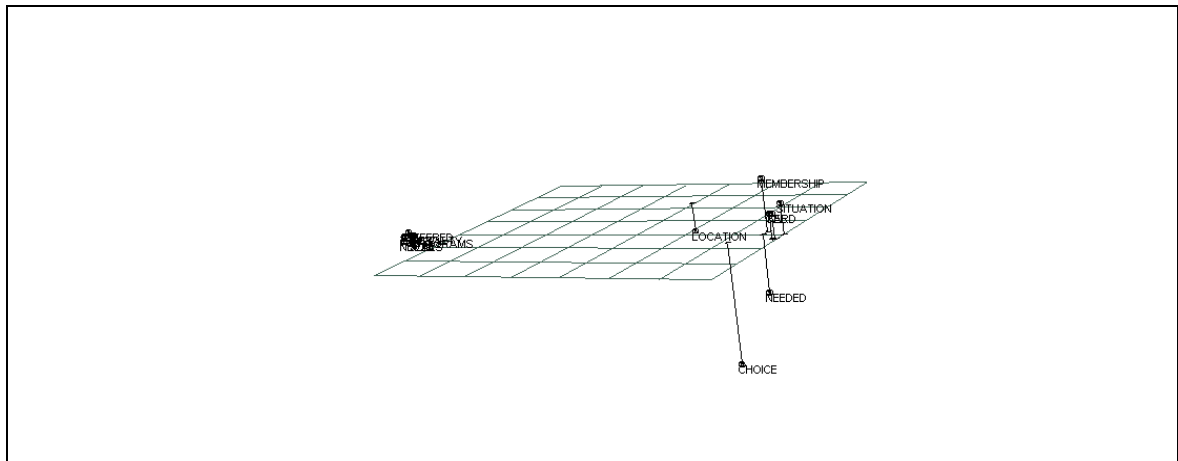
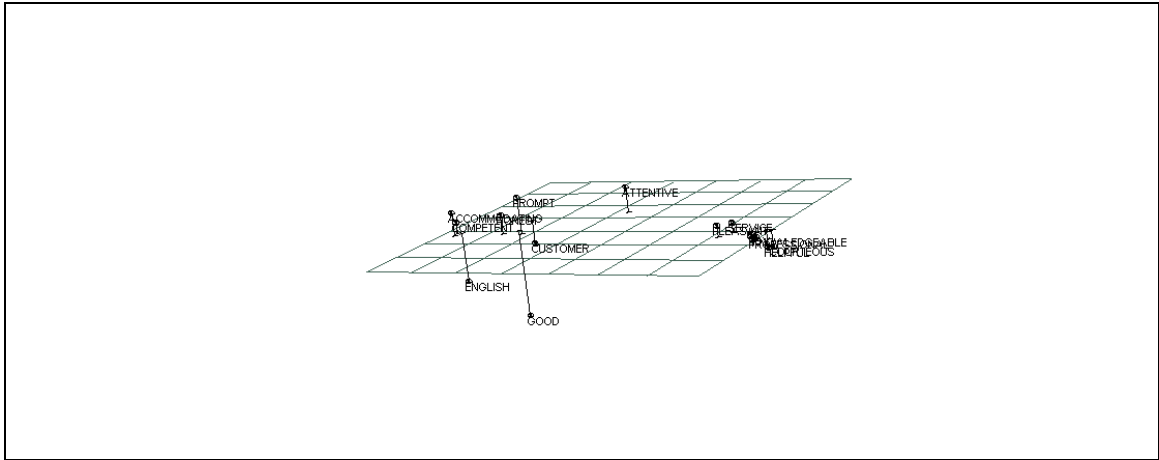


Figure 6-9: Hotel staff by gender

A - Male



B - Female

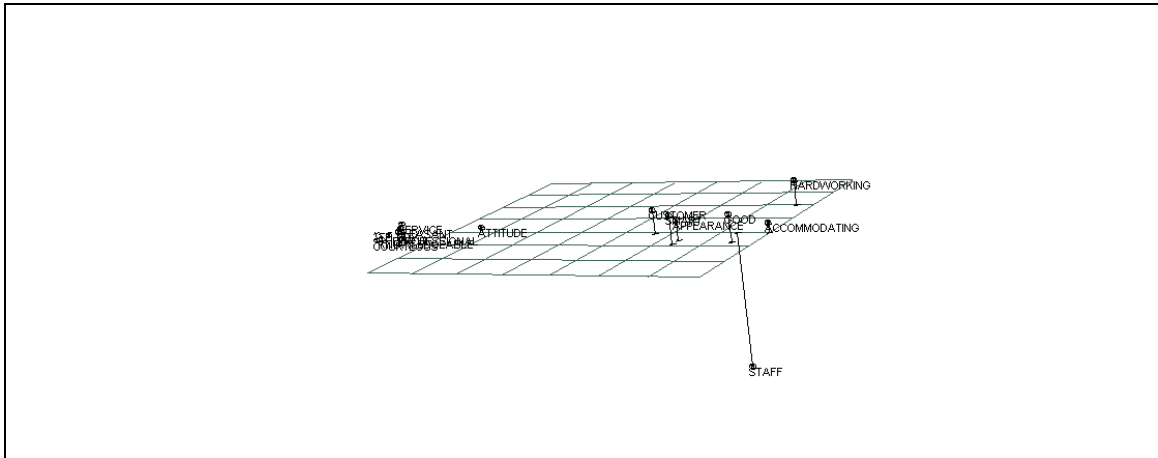
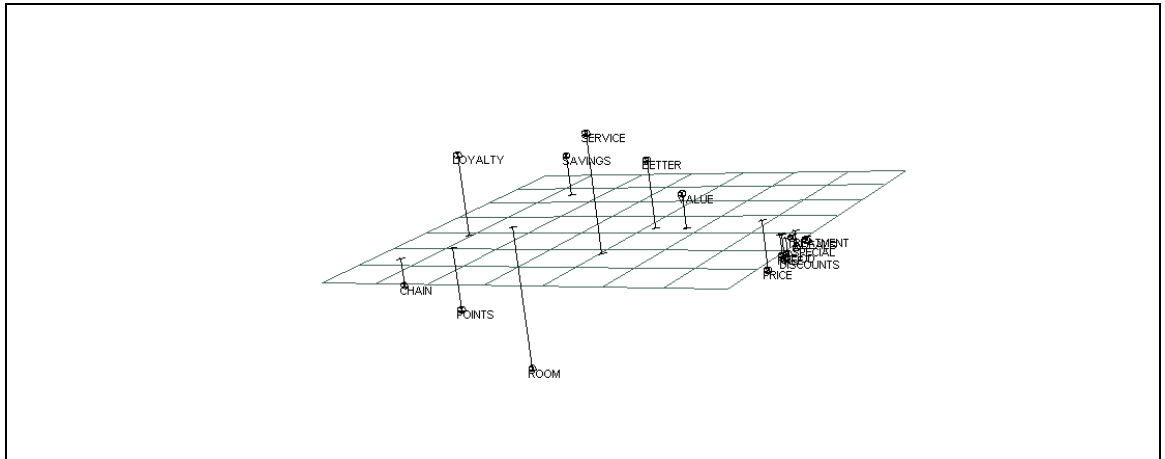


Figure 6-10: Loyalty programmes by gender

A - Male



B - Female

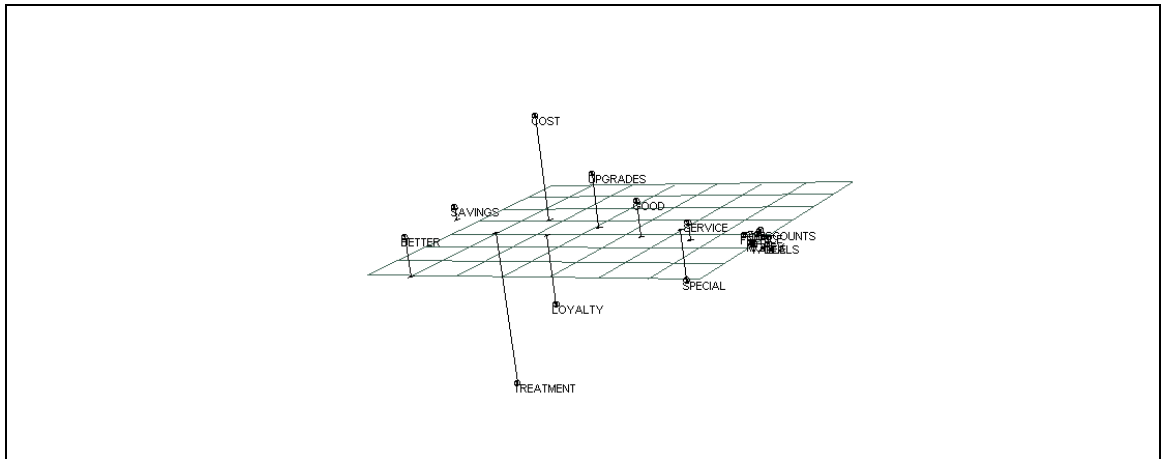
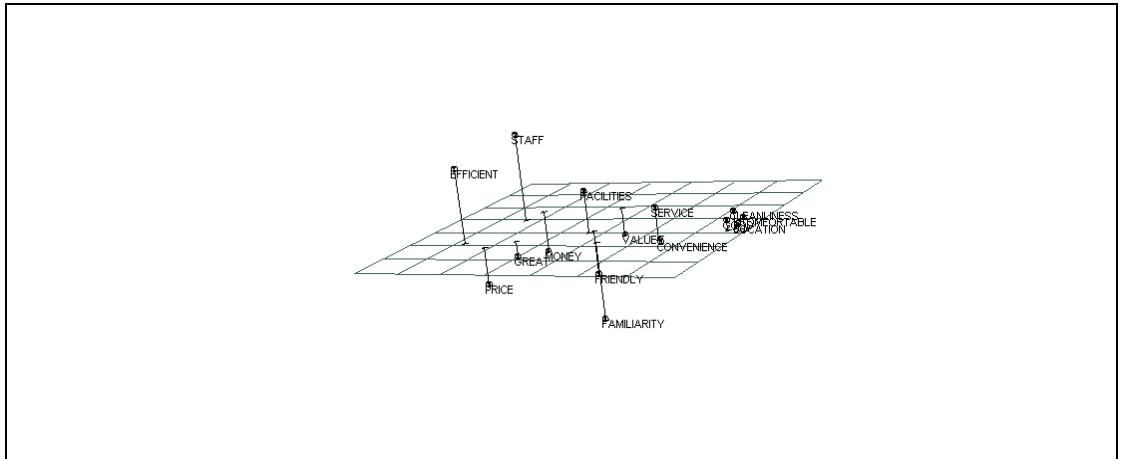
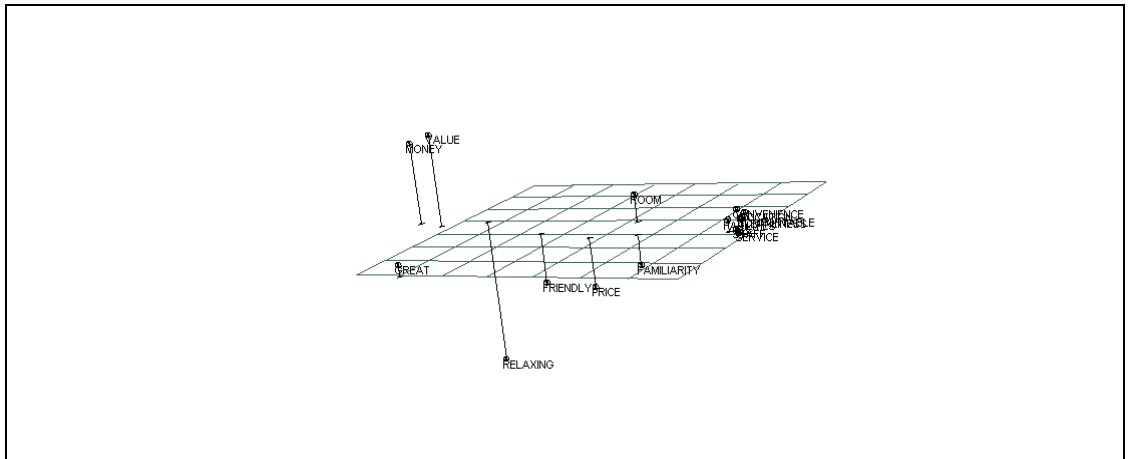


Figure 6-11: Hotels by gender

A - Male



B - Female



6.2 SURVEYS RESULTS DISCUSSION

The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. This research aim was achieved through a number of research objectives that were presented in Table 2-1, and eight hypotheses (Table 3-1) representing research objectives in the study were tested (Table 6-27). Guest loyalty drivers model (GLDM) (Figure 6-2) was proposed in this study and validated that investigates the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. In recent years, there has been an increasing focus on employees and customers' long term relationship and loyalty with hotel organizations on the premise of offering the firm a unique opportunity to gain market leadership (Kandampully, 1998). There has thus been an increasing interest in furthering understanding of the role of hotel employees' loyalty and service quality and the subsequent influence on customer loyalty. Although there have been numerous other studies on this topic, there has been very limited research on the role of employee loyalty (Reichheld, 1996; Wong & Sohal, 2003), service quality (Yieh et al., 2007) and the influence of loyalty programmes in the hotel industry leading to customer loyalty (Sharp & Sharp, 1997; Bolton et al., 2000; Palmer et al., 2000; Shoemaker & Bowen, 2003; Whyte, 2004; Nunes & Dreze, 2006; Liu, 2007). Hence this research contribute to the body of knowledge in hospitality management theory as it investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. The guest loyalty drivers model (Figure 6-2) introduced in the study provide a new insight into the drivers of guest loyalty in the hotel industry. It was evident that satisfaction is still a necessary step for gaining guest loyalty in the hotel industry but not sufficient by itself; loyalty programmes and staff interaction should be considered necessary drivers for guest loyalty as well. However, introducing loyalty programmes that entail only incentives do not secure a continuing relationship between hotels and guests; hotels instead should focus on developing interpersonal relationships between staff and guests.

The research used mixed methods covering a qualitative (focus groups) and a quantitative (self-administered surveys) method. First, a series of five focus groups were conducted where participants in these focus groups were asked a series of questions covering the drivers for guest loyalty based on the service literature. Data obtained from participants through the focus group discussions were analyzed using a content analysis software package called CATPAC. Second, a survey was developed from the previous literature and modified by the data collected from the focus groups. The survey was conducted in three main cities in New Zealand – Auckland, Hamilton, and Tauranga. Two thousand self-completion surveys were delivered in each location. The delivery areas for the surveys were randomly selected. Of the 6000 surveys distributed, 635 (10.6%) usable surveys were received. Section ‘B’ in the second part of the survey addressed the measurement of the variables comprising the GLD model in the study (Figure 6-2) covering 51 statements from (statements 25 to 75 in the survey). The variables in the model included service quality (on the basis of three dimensions; technical, tangible, and human), guest satisfaction, guest commitment, staff loyalty, guest loyalty and the impact of loyalty programmes on guest loyalty through the three stages indicated in the model; before, during, and after the service encounter. The guest loyalty drivers model (GLDM) was developed based on the literature review, and afterwards, 51 statements in Section ‘B’ of the survey were developed from both the information collected from the focus groups in the study and a review of the literature to measure the variables comprising the model in the study (see Appendix B for the survey statements 25 to 75).

