

## **IDENTIFYING THE IMPACT OF HOTEL IMAGE ON CUSTOMER LOYALTY: A CASE STUDY FROM FOUR-STAR HOTELS IN KUALA LUMPUR, MALAYSIA**

<sup>1</sup>Seyedhossein Nikou, <sup>2</sup>Harihodin Bin Selamat, <sup>3</sup>Rasimah Che Mohd Yusoff

<sup>4</sup>Mohsen Malekalketab Khiabani

<sup>1,2,3</sup>Advanced Informatics School, University Technology Malaysia, 54100 Kuala Lumpur, Malaysia

<sup>4</sup>International Business School, University Technology Malaysia, 54100 Kuala Lumpur, Malaysia

### **ABSTRACT**

In the hospitality industry, one of the significant points into consideration is customer loyalty and gaining loyalty of customers. There are many ways in order to enhance the level of loyalty of guests of which among them hotel image has been considered by previous scholars. This research aims to identify the impact of hotel image on customer loyalty directly and through mediating role of customer satisfaction in the four-star hotels located in Kuala Lumpur, Malaysia. For achieving research objectives, quantitative approach including distribution of 550 questionnaires was done during March to May 2016 with the response rate of 69.81 percent. Data was analyzed via IBMSPSSAMOS version 22. Using structural equation modeling (SEM) through analysis of moment structure (AMOS) program, confirmatory factor analysis (CFA) with two-step strategy was run and developed hypotheses of current study were tested. Findings indicated that hotel image has positive and direct determination on customer satisfaction and customer loyalty. Moreover, customer satisfaction has also positive and direct prediction on customer loyalty. Finally, customer satisfaction mediates the relationship between hotel image and customer loyalty with positive standardized regression weights of .258. The value of this research is contribution to the hospitality industry literature, managers of hospitality industries especially four-star hotels in Kuala Lumpur, Malaysia. Finding will bring initial insights into managers' perspectives in the four-star hotels in Kuala Lumpur, Malaysia in order to increase the level of customer loyalty through hotel image.

**Keywords:** Hotel Image, customer satisfaction, customer loyalty, hospitality industry, Kuala Lumpur, Malaysia, structural equation modeling

## **1. INTRODUCTION**

Around the world, companies recognize the benefits of good service for retaining and winning customers. Every business needs to keep customers and clients happy, but in the hospitality industry, it is so vitally important to keep guests engaged in order for the business to grow and prosper. Understanding the importance of good customer service is, therefore, essential for a healthy business in creating new customers, keeping loyal customers, and developing referrals for future customers (S Nikou 2016). For hoteliers, learning how to constantly innovate to meet high expectations and provide good service is one thing they must not forget. “Customer loyalty has become a topical issue in research and practice due to its proven dominance in a hotel organization’s success” (Kandampully and Suhartanto 2003). According to the (Kandampully and Suhartanto 2000), managers of hospitality industry believe that profitability will be increased by satisfying customers.

Many studies have been conducted on the association of corporate/hotel image with customer satisfaction and customer loyalty such as (Kandampully and Suhartanto 2000, Kandampully and Suhartanto 2003, Kandampully and Hu 2007, Muturi, Jackline Sagwe et al. 2013). By reviewing the relevant literature, it can be deduced that it has attracted researchers’ attention and managers within service industries especially hospitality industry. Lack of study to date has addressed conducting a study on the association of hotel image, customer satisfaction, and customer loyalty in four-star hotels in Kuala Lumpur, Malaysia, thus; authors of this original research article have been stimulated to conduct a study in order to identify the effect of hotel image on customer loyalty directly and through mediating role of customer satisfaction.

In the present research paper, firstly, authors goes through review of previous studies and supporting relationship among hotel image, customer satisfaction, and customer loyalty by Self-Organizing Maps (SOM) approach. Secondly, constructed research model will be illustrated and hypotheses will be formulated. Thirdly, collected data from customers of four-star hotels in Kuala Lumpur, Malaysia will be analyzed. Finally, conclusion and implications for managers within the scope of this study and recommendations will be mentioned.

## **2. LITERATURE REVIEW**

### **2.1 Review of Relevant Previous Studies by Scholars**

(Kandampully and Suhartanto 2000) conducted a study in New Zealand in order to identify the determination of hotel image and customer satisfaction on customer loyalty in chain hotels located in New Zealand as stated earlier. The research model in the study by (Kandampully and Suhartanto 2000) consists of three variables which are hotel image and customer satisfaction as independent variables and customer loyalty as dependent variable of which is referred to

research problem. (Kandampully and Suhartanto 2000) took quantitative approach which involves distribution of questionnaire. Thus, 237 questionnaires were distributed among customers or guests of five different chain hotels located in Christchurch, New Zealand. From 237 distributed questionnaires, total of 158 were returned and 106 surveys with response rate of 45 percent were returned. (Kandampully and Suhartanto 2000) formulated testable hypotheses according to the research model of the study. In order to achieve the objective of the study, SPSS was utilized and regression analyses were conducted. The results of data processing revealed that hotel image and customer satisfaction have significant determination on customer loyalty in five different chain hotels located in Christchurch, New Zealand. (S Nikou 2016)