Participants in the survey in Section ‘B’ were given a set of statements which related to reasons why they would repeat their stay with a hotel X (an imaginary hotel). Participants were instructed to think of hotel X as a hotel they had stayed at more than once (as an indication of loyalty) over the past three years (Osman et al., 2009), then rate each item using a seven-point Likert type scale from 1 = Very strongly disagree to 7 = Very strongly agree, along with a Zero option (Not applicable/don’t know/have no opinion). Therefore, Section ‘B’ covered 51 items using a seven point scale to measure service quality, guest satisfaction, guest commitment, staff loyalty, guest loyalty and the impact of loyalty programmes on guest loyalty through the three stages indicated in the model; before, during, and

after the service encounter. Two methods of analysis were considered for the survey; regression (using SPSS version 18), and Structural Equation Modeling (SEM) using AMOS version 18 as discussed previously in the methodology part of this text. Both methods were required to test the validity of the model suggested in the study.

According to Te Peci (1999), a sense of commitment should be realised before loyalty develops. Similarly, Pritchard et al. (1999) viewed commitment as resistance to change, and demonstrated how the tendency to resist changing preference to be a key predecessor to loyalty. Commitment is an essential factor that affects loyalty and is recognised when an exchange partner believes that an ongoing relationship is so important as to warrant special effort for maintaining, enhancing, and developing it (Morgan & Hunt, 1994). The first research objective (Table 2-1) in the study was to determine the relationship between guest commitment and guest loyalty. This research objective was presented by two hypotheses (H_{1a} & H_{1b} in Table 3-1). Hypothesis H_{1a} represented the path from guest affective commitment and guest loyalty (Figure 6-2). The standardised coefficient ($\beta = 0.31$) of this path from guest affective commitment to guest loyalty (H_{1a}) (Figure 6-2) was significant at the level of $p < 0.001$, and thus was supported. The research hypothesis (H_{1b}) (Figure 6-2) represented the path between guest continuance commitment and guest loyalty. The standardised coefficient ($\beta = -0.05$) of the second path from guest continuance commitment to guest loyalty (H_{1b}) (Figure 6-2) was insignificant at the level of $p < 0.001$, and thus was not supported. This result provides further support for previous research (Anderson & Weitz, 1992; Morgan & Hunt, 1994; Bendapui & Berry, 1997; Gwinner et al., 1998; Fullerton, 2003; Hansen et al., 2003). In the sense that affective commitment to the service firm has a positive effect on the intention to stay, while continuance commitment didn't turn out to have any effect on the intention to stay.

Fullerton's study (2003) demonstrated that committed customers are less likely to switch than consumers who lack commitment to the organisation. Likewise, a substantial body of research has demonstrated that commitment of affective nature is positively related to customer retention (Anderson & Weitz, 1992; Morgan & Hunt, 1994; Bendapui & Berry, 1997; Gwinner et al., 1998) and more powerful

determinant of customer retention than continuance commitment (Fullerton, 2003). Also, the Hansen et al. (2003) study demonstrated that affective commitment to the service firm has a positive effect on the intention to stay, while calculative commitment turned out to have no effect on the intention to stay. Assael (as cited in Alonso, 2000) asserted that customer loyalty is a repeat purchase because of commitment, while repeat buying without commitment denotes habit or laziness. Repurchasing is necessary but not sufficient evidence of loyalty. Loyal behaviour is an overt act of selective repeat purchasing based on an evaluative psychological decision process (Jacoby, 1971) and the purchasing practice should be intentional (Tepeci, 1999). Therefore commitment provides an essential basis for distinguishing between loyalty and other forms of repeat purchasing behaviour (Jacoby & Kyner, 1973; Bowen & Chen, 2001). Guest loyalty drivers model (Figure 6-2) showed that guest affective commitment has a more significant impact on guest loyalty (regression estimate $\beta = 0.31$) than loyalty programmes before service encounter (regression estimate $\beta = 0.25$), which provides support for previous studies that suggested a sense of commitment should be realised before loyalty develops even with satisfaction.

Lee et al. (2003) demonstrated (based upon Gremler and Brown study, 1996) that there is no established theoretical framework covering all aspects of customer loyalty, but still there has been a consensus among practitioners and academics that both service quality (Dick & Basu, 1994) and customer satisfaction are antecedents for loyalty (Gremler & Brown, 1996; Bowen & Chen, 2001). Much of the marketing literature gives the impression that satisfied customers automatically are loyal customers. The thinking is a satisfied customer, as a result of his/her satisfaction will naturally become a loyal customer and satisfaction is the only catalyst necessary for developing such loyalty (Fornell, 1992). That is, satisfaction is a necessary and sufficient condition for developing service loyalty. However, Pullman and Gross (2003) argued that satisfaction is important, but it does not necessarily indicate that the guest will be loyal. Guest satisfaction measures how well guests' expectations are met; while guest loyalty measures how likely a guest is to return (Bowen & Shoemaker, 1998). Other studies, however, suggested that satisfied customers may not be sufficient to create loyal customers (e.g., Cronin & Taylor, 1992; Reichheld, 1993). Thus, previous research provides mixed results in analyzing the relationship between satisfaction

and loyalty. Several studies have indeed found satisfaction to be a (and often the) leading factor in determining loyalty (e.g., Gremler & Brown, 1996; Bowen & Chen, 2001).

The third research objective in the study was to explore if there is a significant relationship between guest satisfaction and guest loyalty. This research objective was presented by hypothesis H_2 (Table 2-1). The standardised coefficient ($\beta = 0.46$) of the path from guest affective commitment to guest loyalty (H_2) was significant at the level of $p < 0.001$, and thus was supported. According to Figure 6-2 (GLDM), guest satisfaction had the highest impact on guest loyalty and this further provided support for previous studies (Gremler & Brown, 1996; Bowen & Shoemaker, 1998; Bowen & Chen, 2001) which argued that customer satisfaction is both an antecedent and prerequisite for loyalty. However, as Ball et al. (2006) noted, customer satisfaction is considered a necessary step but not sufficient for gaining full loyalty. According to Oliver (1999), satisfaction transforms into loyalty much like a caterpillar becomes transformed into a butterfly. After this metamorphosis, the two creatures are not the same and share virtually no common characteristics except for their biological origins. Similarly, Shanker et al. (2003) suggested that satisfaction and loyalty have a reciprocal relationship, such that each positively affects the other; satisfaction builds loyalty, which reinforces satisfaction. However, although Cengiz et al. (2007) argued that merely satisfying customers is not sufficient to secure customer loyalty; other drivers (guest affective commitment, staff interaction and loyalty, and loyalty programmes before service encounter) as suggested in the proposed model (GLDM) in this study (Figure 6-2) play a significant role in driving guest loyalty.

Throughout the study, service quality as a variable was measured using three dimensions – technical, tangible, and staff interaction. These three dimensions were examined in the study through two research objectives that were further tested through six hypotheses. The relationship between service quality and guest satisfaction was presented in the study with objective number four (Table 2-1), and this objective was presented with three hypotheses that relate to the relationship between service quality dimensions and guest satisfaction respectively (H_{3a} , H_{3b} & H_{3c} in Table 3-1), while objective number five was to examine the relationship between service quality and guest loyalty (Table 2-1),

and this objective was presented with three hypotheses that relate to the relationship between service quality dimensions and guest loyalty respectively (H_{4a} , H_{4b} & H_{4c} in Table 3-1). The third hypothesis (H_{3a}) covered the impact of service quality on guest satisfaction (Figure 6-2). The first path from technical quality to guest satisfaction (H_{3a}) was significant at the level of $p < 0.001$ ($\beta = 0.21$). The second path from tangible quality to guest satisfaction presented in Figure 6-2 (H_{3b}) was significant at the level of $p < 0.001$ (regression estimate $\beta = 0.43$). The third path from staff interaction to guest satisfaction presented in Figure 6-2 (H_{3c}) was significant at the level of $p < 0.01$ (regression estimate $\beta = -0.16$). However, although the regression weight showing the impact of staff interaction on guest satisfaction was significant at the level of $p < 0.01$ it is with a negative sign which indicates the negative impact of staff interaction on guest satisfaction, so hypothesis three was partially supported. This negative sign is probably due to the fact that guests appreciate having a “hassle-free stay”, which was evident from Table 6-10 where participants who belonged to a hotel loyalty programme showed a higher level of importance than non members for item “More hassle-free stay” (mean 5.53, very important) in Section ‘A’ of the survey (mean 5.25, important). This is evident from the indirect effect of staff interaction on guest satisfaction (Appendix D) ($\beta = 0.00$), while the direct impact was negative (regression estimate $\beta = -0.16$), and the total effect of staff interaction on guest satisfaction with a negative sign (regression estimate $\beta = -0.16$). Therefore, although H_{3c} was significant at the level of $p < 0.01$; it was with a negative sign which unfortunately is opposite to what was expected, so this hypothesis was not supported.

These results provide further support for previous research (Cronin & Taylor, 1992; Caruana, 2002), while it contradicts with other researchers’ arguments (Yieh et al., 2007; Lenka et al., 2009) in relation to H_{3c} (Figure 6-2). Cronin and Taylor (1992) argued that service quality is an antecedent of consumer satisfaction. Similarly, Caruana (2002) argued that service quality takes place before, and leads to, overall customer satisfaction and overall satisfaction with an experience does leads to customer loyalty. However, Yieh et al. (2007) argued that perceived service quality (including employees’ interaction with customers and employees’ apparent empathy with customers) have significant indirect effect on customer loyalty by way of customer satisfaction or trust. Moreover, Lenka et

al. (2009) demonstrated that human aspects of service quality do influence customer satisfaction more than the technical and tangible aspects, while customer satisfaction furthers customer loyalty. According to Lenka et al. (2009), the psychological and physical closeness that exists between employees and customers in service encounters, employees' attitudes often have a spillover effect on customer satisfaction (Lenka et al., 2009). The current study indicated that staff interaction as a dimension of service quality has a negative impact on guest satisfaction (regression estimate $\beta_{3c} = -0.16$) as shown in Figure 6-2. The study results showed how guests appreciate having a "hassle-free stay". This result provide support to Sandoff's study (2005); who argued that customers in hotels want to know exactly what service they will receive, and do not wish to be either positively or negatively surprised, and this can be secured via standardization of services where the staff are expected to do the same.

The fourth hypothesis covered the impact of service quality dimensions on guest loyalty. The first path from technical quality to guest loyalty (H_{4a}) as shown in Figure 6-2, was not significant (regression estimate $\beta = 0.00$). The second path from tangible quality to guest loyalty (H_{4b}) was not significant also (regression estimate $\beta = -0.07$). The third path from staff interaction to guest loyalty (H_{4c}) was significant at the level of $p < 0.05$ (regression estimate $\beta = 0.13$). This is evident from the indirect effect of staff interaction on guest loyalty (Appendix D) (regression estimate $\beta = -0.07$), while the direct impact was positive (regression estimate $\beta = 0.13$), and the total effect of staff interaction on guest loyalty had a positive sign (regression estimate $\beta = 0.06$). Therefore, hypothesis four was partially supported. Results indicated that the only dimension of service quality which has a significant relationship with guest loyalty was staff interaction, while there was no any significant relationship between technical and tangible quality (as service quality dimensions) and guest loyalty. This result provides further support to Zeithaml et al. (1996) study in relation to H_{4c} (Table 3-1). Zeithaml et al. (1996) argued that when a customer assesses service quality as high, the customer's behavioural intentions turn to be favourable, this strengthens his/her relationship with the company, but when service quality assessments are low, the customer's behavioural intentions are unfavourable and the relationship is more likely to be weakened. Figure 6-3 illustrated the standardised regression estimates only for variables with statistically significant impact on guest loyalty in order of

magnitude that were calculated by AMOS and similar to those shown in Figure 6-2 (GLD model). Guest satisfaction had the highest direct impact upon guest loyalty (regression estimate $\beta = 0.46$), followed by guest affective commitment (regression estimate $\beta = 0.31$), loyalty programmes before service encounter (regression estimate $\beta = 0.25$), staff loyalty (regression estimate $\beta = 0.21$), while staff interaction had the lowest impact (regression estimate $\beta = 0.13$). This result again provides further support to Caruana's study (2002). Caruana (2002) demonstrated that service quality acts on service loyalty via customer satisfaction, and this demonstrates that service quality takes place before, and leads to, overall customer loyalty. This result also provides support to Wong and Sohal (2003) study. Employees' empathy (as a service quality dimension) shown to be the most significant predictor of customer loyalty (Wong & Sohal, 2003).

The fifth objective in this study was to examine the relationship between staff and guest loyalty, which was tested through hypothesis H_5 (Table 2-1). Hypothesis five indicates a path that goes from staff loyalty to guest loyalty (Figure 6-2). The standardised coefficient for this path was significant at a level of $p < 0.001$ (regression estimate $\beta = 0.21$), so the fifth hypothesis was supported. Participants were instructed in an open question in Section 'C' of the survey to write down two words or phrases that occur to them when they think of hotel staff. It was evident that male participants want hotel staff to be knowledgeable, courteous and helpful which was clear from the following comment by most of the male participants "Courteous, helpful, and knowledgeable about the hotel and the surrounding area". Female participants showed similar comments regarding the staff being knowledgeable, courteous and helpful, and added to that smart appearance and hardworking. These results provide further support for previous research (Berry, 1987; Reichheld, 1993 & 1996; Beatty et al., 1996; Macintosh & Lockshin, 1997; Barsky & Nash, 2003; Bove & Johnson, 2006; Jones & Taylor, 2007) which demonstrates the significant impact of staff loyalty on guest loyalty.

Reichheld (1996) suggested that loyalty is a two-way rapport, in the sense that, there is a cause-and-effect relationship between customer and employee loyalty. Berry (1987) proposed the idea of earning loyalty by being loyal. Also, Reichheld (1993) stated that "...in order to build up a profitable base of faithful customers, try loyal employees" (p.64). Barsky and Nash (2003) have suggested that hotels'

staff members have a considerable influence on the feelings of comfort experienced by guests. Guests appreciate having friendly, knowledgeable and helpful staff members whom they feel comfortable addressing. Bove and Johnson (2006) demonstrated that personal relationships between customers and service personnel reflect positively on the organization in the sense that the positive feelings customers have towards service employees tend to 'rub off' on the service organisation, so customers feel more positively disposed towards the company as well (Beatty et al., 1996). Macintosh and Lockshin (1997) found that there is a positive relationship between personal loyalty (customer-to-employee) and service loyalty (customer-to-firm), and the former is an antecedent of the latter. However, although this study demonstrated through the guest loyalty drivers model (Figure 6-2), that staff loyalty had a significant impact on guest loyalty (regression estimate $\beta = 0.21$); other variables (guest satisfaction $\beta = 0.46$, guest affective commitment $\beta = 0.31$ & loyalty programmes before service encounter $\beta = 0.25$) in Figure 6-3 showed to have more significant impact on guest loyalty.