(Kandampully and Suhartanto 2003) conducted a study in Australia with the purpose of identifying the determinants of customer loyalty such as hotel image and customer satisfaction that are positively related to customer loyalty in hotels. The research problem is referred to customer loyalty in chain hotels in Australia. The research model in the study consists of three variables. Two of them are independent variables which are hotel image, customer satisfaction and another one is customer loyalty of which is dependent variable. (Kandampully and Suhartanto 2003) took quantitative approach and distribution of questionnaires in hotels in Australia. To achieve this objective, cross-sectional data were collected from chain hotel customers. (Kandampully and Suhartanto 2003) utilized SPSS software and conducted multiple regression analyses in order to test developed hypotheses according to the research model. Research findings supported the notion that hotel image and customer satisfaction are positively correlated to customer loyalty. (S Nikou 2016)

(Kandampully and Hu 2007) conducted a study in Mauritius with the purpose of determining the relationships between service quality and customer satisfaction and how they impact corporate image and customer loyalty. The research model in this study consists of four variables as independent variables and dependent variable. Three of them are independent variables which are service quality, customer satisfaction, and corporate image. And dependent variable is customer loyalty. (Kandampully and Hu 2007) took quantitative approach. The data was collected from the customers of hotels located in Mauritius. (Kandampully and Hu 2007) utilized SPSS statistical tools in order to understand the relationship amongst variables. The results indicated that existence of a significant relationship between service quality and customer satisfaction. The relationship between service quality and corporate image was found statistically significant. This study finding suggested that customers who received high service quality formed a favorable image of the hotel. The relationship between customer satisfaction and corporate image was also found to be statistically significant. Thus, this study results clearly indicated that customer satisfaction had a positive impact on the corporate image. However, no significant impact of service quality on customer loyalty was observed. Furthermore, customer

satisfaction was found to significantly affect loyalty. It was also found that customer satisfaction has positive impact on customer loyalty. Finally, corporate image was found to positively influence customer loyalty. This study's results supported that corporate image has a strong impact on customer loyalty. Additionally, service quality and customer satisfaction were also found to have indirect effects on customer loyalty via corporate image. (S Nikou 2016)

(Muturi, Jackline Sagwe et al. 2013) Carried out a study on customer loyalty through the moderating role of corporate image as a social pressure. The aim of this research was to interrogate the mediating role of corporate image in terms of customer loyalty in Kenya. For purpose of the research, a quantitative approach was employed and the results derived from 140 users of mobile telecommunication services in Kenya through SPSS. The outcomes of the study indicated that perceived service value, service quality, and social pressure had a direct and significant impact on customer loyalty or it could be said that they were significant predictors of customer loyalty; while customer satisfaction was not significant predictor of customer loyalty. In addition, relationships among service value, service quality, social pressure and customer loyalty, corporate image were shown to moderate relationship. (S Nikou 2016)

By reviewing above studies, it can be concluded that relationship and consistencies among hotel image, customer satisfaction, and customer loyalty have been explored and have attracted researchers' attention and managers in hospitality industries. Besides, it is notable to mention that all the results of reviewed studies are synchronized. Another review study in this research era by (S Nikou 2016) indicated there is a positive association among hotel image, customer satisfaction, and customer loyalty. Referring to above notes, in the present original research paper, authors have been motivated to identify the impact of hotel image on customer loyalty directly and through mediating role of customer satisfaction in the four-star hotels in Kuala Lumpur, Malaysia in order to contribute to the body of this existing knowledge.

## **2.2 Corporate/Hotel Image**

Corporate image has been identified as an important factor in the overall evaluation of a firm (Bitner 1990) and is argued to be what comes to the mind of a customer when they hear the name of a firm (Nguyen 2006).

Hotel image is believed to play an important role on a customer's decision to use a hotel. Hotel image is mainly derived from customers past experiences. Thus, a customer's experience with the hotels' services is considered to be the factor most influential in determining their image of the hotel (Kandampully and Suhartanto 2000). Moreover, image is considered to be an important variable in influencing marketing activities. Image is important for any organization, due to its ability to influence customers' perception of the goods and services offered (Zeithaml, Bitner et

al. 2012). As a result, image impacts on customers' buying behavior, and this highlights the importance of maintaining a desirable image.

Contact personnel and physical environment are used by many hotels, to successfully communicate the benefits (Nguyen 2006), essentially creating a more concrete and perceivable image to its customers.