Objective number six was presented by hypothesis six (Table 2-1). This hypothesis indicates a path that goes from loyalty programmes before service encounter to guest loyalty. The standardised coefficient for this path was $\beta = 0.25$, significant at a level of $p < 0.01$. So this hypothesis was supported. SPSS was used to determine whether there were any statistically significant differences between the different groups of participants for the statements in Table 6-9 (Section 'A' of the survey). Independent Sample *t*-test was used to see if there were any statistically significant differences between survey participants who belonged to a hotel loyalty programme and those who did not in relation to the advantages of hotels' loyalty programmes. Table 6-10 illustrates these differences. As shown in Table 6-10, item "Price discounts (special rates)" was the most important (members mean 6.05, very important; non members mean 5.63, very important), and the least important was "Staff recognising me upon arrival" (members mean 3.99, neutral; non members mean 3.87; neutral) for participants who belonged to a loyalty programme and those who did not. It is of particular note that eight items out of the 24 items were statistically significant different between survey participants who belonged to a loyalty programme and those who did not at the level of $p < 0.05$ and $p < 0.01$. Participants who belonged to a hotel

loyalty programme showed a higher level of importance for these items than participants who did not. These items were: “Early check-in and check-out”, “Room upgrades earned after a number of stays”, “Earning points toward free accommodation”, “More hassle-free stay”, “Quick processing of my reservation”, “Privilege booking at times of high demand”, “Preferential treatment during my stay”, and “Hotel staff give me personal attention”. These results provide further support for previous research (Bolton et al., 2000; Yi & Jeon, 2003; Liu, 2007), in the sense that loyalty programmes before service encounter have a significant impact on guest loyalty.

These results provide also support for previous research undertaken by O’Brean & Jones, (1995), Melnyk (2005), Van Heerde and Bijmolt (2005) which suggested that companies could gain sustainable customer loyalty (via loyalty programmes) by providing non-utilitarian benefits to members of loyalty programmes that are not provided to non-members which could be achieved through diversification. This type of reward may include preferential treatment, special attention, extra service for members only, etc.

Hypothesis seven (H_7) which represent objective number seven (Table 2-1) indicates a path that goes from loyalty programmes during service encounter to guest satisfaction (Figure 6-2). The standardised coefficient for this path was $\beta = 0.22$, significant at the level of $p < 0.001$. So this hypothesis was supported also. The last hypothesis (H_8) was divided into two hypotheses (H_{8a} & H_{8b}) which show the impact of loyalty programmes after service encounter on guest affective and continuance commitment respectively. These two hypotheses represent the last two objectives highlighted in Table 2-1 which examine the relationship between loyalty programmes after service encounter and affective and continuance commitment respectively. The standardised coefficient for the first part (H_{8a}) was $\beta = 0.68$, significant at a level of $p < 0.001$, and the standardised coefficient for the second part (H_{8b}) was $\beta = 0.22$, significant at a level of $p < 0.001$. Therefore, hypothesis eight is supported. Table 6-30 illustrates these findings.

Table 6-16 showed that there were statistically significant differences between members and non members of loyalty programmes in 26 of the 51 items in

Section 'B' of the survey measuring the different constructs in the model in Figure 6-2. Loyalty members indicated a higher level of agreement than non members for the whole 26 items. This result provides evidence that loyalty programmes should be considered as an important driver for guest loyalty in the hotel industry. Results also indicated the significant impact of loyalty programmes through the three stages indicated in the model in Figure 6-2; before, during, and after the service encounter. Loyalty programmes before the service encounter had a significant positive impact on guest loyalty (regression estimate $\beta = 0.25$, significant at a level of $p < 0.01$). Loyalty programmes during the service encounter had a significant positive impact on guest satisfaction (regression estimate $\beta = 0.22$, significant at the level of $p < 0.001$), and loyalty programmes after the service encounter had significant positive impact on guest affective and continuance commitment (regression estimate $\beta = 0.68$, significant at a level of $p < 0.001$; regression estimate $\beta = 0.22$, significant at a level of $p < 0.001$ respectively). These results provide support for studies undertaken by Bolton et al. (2000), Yi and Jeon (2003), and Liu (2007). Bolton et al. (2000) argued that members in a loyalty programme tend to overlook negative evaluations of the company vis-à-vis competition, as they perceive that they are getting better quality and service for their price. Thus memberships in loyalty programmes tend to impact guests' satisfaction. Bolton et al. (2000) also suggested that the impact of loyalty rewards programmes on customer loyalty is likely to be moderated by customers' assessments of their service experiences, as being a member in a loyalty rewards programme makes customers feel that they are special and that influences their perceptions regarding the service provider. Dowling & Uncles (1997) argued how loyalty programmes as a form of commitment between a firm and its customers can actually enhance customer loyalty. This was clear from the significant positive impact of loyalty programmes on guest affective commitment in the model.

Further, Yi and Jeon's study (2003) demonstrated that value perception of the loyalty programme influences brand loyalty both directly and indirectly through programme loyalty, especially under high-involvement conditions. These programmes help to build customers' commitment which can further deepen the relationship between the firm and its customers (Liu, 2007). These results also provide support for studies undertaken by Sheth and Atul (1995), Lemon et al.

(2002), Hsee et al. (2003) and Van et al. (2004). Liu (2007) suggested that loyalty programmes can provide value to customers in two stages. In the first stage, programme points are issued to customers at the time of the purchase. Although these points have no practical value until they are redeemed, recent studies showed that they have important psychological meaning to customers (Hsee, Yu, Zhang & Zhang, 2003; Van, Stijn, Joseph & Puneet, 2004). The psychological benefit increases the transaction utility of a purchase and subsequently the overall value perception of doing business with the firm (Liu, 2007). Because customers can later redeem points for free rewards, point accumulation creates an anticipation of positive future events, which increases customers' likelihood of staying in the relationship (Lemon, White & Winer, 2002). In the redemption stage, customers receive both psychological and economic benefits from a loyalty programme. The free reward functions as a positive reinforcement of customers' purchase behaviour and conditions them to continue doing business with the firm (Sheth & Atul, 1995). These programmes not only help build customers' commitment but also demonstrate a firm's commitment to establishing a long-term relationship with its customers. Such a commitment and demonstration of goodwill can further deepen the relationship between the firm and its customers (Liu, 2007). Loyalty programmes after the service encounter showed also to have a significant positive impact on guest continuance commitment which provides support to Sharp and Sharp's (1997) argument that loyalty programmes lock-in customer via points collection.

However, although loyalty programmes had a significant impact in the three stages indicated in the guest loyalty drivers model (Figure 6-2); before, during, and after the service encounter, loyalty programmes didn't show to have the highest impact on guest loyalty considering the other variables in the model. Figure 6-3 illustrated the standardised regression estimates calculated by AMOS for the variables in the model. Guest satisfaction had the highest direct impact upon guest loyalty (regression estimate $\beta = 0.46$), followed by guest affective commitment (regression estimate $\beta = 0.31$), loyalty programmes before service encounter (regression estimate $\beta = 0.25$), staff loyalty (regression estimate $\beta = 0.21$), while staff interaction had the lowest impact (regression estimate $\beta = 0.13$). Therefore, loyalty programmes were shown to have a significant impact on guest loyalty, more than staff loyalty and staff interaction, but guest satisfaction and

guest affective commitment had more significant impacts on guest loyalty than loyalty programmes. However, the path from staff interaction to guest satisfaction (H_{3c}) was significant at the level of $p < 0.01$ with a negative sign (regression estimate $\beta = -0.16$), while the path from loyalty programmes during service encounter to guest satisfaction (H_7) was significant at the level of $p < 0.001$ with a positive sign (regression estimate $\beta = 0.22$). The negative sign in the path from staff interaction to guest satisfaction (H_{3c}) is probably because guests appreciate having a hassle-free stay, which was clear from Table 6-10 where participants who belong to a hotel loyalty programme showed a higher level of importance for item “More hassle-free stay” (mean 5.53, very important) in Section ‘A’ of the survey than non members (mean 5.25, important). This is evident from the indirect (i.e., mediated) effect of staff interaction on guest satisfaction (Appendix D) (regression estimate $\beta = 0.00$), while the direct impact was negative (regression estimate $\beta = -0.16$), and the total effect of staff interaction on guest satisfaction was negative (regression estimate $\beta = -0.16$). These results confirm that loyalty programmes (before service encounter) have a more significant impact on guest satisfaction than staff interaction. These results also support the argument noted by O’Malley (1998) and Nunes and Dreze (2006) that one of the main reasons why companies introduce loyalty programmes is to yield an insight into customers’ behaviour and preferences by collecting information about them. This kind of information can help companies customise their customer services, creates the opportunities for companies to segment their customers and thus consecutively enable more personal relationships with them.

The study demonstrated that loyalty programmes had a significant impact on guest loyalty, but not as significant as guest satisfaction and guest affective commitment. This finding supports McCleary and Weaver’s study (1991) but does not support Toh et al. (1991) and Bowen and Shoemaker’s (1998) studies which demonstrated that staff attitude has a more significant impact on guests’ willingness to repeat their stay with a certain hotel than loyalty programmes. Although, McCleary and Weaver (1992) demonstrated that business travellers who belong to frequent-guest programmes were willing to pay more than non-members for a hotel room and were more likely to bring their families along to stay in the hotel. McCleary and Weaver (1991) argued that dropping frequent-guest programmes would not have an effect on customers’ loyalty for nearly half

(49.4 percent) of the guests who belonged to frequent-stay programmes. Similarly, Toh et al. (1991) demonstrated that although steady sleepers considered their membership in a rewards programme to be more important in the choice of a hotel chain than did non-members, when they were asked to rank the importance of eight factors that would influence their choice of a hotel, they cited convenience of location, overall service and readiness of rooms as the most important, while the incentive programmes were ranked only sixth in importance in influencing their choice.

A major assertion in this study was that loyalty programmes were found to be neither a necessary step nor sufficient in the formation of loyalty as satisfaction and commitment. However, loyalty programmes were shown to have a significant impact on guest loyalty, more than staff loyalty and staff interaction (Figure 6-2). Results indicated the significant impact of loyalty programmes through the three stages indicated in the guest loyalty drivers model (Figure 6-2); before, during, and after the service encounter. Figure 6-2 illustrated these three phases. Loyalty programmes before the service encounter had a significant positive impact on guest loyalty (regression estimate $\beta = 0.25$, significant at a level of $p < 0.01$). Loyalty programmes during the service encounter had a significant positive impact on guest satisfaction (regression estimate $\beta = 0.22$, significant at the level of $p < 0.001$), and loyalty programmes after the service encounter had significant positive impact on guest affective and continuance commitment (regression estimate $\beta = 0.68$, significant at a level of $p < 0.001$; regression estimate $\beta = 0.22$, significant at a level of $p < 0.001$ respectively). Loyalty programmes did not show to have the highest impact on guest loyalty considering the other variables in the model. Figure 6-2 illustrated the standardised regression estimates calculated by AMOS for the variables in the model. However, guest satisfaction had the highest direct impact upon guest loyalty (regression estimate $\beta = 0.46$), followed by guest affective commitment (regression estimate $\beta = 0.31$), loyalty programmes before service encounter (regression estimate $\beta = 0.25$), staff loyalty (regression estimate $\beta = 0.21$), while staff interaction had the lowest impact (regression estimate $\beta = 0.13$). Therefore, loyalty programmes were shown to have a significant impact on guest loyalty, more than staff loyalty and staff interaction, but guest satisfaction and guest affective commitment had more significant impact on guest loyalty than loyalty programmes.

As discussed before, previous studies provided mixed support on the main reason for deriving guest loyalty. Some studies (Pullman & Gross, 2003) have indicated that the emotional connection with the service provider is the main reason. Other studies (Barbee & Vakerie, 1991; Cronin & Taylor, 1992; Bowen & Chen, 2001) have revealed that there are many factors other than the emotional connection with the service provider that enhance guest satisfaction and enhance their loyalty. The present study revealed that loyalty programmes have a significant impact on guest loyalty in the hotel industry. Loyalty programmes were shown to have a significant impact on guest loyalty, more than staff loyalty and staff interaction, but guest satisfaction and guest affective commitment had more significant impact on guest loyalty than loyalty programmes. Satisfaction and commitment should be realised before a sense of loyalty develops and it is the sense of loyalty which further drives guests to initiate the decision to become members of a hotel loyalty programme. Therefore, the notion by some in the service industry that loyalty can be easily acquired in the age of club cards is actually invalid. Loyalty in reality remains a scarce commodity. Too often today, hotels seem to think that simply issuing their guests with a card will, on its own, guarantee that guests will continue to show up regularly and use their service. Although the results from the present study show that guest satisfaction is still the leading factor for determining guest loyalty as was suggested before in the literature (Gremler & Brown, 1996; Bowen & Chen, 2001); the model presented in this study in Figure 6-2 (GLDM) contribute to the body of knowledge in hospitality management theory as it investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes.

The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. Guest loyalty drivers model (GLDM) (Figure 6-2) was proposed and validated in this study that investigates the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. The study used mixed methods covering a qualitative (focus groups) and a quantitative (surveys) method. First, a series of five focus groups were conducted where participants in these focus groups were

asked a series of questions covering the drivers for guest loyalty based on the service literature. Second, a survey was developed from the previous literature and modified by the data collected from the focus groups. Results showed that guest staff loyalty, staff interaction, loyalty programmes, guest satisfaction and affective commitment are directly linked to and are capable of predicting guest loyalty in the hotel industry, while guest continuance commitment, technical and tangible quality are neither can be directly linked to guest loyalty nor they can act as drivers for it. Guest satisfaction had the highest direct impact upon guest loyalty (regression estimate $\beta = 0.46$), followed by guest affective commitment (regression estimate $\beta = 0.31$), loyalty programmes before service encounter (regression estimate $\beta = 0.25$), staff loyalty (regression estimate $\beta = 0.21$), while staff interaction had the lowest impact (regression estimate $\beta = 0.13$).

It is of particular note that results of the study (Figure 6-2) showed that staff interaction was the only service quality dimension which had a significant positive impact on guest loyalty (regression estimate $\beta = 0.13$), while technical and tangible quality did not have any significant impact on guest loyalty. In contrary, results showed that both technical and tangible quality (as dimensions of service quality) have a significant positive impact on guest satisfaction (regression estimate $\beta = 0.21$ & $\beta = 0.43$ respectively), while staff interaction as a service quality dimension had a significant negative impact on guest satisfaction. Thus the study demonstrates how guests appreciate having a “hassle-free stay”. This result provide support to Sandoff’s study (2005); who argued that customers in hotels want to know exactly what service they will receive, and do not wish to be either positively or negatively surprised, and this can be secured via standardization of services where the staff are expected to do the same.

The guest loyalty drivers model (Figure 6-2) study showed the influence of loyalty programmes on guest loyalty both directly and indirectly. The direct influence of loyalty programmes on guest loyalty is evident before the service encounter (regression estimate $\beta = 0.25$), while the indirect influence of loyalty programmes on guest loyalty is evident through its impact on guest satisfaction and affective commitment. In the sense that, loyalty programmes during the service encounter do have a significant positive impact on guest satisfaction (regression estimate $\beta = 0.22$), while loyalty programmes after service encounter

have a significant positive impact on guest affective and continuance commitment (regression estimate $\beta = 0.68$ & $\beta = 0.22$ respectively). However, only guest affective commitment showed to have a significant positive impact on guest loyalty (regression estimate $\beta = 0.31$), while guest continuance commitment did not have any significant impact on guest loyalty. These results provide support for previous research (Bolton et al., 2000; Yi & Jeon, 2003; Liu, 2007) who argued that members in a loyalty programme tend to overlook negative evaluations of the company vis-à-vis competition, as they perceive that they are getting better quality and service for their price. The study contributes to the present body of knowledge in hospitality management theory as it investigated the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. Although results showed that guest staff loyalty, staff interaction, loyalty programmes, guest satisfaction and affective commitment are directly linked to and are capable of predicting guest loyalty in the hotel industry; there is a new insight in the impact of staff interaction on guest loyalty. This new insight was evident also from the significant impact of guest affective commitment on guest loyalty. Similar to the notion that satisfaction may be a necessary step but not sufficient for gaining customer loyalty, loyalty programmes as well may be a necessary driver for guest loyalty in the hotel industry but they do not secure a continuing relationship between hotels and guests just by considering only incentives. Hotels should focus instead on developing interpersonal relationships between staff and guests. In contrary to Fruchter and Sigue (2005) argument who argued that under certain conditions, transactional and relational marketing are complementary, this study demonstrates that hotels should allocate more resources to relational marketing at both the beginning and throughout the relational exchange.

CHAPTER 7

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

7.1 CONCLUSIONS

This chapter provides a conclusion to the study covering the two parts of the study; focus groups and surveys. First, focus groups' results and conclusions are highlighted, followed by survey results and conclusions. Research objectives (Table 2-1) have been highlighted and organised around the proposed model in the study (Figure 6-2). The research aim of this study was to investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. Guest loyalty drivers model (GLDM) (Figure 6-2) was proposed in this study and validated that investigates the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. The contribution of the study to hospitality management theory is presented, as well as a summary to guide management practice.

The research employed mixed methods, using qualitative (focus groups) and quantitative (self-administered surveys) method. The purpose of this section is to join the two parts of this study to illustrate to what extent the results in the second part of the study support/do not support the results from the first part of the study. In the first part of the study, five focus groups were conducted where participants were given a short survey (Appendix A) and afterwards asked a series of questions covering guest loyalty drivers based on the service literature. Data obtained from participants through the focus group discussions were analyzed using a content analysis software package called CATPAC. In the second part of the study, a survey was conducted in three cities in the North Island of New Zealand. The survey was developed from the information collected from the literature and modified from the data collected from the focus groups. The three cities in the North Island of New Zealand where the survey was distributed were Auckland (New Zealand's largest city, population approximately 1.3 million), Hamilton (New Zealand's fourth largest city, 125km south of Auckland, population approximately 155,000), and Tauranga (New Zealand's sixth largest

city, 105km east of Hamilton, population approximately 109,000). A total of 6000 surveys were distributed randomly in these three cities; where 2000 self-completion surveys were delivered in each location. Domestic hotels' guests in New Zealand (i.e., residents who lived in New Zealand at the time of the study) were the subjects of this study, all of whom had stayed more than once in a particular hotel (as an indication of loyalty) over a three year time frame (Osman et al., 2009), because the interest of the present thesis deals with guest loyalty. It is of particular note that the proposed model was tested only on domestic guests in New Zealand without including international guests, because studying international guests' behaviour in the current model would require a different methodology, and consequently falls outside the scope of the present thesis.

This study has identified a new insight on the drivers of guest loyalty in the hotel industry. Guest loyalty drivers model (GLDM) (Figure 6-2) was proposed and validated in this study investigated the drivers of guest loyalty in the hotel industry in New Zealand, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. Loyalty programmes were shown to have a significant impact on guest loyalty, more than staff loyalty and staff interaction, but guest satisfaction and guest affective commitment had more significant impact on guest loyalty than loyalty programmes. Satisfaction and commitment should be realised before a sense of loyalty develops and it is the sense of loyalty which further drives guests to initiate the decision to become members of a hotel loyalty programme. The study contributes to the present body of knowledge in hospitality management theory as it investigated the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. Although results showed that guest staff loyalty, staff interaction, loyalty programmes, guest satisfaction and affective commitment are directly linked to and are capable of predicting guest loyalty in the hotel industry; other variables (technical and tangible quality, and guest continuance commitment) are neither directly linked to guest loyalty nor they can predict guest loyalty. There is a new insight as well in the impact of staff interaction on guest loyalty. This new insight was evident also from the significant impact of guest affective commitment on guest loyalty. Similar to the notion that satisfaction may be a necessary step but not sufficient for gaining customer loyalty, loyalty

programmes as well may be a necessary driver for guest loyalty in the hotel industry but they do not secure a continuing relationship between hotels and guests just by considering only incentives. Hotels should focus instead on developing interpersonal relationships between staff and guests. In this research it is evident that guest loyalty can be motivated by other factors other than satisfaction and commitment. In the sense that, staff loyalty and interaction tend to have a significant impact on guest intention to repeat their stay. In contrary to Fruchter and Sigue (2005) argument who argued that under certain conditions, transactional and relational marketing are complementary, this study demonstrates that hotels should allocate more resources to relational marketing at both the beginning and throughout the relational exchange.

7.2 MANAGERIAL IMPLICATIONS

This present thesis was produced to investigate the drivers of guest loyalty in the hotel industry, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. The previous studies provided mixed support for the main reason for deriving guest loyalty. Some studies (Pullman & Gross, 2003) have indicated that the emotional connection with the service provider is the main reason guests are loyal. Other studies (Barbee & Vakerie, 1991; Bowen & Chen, 2001; Cronin & Taylor, 1992) have revealed that there are many factors other than the emotional connection with the service provider that enhance guest satisfaction and enhance their loyalty. The present study revealed that loyalty programmes have a significant impact on guest loyalty in the hotel industry. Loyalty programmes were shown to have a significant impact on guest loyalty; more than staff loyalty and staff interaction, but guest satisfaction and guest affective commitment had even more significant impact on guest loyalty than loyalty programmes. Both satisfaction and commitment should be realised before a sense of loyalty develops and it is the sense of loyalty which further drives guests to initiate the decision to become members in a hotel loyalty programme. However, results showed that loyalty programmes (during service encounter) have a more significant impact on guest satisfaction than staff interaction, while staff interaction has a significant negative impact on guest satisfaction. This negative impact from staff interaction to guest satisfaction is probably due to the fact that guests appreciate having a “hassle-free stay”.

It was evident from the study that males and females guests tend to look for different incentives for joining loyalty programmes. Males look for better service, special treatment and collecting points, while females look mainly for price incentives. These results suggest that hotels should address loyalty programmes differently according to gender and take into consideration that when a guest decides to repeat their visit to a particular hotel, they usually tend to ask themselves two interesting questions; first, “what is different this time?” second, “is it better than last time?”. Therefore, every stay has to be unique and offer an enjoyable experience for guests to repeat their stay with a particular hotel. The results showed that loyalty programmes and staff loyalty play a significant role in

enhancing guest loyalty. Results indicated the significant impact of loyalty programmes before, during and after the service encounter. Loyalty programmes were shown to have a significant impact on guest loyalty; more than staff loyalty and staff interaction, but guest satisfaction and guest affective commitment had more significant impact on guest loyalty than loyalty programmes. However, results show that guest satisfaction is still the leading factor for determining guest loyalty as was suggested before in the literature (Gremler & Brown, 1996; Bowen & Chen, 2001). Results showed that loyalty programmes (during service encounter) have more significant impact on guest satisfaction than staff interaction, and guests appreciate having a “hassle-free stay”.

The present thesis generates an improvement over the current knowledge in hospitality management theory by explaining that loyalty programmes (before service encounter) have more significant impact on guest satisfaction than staff interaction, while staff interaction has a significant negative impact on guest satisfaction. This negative impact from staff interaction to guest satisfaction is probably because guests appreciate having a “hassle-free stay”. Further, while satisfaction and commitment were found to be more necessary and sufficient than loyalty programmes (before service encounter) in the formation of customer loyalty, the results still asserted the significant impact of loyalty programmes on guest loyalty; more than staff loyalty and staff interaction. It can thus be concluded that satisfaction and commitment should be realised before a sense of loyalty develops and it is the sense of loyalty which further drives guests to initiate the decision to become members in a hotel loyalty programme. The model proposed and validated in the study (GLDM) in Figure 6-2 provided a new insight that is of considerable interest to both academics and practitioners alike. Although, it was evident from the study that staff loyalty, staff interaction (as a dimension of service quality), guest satisfaction and commitment, and loyalty programmes are directly linked to and are capable of predicting guest loyalty in the hotel industry as drivers for guest loyalty. Hotels should not overlook staff attitude in preference to loyalty programmes; in the sense that, hotels should always focus on developing interpersonal relationships between staff and guests.

Management guide

This study demonstrated that hotel guests tend to evaluate the holistic experience of staying at a hotel, and not just individual factors but when deciding whether to repeat their stay in the future, some factors tend to be more important than others. Price, location, familiarity with the level of service, staff attitude and loyalty programmes will be taken into consideration. However, no matter how much reward they would get in relationship to loyalty programmes, the rudeness of hotel staff in their previous stay would always negate all that. This study suggests some implications for hotel managers to consider before introducing or developing a loyalty programme. For example, the research shows that there are some gender differences in relation to loyalty programmes. Male guests look for better service, special treatment and collecting points, while female guests look mainly for price incentives and experiencing a unique stay. These significant gender differences between hotel guests suggest that it may be useful for hotels to establish different reward schemes for different guests. Also, hotels should not overlook staff attitude in preference to loyalty programmes. Guests always appreciate having friendly staff to deal with during their stay whether or not they are loyalty programme members. Hotels' managers could apply the principles of Guanxi (trust, bond, empathy and reciprocity); in the sense that, it may be useful for hotels' managers to focus on creating the bond, or relationship, before the transaction, in a way that makes the guest and the hotel one cooperative unit, and this can have a significant impact on guest's loyalty. The study demonstrates that hotels should allocate more resources to relational marketing at both the beginning and throughout the relational exchange.

CHAPTER 8

LIMITATIONS AND FUTURE RESEARCH

8.1 LIMITATIONS

This chapter provides a list of different limitations of the study related to how the study was conducted and how the sample of the study was selected. This study assists in advancing present understanding and poses interesting questions for future research relating to drivers of guest loyalty, and the role of staff loyalty, service quality, guest satisfaction and commitment, and the influence of loyalty programmes. There are recommendations for future research, related to the current findings and/or the elimination of some of the limitations listed. Even though some steps were taken to ensure methodological rigor, this research is not without limitations. Participation in five focus groups conducted in the first part of the study was voluntary; were the researcher distributed 500 flyers randomly in Hamilton to recruit participants who had stayed at least twice in a hotel in the past three years, and the participants sample was selected purposively. The population in this part of the study was defined as all people living in Hamilton aged 18 or older. Determining the number of groups depends mainly on the researcher who decides to stop collecting data when it becomes easy to anticipate what will be next said in a group. Qualitative researchers recognise this as the goal of saturation; that is the point at which additional data collection no longer generates new understanding (Morgan, 1997). In qualitative research, the sample is selected on purpose to yield the most information about the phenomenon of interest (Merriam, 2002). Krueger (1988) introduced a rule of thumb in determining the number of focus groups needed for a research, which is to plan for four focus groups with similar audiences, but to evaluate after the third group. If new insights are provided in the third group, then conduct the fourth and additional groups as needed. Morgan (1997) demonstrated this rule of thumb by stating that projects should consist of at least three to five groups for the purpose of reliability where more groups seldom provide meaningful new insights. Although there was no reason to believe that the views of those living in Hamilton would be of any different from people living in any other part of New Zealand, there is still the possibility of bias to exist in some of the relationships.

In regards to the survey conducted in the second part of the study, the selection of these three cities in the study was based on them being most convenient to the researcher without compromising the sample to be representative of the type of respondents required from the entire population. Although 2000 self-completion surveys were delivered in each location, the response rate was low (10.6%) with only 635 usable surveys were returned. Among the respondents, there were more females than males which was expected. A high percentage of participants (41.6%) reported they had previously been members of a hotel a loyalty programme, and there were only statistically significant differences between male and female participants regarding 16 items out of the 24 items listed as possible advantages for hotel loyalty programme membership in Section 'A' of the survey (Table 6-11). However, there were minor statistically significant differences between male and female participants regarding the 51 items in Section 'B' of the survey measuring the different constructs in the model (Table 6-17). The focus of the research was on the linkage between staff and guest loyalty in the hotel industry and the impact of loyalty programmes, not on gender differences regarding loyalty programmes offered by hotels. The issue of more female participants than male participants raises concerns about the generalisability of results to the entire population. Even though no evidence was found that females behave in a significant way towards loyalty programmes (Table 6-17), there were statistically significant differences between male and female participants regarding the possible advantages of loyalty programmes as listed in Section 'A' of the survey (Table 6-11), so the possibility of bias in some of the relationships exists.

A second limitation deals with the sample selection. Domestic hotel guests in New Zealand were the subjects of this study; guest who had stayed more than once before in a particular hotel (as an indication of loyalty) over a three year time frame, because the interest of the present thesis deals with guest loyalty. However, statistics New Zealand does not provide any data for the total number of guests who have stayed in hotels before more than once over any time frame. A pilot sample should have been conducted prior to the study to estimate the population variance, and then use it to estimate the sample size. Therefore, the sample size was determined in this study without any previous estimate for the size and variance of the population. The survey was conducted in only three cities in the

North Island in New Zealand (Auckland, Hamilton and Tauranga), without considering cities from the South Island. The main reason was that the domestic guest nights in 2010 increased 0.8 percent in the North Island but decreased 0.6 percent in the South Island compared with 2009 (Statistics New Zealand, 2010). This issue raises concerns about the generalisability of results to the entire population. Even though no evidence was found that domestic guests from the South Island in New Zealand behave in a significant way towards loyalty programmes, the possibility of bias in some of the relationships exists.

The third limitation deals with the type of guests in the study and is closely related to the second limitation and the way the study sample of the study was selected. Through the second limitation it was highlighted that only domestic hotel guests (i.e., residents who lived in New Zealand at the time of the study) were the subjects of this study without including international guests. It is of particular note that the proposed model was tested only on domestic guests in New Zealand without including international guests because studying international guests' behaviour in the current model required a different methodology, and consequently falls outside the scope of the present thesis. Although international guests may behave in a significant way towards loyalty programmes which may also be different from the way domestic hotels' guests behave, this issue may not raise concerns of the generalisability of results to the entire population as other limitations presented in this section do, because the population of the study was defined as only those residents who lived in New Zealand at the time of the study without including international guests.

The fourth limitation deals with measuring staff loyalty construct in the model from the guests' point of view only. It is of particular note that although the proposed model covers both sides of the service encounter in the hotel sector – staff and guest, this thesis tested only the impact of the different variables shown in the model on guest loyalty from only the guest point of view due to the following reason: studying and linking the impact of the different variables leading to staff loyalty in the current model was an area that required a different methodology, and consequently falls outside the scope of the present thesis. Cronbach's alpha calculated for staff loyalty in this study based on guest view points revealed that the reliability of this construct was above 0.7 (0.93) which

implies good internal consistency, but the possibility of bias exists in some of the relationships due to this study not incorporating staff view point.

The fifth limitation deals with different ethnic backgrounds and the impact on guest loyalty. Ethnicity as a variable wasn't included in the demographic questions covered in Section 'D' of the survey, as there was no indication from the focus groups conducted in the first part of the study that participants with different ethnic backgrounds might have any significant differences regarding hotel loyalty or even regarding their loyalty programmes membership. This issue raises concerns about the generalisability of results to the entire population. Even though no evidence was found that different ethnic backgrounds have any significant differences regarding hotel loyalty or even regarding their loyalty programme membership, the possibility of bias exists in some of the relationships.

8.2 FUTURE RESEARCH

This section details some recommendations for future research which are either related to the current findings and/or the elimination of some of the limitations listed in the previous section. First, a new study should be conducted in another service sector offering loyalty programmes and the model tested to see whether loyalty programmes (during service encounter) have more significant impact on customer satisfaction than staff interaction, while staff interaction has a significant negative impact on customer satisfaction. Further, do loyalty programmes (before service encounter) still have a significant impact on guest loyalty, more than staff loyalty and staff interaction in this sector? Second, a new study should collect additional data in order to increase the sample size and cover a higher percentage of male participants than the present study with repeated statistical analysis. If the results obtained from these two actions are in the same direction than those obtained in the present study, the model shown in Figure 6-2 could rightfully be called a theory.

Third, another study should be conducted adopting solely a qualitative approach in the data collection process and results compared with the results of the present study. Fourth, a new study should be conducted measuring service quality using different dimensions than the three dimensions (technical quality, tangible quality, and staff interaction) used in this study, and the results compared with those presented in this study. Fifth, a new research study should be conducted to cover both the North and South Island of New Zealand with the results compared with those obtained from the present study. A new study should be conducted to include different ethnic backgrounds. The replication of the present study in other countries/cultures might beneficially increase the knowledge of hotels for the introduction and development of loyalty programmes for different customers. Another study might be conducted in a different service sector using the same statistical analysis and the results compared with the present study to look for consistency in results.

Another study can be conducted by adding more variables to the model suggested in the present study; for example, adding service recovery as a variable and testing

the impact of this variable on customer commitment and customer loyalty. It was suggested in the literature that the occurrence of a service problem can sometimes give a company an opportunity to demonstrate its commitment to customers (Lovelock, 1994). Mattila (2003) indicated that although affective commitment might reduce the spill-over effects of service failures to future loyalty behaviours, customers with high affective commitment tend to have low levels of tolerance for service failures, and what might be considered an adequate recovery effort for a typical customer (e.g., an apology combined with a tangible compensation) does not seem to be enough for emotionally-bonded customers. However, caution should be taken while adding variables to the present model as not to complicate the model. In other words, a model is important if it explains much by little as was discussed previously; simple models are preferred with relatively few parameters which make them more generalisable. Another study might be considered by interviewing hotel managers and considering their point of view in the analysis, or a comparative study can be done by using the same model in this study on hotel staff and comparing the results with the results of the present study. This will increase understanding of the processes that lead to loyalty.

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Appendix A**Focus groups survey and questions****Part I****Focus groups survey**

Please indicate how important each of these factors is when repeating your stay with a hotel?

	Not At All Important	Somewhat Unimportant	Neutral	Somewhat Important	Very Important
1. Hotel location.	1	2	3	4	5
2. Hotel facilities (such as lounge and bar).	1	2	3	4	5
3. Room rate/package price.	1	2	3	4	5
4. Courtesy and friendliness of the staff.	1	2	3	4	5
5. Hotel star rating.	1	2	3	4	5
6. Accessibility to spa, health club, swimming pool, etc.	1	2	3	4	5
7. Room safety (such as secure door, personal lockers, etc.).	1	2	3	4	5
8. Accessibility to entertainment (such as casino and club house).	1	2	3	4	5
9. Reservation in order and minimal waiting time at "check-in".	1	2	3	4	5
10. Hotel loyalty programme (i.e., frequent visitors	1	2	3	4	5
11. Condition of room (such as room cleanliness).	1	2	3	4	5
12. Billing accuracy and minimal waiting time at "check-out".	1	2	3	4	5
13. Complaints handling.	1	2	3	4	5
14. Strong sense of belonging.	1	2	3	4	5

Appendix B: Guest Loyalty survey

Section A:

The following set of statements relates to some possible **advantages of hotel loyalty programme membership**. In this section we ask you to judge the importance of these advantages. Please circle **only ONE number** for each statement using the following scale.

For example: If you consider the advantage of ‘more hassle-free stay’ through loyalty membership to be important, you may circle 5.

More hassle-free stay.	0	1	2	3	4	5	6	7
------------------------	---	---	---	---	---	---	---	---

Not applicable/Don't Know/No opinion	Extremely Unimportant	Very Unimportant	Unimportant	Neutral	Important	Very Important	Extremely Important
0	1	2	3	4	5	6	7

1. More hassle-free stay.	0	1	2	3	4	5	6	7
2. Greater value for money.	0	1	2	3	4	5	6	7
3. Access to hotel facilities.	0	1	2	3	4	5	6	7
4. Booking my preferred room.	0	1	2	3	4	5	6	7
5. Price discounts (special rates).	0	1	2	3	4	5	6	7
6. Special amenities in my room.	0	1	2	3	4	5	6	7
7. A loyalty card with special deals.	0	1	2	3	4	5	6	7
8. Availability to access the internet.	0	1	2	3	4	5	6	7
9. Early check-in and late check-out.	0	1	2	3	4	5	6	7
10. Staff recognising me upon arrival.	0	1	2	3	4	5	6	7
11. Customised (personalised) service.	0	1	2	3	4	5	6	7
12. Quick processing of my reservation.	0	1	2	3	4	5	6	7
13. A complimentary drink with meals.	0	1	2	3	4	5	6	7
14. Requests are handled appropriately.	0	1	2	3	4	5	6	7
15. Receiving complimentary breakfast.	0	1	2	3	4	5	6	7
16. Staff recognising me during my stay.	0	1	2	3	4	5	6	7
17. Unique experience as a special guest.	0	1	2	3	4	5	6	7
18. Preferential treatment during my stay.	0	1	2	3	4	5	6	7
19. Hotel staff gives me personal attention.	0	1	2	3	4	5	6	7
20. Privilege booking at times of high demand.	0	1	2	3	4	5	6	7
21. Earning points toward free accommodation.	0	1	2	3	4	5	6	7
22. Room upgrades earned after a number of stays.	0	1	2	3	4	5	6	7
23. Accessibility of staying at different hotels' chains.	0	1	2	3	4	5	6	7
24. Familiarisation with the hotel and the level of service.	0	1	2	3	4	5	6	7

Section B:

Please think of **Hotel X** as a hotel you stayed at **more than once over the past 3 years**. The following set of statements relates to some reasons why you would stay again at **Hotel X**. Please circle **only ONE number** for each statement using the following scale.

For example: If you **don't** consider 'the hotel provided fast check-in and check-out' a reason to repeat your stay with the hotel and your feelings are strongly disagreeing, you may circle 2.

The hotel provided fast check-in and check-out.	0	1	2	3	4	5	6	7
---	---	---	---	---	---	---	---	---

Not applicable/Don't Know/No opinion	Very Strongly Disagree	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	Very Strongly Agree
0	1	2	3	4	5	6	7

<i>Statements 25 to 40 relate to hotel X level of service</i>								
25. The hotel provided fast check-in and check-out.	0	1	2	3	4	5	6	7
26. The hotel's facilities were reliable.	0	1	2	3	4	5	6	7
27. The hotel's facilities were easy to use.	0	1	2	3	4	5	6	7
28. The hotel's premises were clean.	0	1	2	3	4	5	6	7
29. The hotel's premises were noise acceptable.	0	1	2	3	4	5	6	7
30. The hotel staff had a smart appearance.	0	1	2	3	4	5	6	7
31. The hotel's facilities were visually appealing.	0	1	2	3	4	5	6	7
32. The hotels' furniture was comfortable for the guests.	0	1	2	3	4	5	6	7
33. The hotel staff provides services as promised.	0	1	2	3	4	5	6	7
34. The hotel staff were knowledgeable and competent	0	1	2	3	4	5	6	7
35. The hotel staff understood the needs of their guests.	0	1	2	3	4	5	6	7
36. The hotel staff helped me and responded to my requests.	0	1	2	3	4	5	6	7
37. The hotel staff provided a prompt response to guest needs.	0	1	2	3	4	5	6	7
38. The hotel staff went beyond their specified duties to serve me.	0	1	2	3	4	5	6	7
39. The hotel staff cared and were concerned about guests' comfort.	0	1	2	3	4	5	6	7
40. The hotel staff provided services right from the first moment of contact.	0	1	2	3	4	5	6	7
<i>Statements 41 to 46 relate to your commitment toward hotel X</i>								
41. I feel emotionally attached to the hotel.	0	1	2	3	4	5	6	7
42. I feel that I care about the success of the hotel.	0	1	2	3	4	5	6	7
43. I feel a strong sense of belonging toward the hotel.	0	1	2	3	4	5	6	7
44. I stay at the hotel more as a matter of necessity than of desire.	0	1	2	3	4	5	6	7
45. If I wanted to stay at another hotel, it would be more costly.	0	1	2	3	4	5	6	7
46. If I wanted to stay at another hotel, it would be very difficult.	0	1	2	3	4	5	6	7
<i>Statements 47 to 51 relate to your satisfaction with hotel X</i>								
47. I truly enjoyed staying at the hotel.	0	1	2	3	4	5	6	7
48. The hotel services were exactly what I needed.	0	1	2	3	4	5	6	7
49. I am satisfied with my decision to choose the hotel.	0	1	2	3	4	5	6	7
50. The hotel services adequately fulfilled my expectations.	0	1	2	3	4	5	6	7
51. The hotel services were some of best hotel services I've ever received.	0	1	2	3	4	5	6	7
<i>Statements 52 to 57 relate to the staff attitudes of hotel X</i>								
52. The hotel staff gave me personal attention.	0	1	2	3	4	5	6	7
53. The hotel staff were enthusiastic and committed.	0	1	2	3	4	5	6	7
54. The hotel staff knew exactly what my needs were.	0	1	2	3	4	5	6	7

55. The hotel staff responded to my requests promptly.	0	1	2	3	4	5	6	7
56. The hotel staff were courteous, polite, and well mannered.	0	1	2	3	4	5	6	7
57. The hotel staff were able to take proper actions when needed.	0	1	2	3	4	5	6	7
<i>Statements 58 to 63 relate to loyalty toward hotel X</i>								
58. I hate to switch once I get used to a hotel service.	0	1	2	3	4	5	6	7
59. I recommend hotel X to my friends and workmates.	0	1	2	3	4	5	6	7
60. I always think of hotel X as an ideal accommodation.	0	1	2	3	4	5	6	7
61. I always stay at hotel X, even though there are other options.	0	1	2	3	4	5	6	7
62. I consider hotel X as my first choice when I need to stay in a hotel.	0	1	2	3	4	5	6	7
63. If I like hotel X service, I rarely switch from it just to try another hotel.	0	1	2	3	4	5	6	7
<i>Statements 64 to 75 relate to the impact of hotel X loyalty programme</i>								
64. I'd feel special if I was a member of hotel X programme.	0	1	2	3	4	5	6	7
65. If I was a member of hotel X programme, I'd return to the hotel.	0	1	2	3	4	5	6	7
66. I'd expect the service to be better and quicker as a loyalty member.	0	1	2	3	4	5	6	7
67. Experiencing something unique is what makes me return to hotel X.	0	1	2	3	4	5	6	7
68. Being recognized as a return guest is what makes me return to hotel X.	0	1	2	3	4	5	6	7
69. If I was in the hotel X loyalty programme, I'd still look for better deals.	0	1	2	3	4	5	6	7
70. I'd feel more strongly connected to a hotel for which I hold a loyalty card.	0	1	2	3	4	5	6	7
71. If I was in the hotel X loyalty programme, hotel X would be my first choice.	0	1	2	3	4	5	6	7
72. If I was in the hotel X loyalty programme, I'd feel a strong sense of belonging.	0	1	2	3	4	5	6	7
73. If I was in the hotel X loyalty programme, I'd judge hotel X services differently.	0	1	2	3	4	5	6	7
74. If I was in the hotel X loyalty programme, I'd never return to it if staff were rude.	0	1	2	3	4	5	6	7
75. If I was in the hotel X loyalty programme, I'd feel emotionally attached to the hotel.	0	1	2	3	4	5	6	7
<i>Statements 76 to 79 assume you had to go to a place you have been before and stay in a hotel</i>								
76. The hotel with which I hold a loyalty membership would be my first choice.	0	1	2	3	4	5	6	7
77. I like to try different hotels outside the loyalty programme as a general rule.	0	1	2	3	4	5	6	7
78. Price is more important to me than choosing a hotel with which I hold membership.	0	1	2	3	4	5	6	7
79. Location is more important to me than a distant hotel with which I hold membership.	0	1	2	3	4	5	6	7
<i>Statements 80 to 83 assume you had to go to a place you have never been before and stay in a hotel</i>								
80. The hotel with which I hold a loyalty membership would be my first choice.	0	1	2	3	4	5	6	7
81. I like to try different hotels outside the loyalty programme as a general rule.	0	1	2	3	4	5	6	7
82. Price is more important to me than choosing a hotel with which I hold membership.	0	1	2	3	4	5	6	7
83. Location is more important to me than a distant hotel with which I hold membership.	0	1	2	3	4	5	6	7

Section C:

Please answer the following questions in relation to **hotel loyalty programmes**.

84- Are you currently a member in any hotel loyalty programme? Yes No

85- If No, Have you ever been a member in any hotel loyalty programme? Yes No

86- Please indicate why (why not) you joined a hotel loyalty programme?

87- When you think of hotel staff, what two words or phrases come to your mind?

1. _____

2. _____

88- When you think of hotels' loyalty programmes, what two words or phrases come to your mind?

1. _____

2. _____

89- When you think of a hotel you stayed at more than once, what two words or phrases come to your mind?

1. _____
2. _____

90- Please rate the following items using the numbers 1 to 5 with **5** = most important to **1** = least important. Please use each number **only once**.

Item	Hotel location	Friendly staff	Loyalty programme	Service quality	Room price
Rate					

Section D:

For **statistical purposes**, could you please answer the following questions?

91- Gender. Male Female

92- The type of guest you were in your most visits to hotels.
 Business visit/work Family visit/vacation

93- Marital status. Single Married
 Divorced Other (please specify)

94- Please tick the box which approximately identifies your individual annual income.
 Under \$30,000 \$30,001 - \$50,000 \$50,001 - \$70,000
 \$70,001 - \$100,000 Over \$100,000 Prefer not to answer

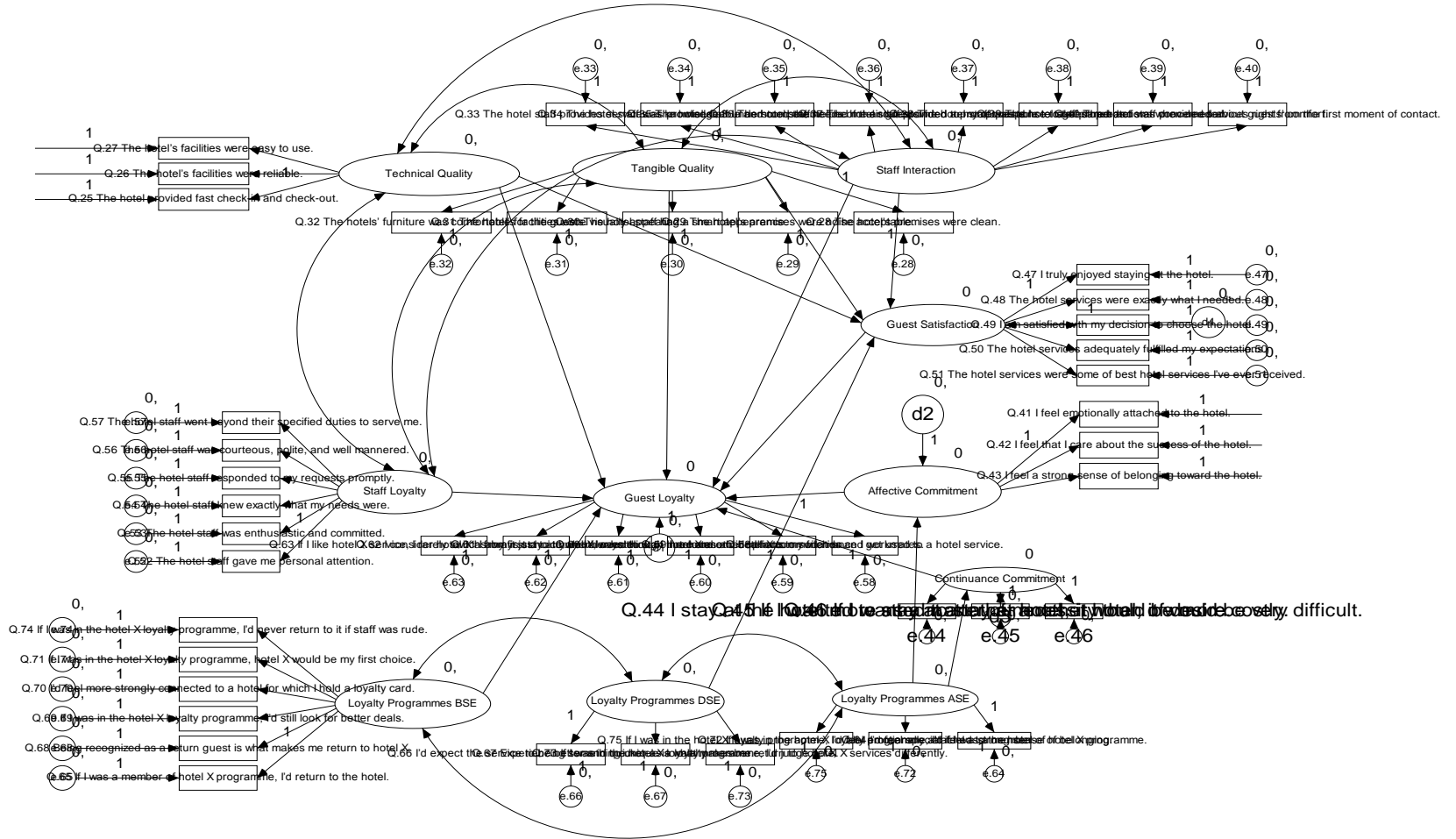
95- Age. Under 20 Between 20 and 30 Between 31 and 40
 Between 41 and 50 Between 51 and 60 Older than 61

96- Please tick the box which best describes your occupation.
 Semi-skilled worker Skilled manual worker Agricultural worker
 Administrative Home carer/housewife Professional
 No paid employment Retired

Thank you for taking time to provide valuable feedback 😊

Appendix C

Research Model



Appendix D

Structural Equation Modeling Results

Computation of degrees of freedom (Default model)

Number of distinct sample moments:	1377
Number of distinct parameters to be estimated:	176
Degrees of freedom (1377 - 176):	1201

Result (Default model)

Minimum was achieved
Chi-square = 4278.796
Degrees of freedom = 1201
Probability level = .000

Scalar Estimates (Group number 1 - Default model)

Maximum Likelihood Estimates

Regression Weights: (Group number 1 - Default model)

		Estimate	S.E.	C.R.	P	Label
Guest Satisfaction	<--- Loyalty Programmes DSE	.315	.051	6.171	***	
Affective Commitment	<--- Loyalty Programmes ASE	.838	.058	14.328	***	
Guest Satisfaction	<--- Technical Quality	.261	.059	4.407	***	
Guest Satisfaction	<--- Tangible Quality	.546	.078	7.037	***	
Guest Satisfaction	<--- Staff Interaction	-.168	.051	-3.291	.001	
Continuance Commitment	<--- Loyalty Programmes ASE	.215	.051	4.255	***	
Guest Loyalty	<--- Loyalty Programmes BSE	.224	.044	5.101	***	
Guest Loyalty	<--- Technical Quality	.002	.052	.040	.968	
Guest Loyalty	<--- Tangible Quality	-.073	.070	-1.035	.301	
Guest Loyalty	<--- Staff Interaction	.116	.051	2.252	.024	
Guest Loyalty	<--- Staff Loyalty	.167	.045	3.725	***	
Guest Loyalty	<--- Affective Commitment	.184	.029	6.450	***	
Guest Loyalty	<--- Guest Satisfaction	.398	.052	7.625	***	
Guest Loyalty	<--- Continuance Commitment	-.036	.028	-1.272	.204	
Q.65	<--- Loyalty Programmes BSE	1.000				
Q.68	<--- Loyalty Programmes BSE	1.121	.075	14.939	***	
Q.69	<--- Loyalty Programmes BSE	.075	.065	1.155	.248	
Q.70	<--- Loyalty Programmes BSE	1.022	.066	15.566	***	
Q.71	<--- Loyalty Programmes BSE	1.154	.071	16.343	***	
Q.74	<--- Loyalty Programmes BSE	.463	.150	3.085	.002	

		Estimate	S.E.	C.R.	P	Label
Q.66	<--- Loyalty Programmes DSE	1.000				
Q.67	<--- Loyalty Programmes DSE	1.485	.127	11.683	***	
Q.73	<--- Loyalty Programmes DSE	1.134	.115	9.870	***	
Q.64	<--- Loyalty Programmes ASE	1.000				
Q.72	<--- Loyalty Programmes ASE	1.204	.059	20.415	***	
Q.75	<--- Loyalty Programmes ASE	1.135	.060	18.797	***	
Q.52	<--- Staff Loyalty	1.000				
Q.53	<--- Staff Loyalty	1.028	.047	21.861	***	
Q.54	<--- Staff Loyalty	1.024	.050	20.299	***	
Q.55	<--- Staff Loyalty	.950	.046	20.532	***	
Q.56	<--- Staff Loyalty	.862	.043	19.843	***	
Q.57	<--- Staff Loyalty	1.026	.053	19.264	***	
Q.58	<--- Guest Loyalty	1.000				
Q.59	<--- Guest Loyalty	1.151	.093	12.439	***	
Q.60	<--- Guest Loyalty	1.277	.097	13.123	***	
Q.61	<--- Guest Loyalty	1.432	.110	13.052	***	
Q.62	<--- Guest Loyalty	1.550	.114	13.611	***	
Q.63	<--- Guest Loyalty	1.382	.109	12.714	***	
Q.41	<--- Affective Commitment	1.000				
Q.42	<--- Affective Commitment	.991	.037	26.448	***	
Q.43	<--- Affective Commitment	1.019	.036	28.294	***	
Q.47	<--- Guest Satisfaction	1.000				
Q.48	<--- Guest Satisfaction	1.059	.037	28.964	***	
Q.49	<--- Guest Satisfaction	1.029	.034	30.654	***	

			Estimate	S.E.	C.R.	P	Label
Q.50	<---	Guest Satisfaction	.978	.035	27.921	***	
Q.51	<---	Guest Satisfaction	1.132	.056	20.166	***	
Q.25	<---	Technical Quality	1.000				
Q.26	<---	Technical Quality	1.238	.072	17.264	***	
Q.27	<---	Technical Quality	1.183	.069	17.193	***	
Q.28	<---	Tangible Quality	1.000				
Q.29	<---	Tangible Quality	1.059	.078	13.633	***	
Q.30	<---	Tangible Quality	1.112	.075	14.883	***	
Q.31	<---	Tangible Quality	1.295	.077	16.862	***	
Q.32	<---	Tangible Quality	1.154	.070	16.419	***	
Q.33	<---	Staff Interaction	1.000				
Q.34	<---	Staff Interaction	1.129	.056	19.987	***	
Q.35	<---	Staff Interaction	1.214	.058	20.886	***	
Q.36	<---	Staff Interaction	1.274	.059	21.417	***	
Q.37	<---	Staff Interaction	1.292	.061	21.110	***	
Q.38	<---	Staff Interaction	1.230	.062	19.939	***	
Q.39	<---	Staff Interaction	.954	.169	5.655	***	
Q.40	<---	Staff Interaction	1.205	.065	18.639	***	
Q.46	<---	Continuance Commitment	1.000				
Q.45	<---	Continuance Commitment	1.088	.113	9.662	***	
Q.44	<---	Continuance Commitment	-.717	.076	-9.387	***	

Standardized Regression Weights: (Group number 1 - Default model)

		Estimate
Guest Satisfaction	<--- Loyalty Programmes DSE	.222
Affective Commitment	<--- Loyalty Programmes ASE	.676
Guest Satisfaction	<--- Technical Quality	.213
Guest Satisfaction	<--- Tangible Quality	.425
Guest Satisfaction	<--- Staff Interaction	-.156
Continuance Commitment	<--- Loyalty Programmes ASE	.218
Guest Loyalty	<--- Loyalty Programmes BSE	.253
Guest Loyalty	<--- Technical Quality	.002
Guest Loyalty	<--- Tangible Quality	-.066
Guest Loyalty	<--- Staff Interaction	.125
Guest Loyalty	<--- Staff Loyalty	.205
Guest Loyalty	<--- Affective Commitment	.305
Guest Loyalty	<--- Guest Satisfaction	.464
Guest Loyalty	<--- Continuance Commitment	-.047
Q.65	<--- Loyalty Programmes BSE	.677
Q.68	<--- Loyalty Programmes BSE	.666
Q.69	<--- Loyalty Programmes BSE	.049
Q.70	<--- Loyalty Programmes BSE	.698
Q.71	<--- Loyalty Programmes BSE	.738
Q.74	<--- Loyalty Programmes BSE	.131
Q.66	<--- Loyalty Programmes DSE	.509
Q.67	<--- Loyalty Programmes DSE	.690
Q.73	<--- Loyalty Programmes DSE	.517

		Estimate
Q.64	<--- Loyalty Programmes ASE	.718
Q.72	<--- Loyalty Programmes ASE	.874
Q.75	<--- Loyalty Programmes ASE	.793
Q.52	<--- Staff Loyalty	.750
Q.53	<--- Staff Loyalty	.845
Q.54	<--- Staff Loyalty	.791
Q.55	<--- Staff Loyalty	.799
Q.56	<--- Staff Loyalty	.775
Q.57	<--- Staff Loyalty	.755
Q.58	<--- Guest Loyalty	.513
Q.59	<--- Guest Loyalty	.722
Q.60	<--- Guest Loyalty	.807
Q.61	<--- Guest Loyalty	.797
Q.62	<--- Guest Loyalty	.882
Q.63	<--- Guest Loyalty	.754
Q.41	<--- Affective Commitment	.836
Q.42	<--- Affective Commitment	.862
Q.43	<--- Affective Commitment	.913
Q.47	<--- Guest Satisfaction	.846
Q.48	<--- Guest Satisfaction	.881
Q.49	<--- Guest Satisfaction	.909
Q.50	<--- Guest Satisfaction	.862
Q.51	<--- Guest Satisfaction	.698
Q.25	<--- Technical Quality	.625

			Estimate
Q.26	<---	Technical Quality	.896
Q.27	<---	Technical Quality	.885
Q.28	<---	Tangible Quality	.669
Q.29	<---	Tangible Quality	.614
Q.30	<---	Tangible Quality	.679
Q.31	<---	Tangible Quality	.791
Q.32	<---	Tangible Quality	.764
Q.33	<---	Staff Interaction	.714
Q.34	<---	Staff Interaction	.813
Q.35	<---	Staff Interaction	.849
Q.36	<---	Staff Interaction	.871
Q.37	<---	Staff Interaction	.858
Q.38	<---	Staff Interaction	.811
Q.39	<---	Staff Interaction	.231
Q.40	<---	Staff Interaction	.758
Q.46	<---	Continuance Commitment	.695
Q.45	<---	Continuance Commitment	.753
Q.44	<---	Continuance Commitment	-.494

Intercepts: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
Q.65	5.028	.047	107.001	***	
Q.68	4.315	.054	80.565	***	
Q.69	4.935	.049	100.694	***	
Q.70	4.827	.047	103.546	***	
Q.71	4.978	.050	100.060	***	
Q.74	5.218	.113	46.198	***	
Q.66	5.110	.045	112.597	***	
Q.67	4.628	.050	93.153	***	
Q.73	4.165	.051	82.205	***	
Q.64	4.454	.053	84.773	***	
Q.72	4.305	.052	82.855	***	
Q.75	3.858	.054	71.536	***	
Q.52	4.478	.046	97.506	***	
Q.53	4.832	.042	115.324	***	
Q.54	4.405	.045	98.677	***	
Q.55	5.043	.041	123.051	***	
Q.56	5.450	.038	142.203	***	
Q.57	4.544	.047	97.007	***	
Q.58	4.056	.055	73.941	***	
Q.59	5.001	.045	111.463	***	
Q.60	4.921	.045	110.509	***	
Q.61	4.428	.051	87.628	***	
Q.62	4.780	.049	96.645	***	

	Estimate	S.E.	C.R.	P	Label
Q.63	4.675	.052	90.658	***	
Q.41	3.954	.056	70.818	***	
Q.42	4.031	.054	75.138	***	
Q.43	3.855	.052	73.985	***	
Q.47	5.377	.039	138.597	***	
Q.48	5.265	.039	133.427	***	
Q.49	5.454	.037	146.909	***	
Q.50	5.403	.037	145.237	***	
Q.51	4.531	.053	85.216	***	
Q.25	5.057	.043	118.183	***	
Q.26	5.361	.037	145.121	***	
Q.27	5.352	.036	149.592	***	
Q.28	5.907	.038	154.683	***	
Q.29	5.479	.044	124.262	***	
Q.30	5.192	.042	124.031	***	
Q.31	5.270	.042	125.946	***	
Q.32	5.507	.039	142.781	***	
Q.33	2.565	.043	60.057	***	
Q.34	2.657	.042	62.771	***	
Q.35	2.791	.044	64.061	***	
Q.36	2.641	.045	59.220	***	
Q.37	2.741	.046	59.736	***	
Q.38	2.807	.046	60.722	***	
Q.39	2.946	.126	23.430	***	

	Estimate	S.E.	C.R.	P	Label
Q.40	2.791	.048	57.632	***	
Q.46	3.543	.054	66.088	***	
Q.45	4.144	.054	76.967	***	
Q.44	4.002	.054	74.020	***	

Covariances: (Group number 1 - Default model)

		Estimate	S.E.	C.R.	P	Label
Loyalty Programmes	<--> Loyalty Programmes DSE	.465	.048	9.702	***	
Loyalty Programmes	<--> Loyalty Programmes ASE	.468	.050	9.432	***	
Loyalty Programmes	<--> Loyalty Programmes ASE	.659	.058	11.327	***	
Technical Quality	<--> Tangible Quality	.284	.030	9.524	***	
Technical Quality	<--> Staff Interaction	-.295	.032	-9.332	***	
Tangible Quality	<--> Staff Interaction	-.335	.032	-10.310	***	
Staff Loyalty	<--> Technical Quality	.348	.036	9.607	***	
Staff Loyalty	<--> Tangible Quality	.347	.035	9.976	***	
Staff Loyalty	<--> Staff Interaction	-.475	.042	-11.239	***	

Correlations: (Group number 1 - Default model)

	Estimate
Loyalty Programmes BSE <--> Loyalty Programmes DSE	.998
Loyalty Programmes DSE <--> Loyalty Programmes ASE	.847
Loyalty Programmes BSE <--> Loyalty Programmes ASE	.866
Technical Quality <--> Tangible Quality	.655
Technical Quality <--> Staff Interaction	-.570
Tangible Quality <--> Staff Interaction	-.679
Staff Loyalty <--> Technical Quality	.595
Staff Loyalty <--> Tangible Quality	.622
Staff Loyalty <--> Staff Interaction	-.714

Variances: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
Loyalty Programmes BSE	.642	.070	9.188	***	
Loyalty Programmes DSE	.338	.053	6.323	***	
Loyalty Programmes ASE	.902	.090	10.006	***	
Technical Quality	.454	.054	8.391	***	
Tangible Quality	.414	.046	9.006	***	
Staff Interaction	.589	.058	10.180	***	
Staff Loyalty	.753	.070	10.797	***	
d4	.310	.026	11.728	***	
d2	.750	.066	11.381	***	
d3	.838	.116	7.214	***	
d1	.225	.035	6.436	***	
e.65	.758	.048	15.719	***	
e.68	1.012	.064	15.849	***	
e.69	1.519	.085	17.799	***	
e.70	.707	.046	15.452	***	
e.71	.714	.048	14.780	***	
e.74	7.952	.448	17.764	***	
e.66	.968	.058	16.631	***	
e.67	.820	.060	13.654	***	
e.73	1.193	.072	16.567	***	
e.64	.849	.055	15.499	***	
e.72	.404	.038	10.683	***	
e.75	.683	.049	14.038	***	

	Estimate	S.E.	C.R.	P	Label
e.52	.584	.037	15.756	***	
e.53	.318	.023	13.799	***	
e.54	.473	.031	15.142	***	
e.55	.385	.026	14.988	***	
e.56	.372	.024	15.411	***	
e.57	.599	.038	15.703	***	
e.58	1.406	.082	17.221	***	
e.59	.611	.038	16.010	***	
e.60	.438	.030	14.684	***	
e.61	.589	.040	14.893	***	
e.62	.344	.029	11.960	***	
e.63	.727	.047	15.620	***	
e.41	.594	.043	13.720	***	
e.42	.468	.037	12.569	***	
e.43	.287	.031	9.140	***	
e.47	.272	.018	14.940	***	
e.48	.222	.016	13.835	***	
e.49	.151	.012	12.315	***	
e.50	.225	.016	14.488	***	
e.51	.918	.055	16.736	***	
e.25	.707	.043	16.543	***	
e.26	.170	.020	8.644	***	
e.27	.176	.019	9.450	***	
e.28	.511	.033	15.699	***	

	Estimate	S.E.	C.R.	P	Label
e.29	.768	.047	16.239	***	
e.30	.599	.038	15.581	***	
e.31	.416	.031	13.413	***	
e.32	.393	.028	14.121	***	
e.33	.568	.034	16.658	***	
e.34	.386	.025	15.646	***	
e.35	.336	.022	14.929	***	
e.36	.305	.021	14.311	***	
e.37	.352	.024	14.692	***	
e.38	.464	.030	15.676	***	
e.39	9.485	.535	17.742	***	
e.40	.632	.039	16.307	***	
e.46	.942	.099	9.490	***	
e.45	.796	.109	7.319	***	
e.44	1.402	.091	15.451	***	

Squared Multiple Correlations: (Group number 1 - Default model)

	Estimate
Continuance Commitment	.047
Affective Commitment	.458
Guest Satisfaction	.546
Guest Loyalty	.552
Q.44	.244
Q.45	.567
Q.46	.483
Q.40	.575
Q.39	.053
Q.38	.657
Q.37	.736
Q.36	.758
Q.35	.721
Q.34	.660
Q.33	.509
Q.32	.584
Q.31	.625
Q.30	.461
Q.29	.377
Q.28	.447
Q.27	.783
Q.26	.803
Q.25	.391

	Estimate
Q.51	.488
Q.50	.743
Q.49	.827
Q.48	.775
Q.47	.715
Q.43	.833
Q.42	.744
Q.41	.699
Q.63	.569
Q.62	.778
Q.61	.636
Q.60	.651
Q.59	.521
Q.58	.263
Q.57	.569
Q.56	.600
Q.55	.638
Q.54	.625
Q.53	.715
Q.52	.563
Q.75	.630
Q.72	.764
Q.64	.515
Q.73	.267

	Estimate
Q.67	.476
Q.66	.259
Q.74	.017
Q.71	.545
Q.70	.487
Q.69	.002
Q.68	.444
Q.65	.459

Total Effects (Group number 1 - Default model)

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Continuance Commitment	.000	.000	.000	.215	.000	.000	.000	.000	.000	.000	.000
Affective Commitment	.000	.000	.000	.838	.000	.000	.000	.000	.000	.000	.000
Guest Satisfaction	-.168	.546	.261	.000	.315	.000	.000	.000	.000	.000	.000
Guest Loyalty	.049	.145	.106	.146	.126	.224	.167	-.036	.184	.398	.000
Q.44	.000	.000	.000	-.154	.000	.000	.000	-.717	.000	.000	.000
Q.45	.000	.000	.000	.234	.000	.000	.000	1.088	.000	.000	.000
Q.46	.000	.000	.000	.215	.000	.000	.000	1.000	.000	.000	.000
Q.40	1.205	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.39	.954	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.38	1.230	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.37	1.292	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.36	1.274	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.35	1.214	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.34	1.129	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.33	1.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.32	.000	1.154	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.31	.000	1.295	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.30	.000	1.112	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.29	.000	1.059	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.28	.000	1.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.27	.000	.000	1.183	.000	.000	.000	.000	.000	.000	.000	.000
Q.26	.000	.000	1.238	.000	.000	.000	.000	.000	.000	.000	.000

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Q.25	.000	.000	1.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.51	-.190	.618	.295	.000	.357	.000	.000	.000	.000	1.132	.000
Q.50	-.164	.534	.255	.000	.308	.000	.000	.000	.000	.978	.000
Q.49	-.173	.562	.268	.000	.325	.000	.000	.000	.000	1.029	.000
Q.48	-.178	.578	.276	.000	.334	.000	.000	.000	.000	1.059	.000
Q.47	-.168	.546	.261	.000	.315	.000	.000	.000	.000	1.000	.000
Q.43	.000	.000	.000	.853	.000	.000	.000	.000	1.019	.000	.000
Q.42	.000	.000	.000	.830	.000	.000	.000	.000	.991	.000	.000
Q.41	.000	.000	.000	.838	.000	.000	.000	.000	1.000	.000	.000
Q.63	.068	.200	.146	.202	.174	.309	.231	-.049	.254	.550	1.382
Q.62	.076	.224	.164	.227	.195	.347	.260	-.055	.285	.617	1.550
Q.61	.070	.207	.152	.210	.180	.320	.240	-.051	.263	.570	1.432
Q.60	.062	.185	.135	.187	.160	.286	.214	-.045	.235	.508	1.277
Q.59	.056	.167	.122	.168	.144	.257	.193	-.041	.212	.458	1.151
Q.58	.049	.145	.106	.146	.126	.224	.167	-.036	.184	.398	1.000
Q.57	.000	.000	.000	.000	.000	.000	1.026	.000	.000	.000	.000
Q.56	.000	.000	.000	.000	.000	.000	.862	.000	.000	.000	.000
Q.55	.000	.000	.000	.000	.000	.000	.950	.000	.000	.000	.000
Q.54	.000	.000	.000	.000	.000	.000	1.024	.000	.000	.000	.000
Q.53	.000	.000	.000	.000	.000	.000	1.028	.000	.000	.000	.000
Q.52	.000	.000	.000	.000	.000	.000	1.000	.000	.000	.000	.000
Q.75	.000	.000	.000	1.135	.000	.000	.000	.000	.000	.000	.000
Q.72	.000	.000	.000	1.204	.000	.000	.000	.000	.000	.000	.000

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Q.64	.000	.000	.000	1.000	.000	.000	.000	.000	.000	.000	.000
Q.73	.000	.000	.000	.000	1.134	.000	.000	.000	.000	.000	.000
Q.67	.000	.000	.000	.000	1.485	.000	.000	.000	.000	.000	.000
Q.66	.000	.000	.000	.000	1.000	.000	.000	.000	.000	.000	.000
Q.74	.000	.000	.000	.000	.000	.463	.000	.000	.000	.000	.000
Q.71	.000	.000	.000	.000	.000	1.154	.000	.000	.000	.000	.000
Q.70	.000	.000	.000	.000	.000	1.022	.000	.000	.000	.000	.000
Q.69	.000	.000	.000	.000	.000	.075	.000	.000	.000	.000	.000
Q.68	.000	.000	.000	.000	.000	1.121	.000	.000	.000	.000	.000
Q.65	.000	.000	.000	.000	.000	1.000	.000	.000	.000	.000	.000

Standardized Total Effects (Group number 1 - Default model)

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Continuance Commitment	.000	.000	.000	.218	.000	.000	.000	.000	.000	.000	.000
Affective Commitment	.000	.000	.000	.676	.000	.000	.000	.000	.000	.000	.000
Guest Satisfaction	-.156	.425	.213	.000	.222	.000	.000	.000	.000	.000	.000
Guest Loyalty	.053	.131	.101	.196	.103	.253	.205	-.047	.305	.464	.000
Q.44	.000	.000	.000	-.108	.000	.000	.000	-.494	.000	.000	.000
Q.45	.000	.000	.000	.164	.000	.000	.000	.753	.000	.000	.000
Q.46	.000	.000	.000	.151	.000	.000	.000	.695	.000	.000	.000
Q.40	.758	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.39	.231	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.38	.811	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.37	.858	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.36	.871	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.35	.849	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.34	.813	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.33	.714	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.32	.000	.764	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.31	.000	.791	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.30	.000	.679	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.29	.000	.614	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.28	.000	.669	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.27	.000	.000	.885	.000	.000	.000	.000	.000	.000	.000	.000
Q.26	.000	.000	.896	.000	.000	.000	.000	.000	.000	.000	.000

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Q.25	.000	.000	.625	.000	.000	.000	.000	.000	.000	.000	.000
Q.51	-.109	.297	.149	.000	.155	.000	.000	.000	.000	.698	.000
Q.50	-.135	.367	.183	.000	.191	.000	.000	.000	.000	.862	.000
Q.49	-.142	.387	.193	.000	.202	.000	.000	.000	.000	.909	.000
Q.48	-.138	.374	.187	.000	.195	.000	.000	.000	.000	.881	.000
Q.47	-.132	.360	.180	.000	.188	.000	.000	.000	.000	.846	.000
Q.43	.000	.000	.000	.617	.000	.000	.000	.000	.913	.000	.000
Q.42	.000	.000	.000	.583	.000	.000	.000	.000	.862	.000	.000
Q.41	.000	.000	.000	.566	.000	.000	.000	.000	.836	.000	.000
Q.63	.040	.099	.076	.148	.078	.191	.155	-.035	.230	.350	.754
Q.62	.047	.116	.089	.173	.091	.223	.181	-.041	.269	.409	.882
Q.61	.042	.105	.080	.156	.082	.202	.164	-.038	.243	.370	.797
Q.60	.043	.106	.081	.158	.083	.204	.166	-.038	.246	.375	.807
Q.59	.038	.095	.073	.142	.074	.183	.148	-.034	.220	.335	.722
Q.58	.027	.067	.052	.101	.053	.130	.105	-.024	.157	.238	.513
Q.57	.000	.000	.000	.000	.000	.000	.755	.000	.000	.000	.000
Q.56	.000	.000	.000	.000	.000	.000	.775	.000	.000	.000	.000
Q.55	.000	.000	.000	.000	.000	.000	.799	.000	.000	.000	.000
Q.54	.000	.000	.000	.000	.000	.000	.791	.000	.000	.000	.000
Q.53	.000	.000	.000	.000	.000	.000	.845	.000	.000	.000	.000
Q.52	.000	.000	.000	.000	.000	.000	.750	.000	.000	.000	.000
Q.75	.000	.000	.000	.793	.000	.000	.000	.000	.000	.000	.000
Q.72	.000	.000	.000	.874	.000	.000	.000	.000	.000	.000	.000

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Q.64	.000	.000	.000	.718	.000	.000	.000	.000	.000	.000	.000
Q.73	.000	.000	.000	.000	.517	.000	.000	.000	.000	.000	.000
Q.67	.000	.000	.000	.000	.690	.000	.000	.000	.000	.000	.000
Q.66	.000	.000	.000	.000	.509	.000	.000	.000	.000	.000	.000
Q.74	.000	.000	.000	.000	.000	.131	.000	.000	.000	.000	.000
Q.71	.000	.000	.000	.000	.000	.738	.000	.000	.000	.000	.000
Q.70	.000	.000	.000	.000	.000	.698	.000	.000	.000	.000	.000
Q.69	.000	.000	.000	.000	.000	.049	.000	.000	.000	.000	.000
Q.68	.000	.000	.000	.000	.000	.666	.000	.000	.000	.000	.000
Q.65	.000	.000	.000	.000	.000	.677	.000	.000	.000	.000	.000

Direct Effects (Group number 1 - Default model)

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Continuance Commitment	.000	.000	.000	.215	.000	.000	.000	.000	.000	.000	.000
Affective Commitment	.000	.000	.000	.838	.000	.000	.000	.000	.000	.000	.000
Guest Satisfaction	-.168	.546	.261	.000	.315	.000	.000	.000	.000	.000	.000
Guest Loyalty	.116	-.073	.002	.000	.000	.224	.167	-.036	.184	.398	.000
Q.44	.000	.000	.000	.000	.000	.000	.000	-.717	.000	.000	.000
Q.45	.000	.000	.000	.000	.000	.000	.000	1.088	.000	.000	.000
Q.46	.000	.000	.000	.000	.000	.000	.000	1.000	.000	.000	.000
Q.40	1.205	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.39	.954	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.38	1.230	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.37	1.292	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.36	1.274	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.35	1.214	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.34	1.129	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.33	1.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.32	.000	1.154	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.31	.000	1.295	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.30	.000	1.112	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.29	.000	1.059	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.28	.000	1.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.27	.000	.000	1.183	.000	.000	.000	.000	.000	.000	.000	.000
Q.26	.000	.000	1.238	.000	.000	.000	.000	.000	.000	.000	.000

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Q.25	.000	.000	1.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.51	.000	.000	.000	.000	.000	.000	.000	.000	.000	1.132	.000
Q.50	.000	.000	.000	.000	.000	.000	.000	.000	.000	.978	.000
Q.49	.000	.000	.000	.000	.000	.000	.000	.000	.000	1.029	.000
Q.48	.000	.000	.000	.000	.000	.000	.000	.000	.000	1.059	.000
Q.47	.000	.000	.000	.000	.000	.000	.000	.000	.000	1.000	.000
Q.43	.000	.000	.000	.000	.000	.000	.000	.000	1.019	.000	.000
Q.42	.000	.000	.000	.000	.000	.000	.000	.000	.991	.000	.000
Q.41	.000	.000	.000	.000	.000	.000	.000	.000	1.000	.000	.000
Q.63	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	1.382
Q.62	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	1.550
Q.61	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	1.432
Q.60	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	1.277
Q.59	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	1.151
Q.58	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	1.000
Q.57	.000	.000	.000	.000	.000	.000	1.026	.000	.000	.000	.000
Q.56	.000	.000	.000	.000	.000	.000	.862	.000	.000	.000	.000
Q.55	.000	.000	.000	.000	.000	.000	.950	.000	.000	.000	.000
Q.54	.000	.000	.000	.000	.000	.000	1.024	.000	.000	.000	.000
Q.53	.000	.000	.000	.000	.000	.000	1.028	.000	.000	.000	.000
Q.52	.000	.000	.000	.000	.000	.000	1.000	.000	.000	.000	.000
Q.75	.000	.000	.000	1.135	.000	.000	.000	.000	.000	.000	.000
Q.72	.000	.000	.000	1.204	.000	.000	.000	.000	.000	.000	.000

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Q.64	.000	.000	.000	1.000	.000	.000	.000	.000	.000	.000	.000
Q.73	.000	.000	.000	.000	1.134	.000	.000	.000	.000	.000	.000
Q.67	.000	.000	.000	.000	1.485	.000	.000	.000	.000	.000	.000
Q.66	.000	.000	.000	.000	1.000	.000	.000	.000	.000	.000	.000
Q.74	.000	.000	.000	.000	.000	.463	.000	.000	.000	.000	.000
Q.71	.000	.000	.000	.000	.000	1.154	.000	.000	.000	.000	.000
Q.70	.000	.000	.000	.000	.000	1.022	.000	.000	.000	.000	.000
Q.69	.000	.000	.000	.000	.000	.075	.000	.000	.000	.000	.000
Q.68	.000	.000	.000	.000	.000	1.121	.000	.000	.000	.000	.000
Q.65	.000	.000	.000	.000	.000	1.000	.000	.000	.000	.000	.000

Standardized Direct Effects (Group number 1 - Default model)

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Continuance Commitment	.000	.000	.000	.218	.000	.000	.000	.000	.000	.000	.000
Affective Commitment	.000	.000	.000	.676	.000	.000	.000	.000	.000	.000	.000
Guest Satisfaction	-.156	.425	.213	.000	.222	.000	.000	.000	.000	.000	.000
Guest Loyalty	.125	-.066	.002	.000	.000	.253	.205	-.047	.305	.464	.000
Q.44	.000	.000	.000	.000	.000	.000	.000	-.494	.000	.000	.000
Q.45	.000	.000	.000	.000	.000	.000	.000	.753	.000	.000	.000
Q.46	.000	.000	.000	.000	.000	.000	.000	.695	.000	.000	.000
Q.40	.758	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.39	.231	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.38	.811	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.37	.858	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.36	.871	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.35	.849	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.34	.813	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.33	.714	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.32	.000	.764	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.31	.000	.791	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.30	.000	.679	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.29	.000	.614	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.28	.000	.669	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.27	.000	.000	.885	.000	.000	.000	.000	.000	.000	.000	.000
Q.26	.000	.000	.896	.000	.000	.000	.000	.000	.000	.000	.000

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Q.25	.000	.000	.625	.000	.000	.000	.000	.000	.000	.000	.000
Q.51	.000	.000	.000	.000	.000	.000	.000	.000	.000	.698	.000
Q.50	.000	.000	.000	.000	.000	.000	.000	.000	.000	.862	.000
Q.49	.000	.000	.000	.000	.000	.000	.000	.000	.000	.909	.000
Q.48	.000	.000	.000	.000	.000	.000	.000	.000	.000	.881	.000
Q.47	.000	.000	.000	.000	.000	.000	.000	.000	.000	.846	.000
Q.43	.000	.000	.000	.000	.000	.000	.000	.000	.913	.000	.000
Q.42	.000	.000	.000	.000	.000	.000	.000	.000	.862	.000	.000
Q.41	.000	.000	.000	.000	.000	.000	.000	.000	.836	.000	.000
Q.63	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.754
Q.62	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.882
Q.61	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.797
Q.60	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.807
Q.59	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.722
Q.58	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.513
Q.57	.000	.000	.000	.000	.000	.000	.755	.000	.000	.000	.000
Q.56	.000	.000	.000	.000	.000	.000	.775	.000	.000	.000	.000
Q.55	.000	.000	.000	.000	.000	.000	.799	.000	.000	.000	.000
Q.54	.000	.000	.000	.000	.000	.000	.791	.000	.000	.000	.000
Q.53	.000	.000	.000	.000	.000	.000	.845	.000	.000	.000	.000
Q.52	.000	.000	.000	.000	.000	.000	.750	.000	.000	.000	.000
Q.75	.000	.000	.000	.793	.000	.000	.000	.000	.000	.000	.000
Q.72	.000	.000	.000	.874	.000	.000	.000	.000	.000	.000	.000

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Q.64	.000	.000	.000	.718	.000	.000	.000	.000	.000	.000	.000
Q.73	.000	.000	.000	.000	.517	.000	.000	.000	.000	.000	.000
Q.67	.000	.000	.000	.000	.690	.000	.000	.000	.000	.000	.000
Q.66	.000	.000	.000	.000	.509	.000	.000	.000	.000	.000	.000
Q.74	.000	.000	.000	.000	.000	.131	.000	.000	.000	.000	.000
Q.71	.000	.000	.000	.000	.000	.738	.000	.000	.000	.000	.000
Q.70	.000	.000	.000	.000	.000	.698	.000	.000	.000	.000	.000
Q.69	.000	.000	.000	.000	.000	.049	.000	.000	.000	.000	.000
Q.68	.000	.000	.000	.000	.000	.666	.000	.000	.000	.000	.000
Q.65	.000	.000	.000	.000	.000	.677	.000	.000	.000	.000	.000

Indirect Effects (Group number 1 - Default model)

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Continuance Commitment	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Affective Commitment	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Guest Satisfaction	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Guest Loyalty	-.067	.217	.104	.146	.126	.000	.000	.000	.000	.000	.000
Q.44	.000	.000	.000	-.154	.000	.000	.000	.000	.000	.000	.000
Q.45	.000	.000	.000	.234	.000	.000	.000	.000	.000	.000	.000
Q.46	.000	.000	.000	.215	.000	.000	.000	.000	.000	.000	.000
Q.40	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.39	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.38	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.37	.000	.000	.000	.000	.000	.000	.000	<u>.000</u>	.000	.000	.000
Q.36	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.35	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.34	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.33	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.32	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.31	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.30	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.29	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.28	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.27	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.26	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Q.25	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.51	-.190	.618	.295	.000	.357	.000	.000	.000	.000	.000	.000
Q.50	-.164	.534	.255	.000	.308	.000	.000	.000	.000	.000	.000
Q.49	-.173	.562	.268	.000	.325	.000	.000	.000	.000	.000	.000
Q.48	-.178	.578	.276	.000	.334	.000	.000	.000	.000	.000	.000
Q.47	-.168	.546	.261	.000	.315	.000	.000	.000	.000	.000	.000
Q.43	.000	.000	.000	.853	.000	.000	.000	.000	.000	.000	.000
Q.42	.000	.000	.000	.830	.000	.000	.000	.000	.000	.000	.000
Q.41	.000	.000	.000	.838	.000	.000	.000	.000	.000	.000	.000
Q.63	.068	.200	.146	.202	.174	.309	.231	-.049	.254	.550	.000
Q.62	.076	.224	.164	.227	.195	.347	.260	-.055	.285	.617	.000
Q.61	.070	.207	.152	.210	.180	.320	.240	-.051	.263	.570	.000
Q.60	.062	.185	.135	.187	.160	.286	.214	-.045	.235	.508	.000
Q.59	.056	.167	.122	.168	.144	.257	.193	-.041	.212	.458	.000
Q.58	.049	.145	.106	.146	.126	.224	.167	-.036	.184	.398	.000
Q.57	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.56	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.55	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.54	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.53	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.52	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.75	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.72	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Q.64	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.73	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.67	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.66	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.74	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.71	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.70	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.69	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.68	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.65	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000

Standardized Indirect Effects (Group number 1 - Default model)

	Staff Interaction	Tangible Quality	Technical Quality	Loyalty Programmes ASE	Loyalty Programmes DSE	Loyalty Programmes BSE	Staff Loyalty	Continuance Commitment	Affective Commitment	Guest Satisfaction	Guest Loyalty
Continuance Commitment	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Affective Commitment	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Guest Satisfaction	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Guest Loyalty	-.073	.197	.099	.196	.103	.000	.000	.000	.000	.000	.000
Q.44	.000	.000	.000	-.108	.000	.000	.000	.000	.000	.000	.000
Q.45	.000	.000	.000	.164	.000	.000	.000	.000	.000	.000	.000
Q.46	.000	.000	.000	.151	.000	.000	.000	.000	.000	.000	.000
Q.40	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.39	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.38	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.37	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.36	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.35	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.34	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.33	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.32	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.31	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.30	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.29	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.28	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.27	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.26	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.25	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000

Q.51	-.109	.297	.149	.000	.155	.000	.000	.000	.000	.000	.000	.000
Q.50	-.135	.367	.183	.000	.191	.000	.000	.000	.000	.000	.000	.000
Q.49	-.142	.387	.193	.000	.202	.000	.000	.000	.000	.000	.000	.000
Q.48	-.138	.374	.187	.000	.195	.000	.000	.000	.000	.000	.000	.000
Q.47	-.132	.360	.180	.000	.188	.000	.000	.000	.000	.000	.000	.000
Q.43	.000	.000	.000	.617	.000	.000	.000	.000	.000	.000	.000	.000
Q.42	.000	.000	.000	.583	.000	.000	.000	.000	.000	.000	.000	.000
Q.41	.000	.000	.000	.566	.000	.000	.000	.000	.000	.000	.000	.000
Q.63	.040	.099	.076	.148	.078	.191	.155	-.035	.230	.350	.000	.000
Q.62	.047	.116	.089	.173	.091	.223	.181	-.041	.269	.409	.000	.000
Q.61	.042	.105	.080	.156	.082	.202	.164	-.038	.243	.370	.000	.000
Q.60	.043	.106	.081	.158	.083	.204	.166	-.038	.246	.375	.000	.000
Q.59	.038	.095	.073	.142	.074	.183	.148	-.034	.220	.335	.000	.000
Q.58	.027	.067	.052	.101	.053	.130	.105	-.024	.157	.238	.000	.000
Q.57	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.56	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.55	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.54	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.53	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.52	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.75	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.72	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.64	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.73	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.67	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.66	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000

Q.74	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.71	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.70	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.69	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.68	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Q.65	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000

Minimization History (Default model)

Iteration	Negative eigenvalues	Condition #	Smallest eigenvalue	Diameter	F	NTries	Ratio
0	e	25	-1.325	9999.000	22712.802	0	9999.000
1	e	36	-.288	4.864	14284.042	20	.279
2	e*	10	-.145	2.393	8478.626	5	.832
3	e*	4	-1.234	1.119	6784.358	4	.695
4	e	1	-.077	1.046	5616.898	5	.526
5	e	0	22152.564	.890	4803.153	5	.864
6	e	0	3757.404	.905	4657.432	4	.000
7	e	0	1946.253	1.275	4364.372	1	.978
8	e	0	2782.495	.509	4286.588	1	1.093
9	e	0	3458.714	.307	4279.399	1	1.104
10	e	0	4655.934	.108	4278.810	1	1.084
11	e	0	4987.832	.024	4278.796	1	1.020
12	e	0	4969.099	.001	4278.796	1	1.001

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	176	4278.796	1201	.000	3.563
Saturated model	1377	.000	0		
Independence model	102	22885.206	1275	.000	17.949

Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.813	.802	.858	.849	.858
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

Parsimony-Adjusted Measures

Model	PRATIO	PNFI	PCFI
Default model	.942	.766	.808
Saturated model	.000	.000	.000
Independence model	1.000	.000	.000

NCP

Model	NCP	LO 90	HI 90
Default model	3077.796	2881.937	3281.115
Saturated model	.000	.000	.000
Independence model	21610.206	21122.731	22104.083

FMIN

Model	FMIN	F0	LO 90	HI 90
Default model	6.749	4.855	4.546	5.175
Saturated model	.000	.000	.000	.000
Independence model	36.097	34.085	33.317	34.864

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.064	.062	.066	.000
Independence model	.164	.162	.165	.000

AIC

Model	AIC	BCC	BIC	CAIC
Default model	4630.796	4662.246		
Saturated model	2754.000	3000.062		
Independence model	23089.206	23107.433		

ECVI

Model	ECVI	LO 90	HI 90	MECVI
Default model	7.304	6.995	7.625	7.354
Saturated model	4.344	4.344	4.344	4.732
Independence model	36.418	35.649	37.197	36.447

HOELTER

Model	HOELTER .05	HOELTER .01
Default model	191	196
Independence model	38	39