### **2.3 Corporate/Hotel Image, Customer Satisfaction, and Customer Loyalty**

As stated, an organization's image is an important variable that positively or negatively influence marketing activities and customer decision. (Andreassen and Lindestad 1998) and (Grönroos 1984) suggested that corporate image serves as a filtering mechanism that impacts customer's perception and customer satisfaction. (Nguyen and LeBlanc 1998) reported that customers who perceive service quality over repeated service encounters will have an overall favorable image of the firm. Thus, it is important for hospitality firms to gain high customer satisfaction by managing service encounters.

If customers perceive that the firm is truly service oriented, it will have the power to enhance customers' perception of the firm's image and gain their loyalty. Those firms who have developed strategies and systems to ensure that the entire firm's focus remains directed on assisting and supporting customers will not only gain positive influence on the firms' image but will also gain customer loyalty (Kandampully and Hu 2007). (Oh 1999) also found those perceived service quality and customer satisfactions have important relationships in customer's repurchasing decision process. Their study indicates that service quality and customer satisfaction are directly or indirectly related to repurchase intention as well as to positive WOM communication (Word of Mouth Communication) intentions in the hotel industry. For example: Dell's customer focused service model "beginning with the customer and ending with the customer" helped Dell to provide personalized service to its customers (Dell and Fredman 2000). Through Dell's intense customer focus it was possible for Dell to create the revolutionary service strategies that enabled Dell to show its service superiority. Dell's strategies: "build-to-order"; "direct relationship" and "single point of accountability" helped to orient the entire firm to serve the customer better. These services were unheard of in the computer industry, as it was considered impossible to build computers for the requirements of every individual customer. Dell's service strategy to offer customized computers to its customers communicated Dell's superiority over other computer firms in the market. Dell thus was also successful in communicating their service-oriented system very effectively to their customers. In effect, Dell gained the opportunity to create and maintain direct relationship with its customers by assigning single point of accountability (customers have direct contact with one Dell employee who fulfills all of a customer's requests). This direct relationship focused strategy helped Dell not only to

offer customer support but also to maintain direct long term relationship with the customers through the entire life span of the computer. Dell's direct relationship and service support was truly a "unique proposition" to the customers. Dell's well thought through service strategies allowed Dell to orchestrate superior services that are focused on customer needs. Through its superior service Dell gained customer satisfaction and uplifted its image in the customers mind, thereby gaining the all-important customer loyalty. The above examples of Ritz Carlton and Dell, provides a clear message to the hotel firms. It is imperative for hotel firms to move away from the old paradigm of marketing and advertisement. Image and loyalty are no longer the variables that can be influenced through advertisement and marketing, but are those that can be successfully managed through superior service and customer satisfaction.

Additionally, a firm's ability to consistently deliver superior quality of service and the subsequent customer satisfaction are considered to be the primary prerequisite for gaining customer loyalty. Several studies suggested that consistently providing high quality service may help hospitality firms increase their number of brand loyal customers (Tepeci 1999, Back and Parks 2003).

The quality of service is influenced by the actions of contact employees during service delivery. Based on (Kandampully and Hu 2007) the thousands of moments-of-truth that are spontaneously managed by service employees both in the presence and/or away from customers' sight communicates quality, efficiency the service-oriented culture of the firm. The firm's employees' service mindedness may be considered as the collective service culture of the firm which motivates service personnel to go beyond their job tasks to fulfill customer needs. Service minded employees therefore have the unique opportunity to establish relationship with the customer. For example: at Southwest Airlines the common mantra is "customers come second – and still get great service". South West's core belief "the better its people are treated the better they perform" this core belief helped Southwest gain three very important outcomes, namely: employee relationships, service culture and customer relationship. Employee relationship spontaneously created the most coveted service culture Southwest enjoys (Bunz and Maes 1998, Rhoades 2006). The commitment and loyalty of its employees is what differentiates southwest from its competition. A sense of employee "ownership" within a service-oriented culture has reaped significant dividends for the firm. The loyalty of Southwest's internal customers is reflected directly in the loyalty of its external customers. Customer focused service culture of Southwest instigates employees to go out of their way to please customers. At every moment of the service experience Southwest's employees create positive and memorable moments-of-truth that have helped them gain and enhance customer relationship, loyalty and positive word-of-mouth. Efficient, spontaneous and personalized service offered by Southwest employees has helped to win the heart of its customers. Thus, the superior quality of service as perceived by its

customers helped Southwest successfully create customer satisfaction and long term relationship with its customers (Bunz and Maes 1998, Rhoades 2006). The above example from Southwest clearly illustrates the impact of operational outcome on customer satisfaction, image and customer loyalty. (Getty and Thompson 1995) reported that consumer's intentions to recommend are a function of their perception of both their satisfaction and service quality with the hotel experience.

Service literature identifies a number of studies related to corporate image and customer satisfaction and loyalty. According to (Muturi, Jackline Sagwe et al. 2013) the services that match or exceed customer value expectation influence customer to make repeat purchases. Such repeat purchases may in the long run facilitate the formation of relationships that may foster customer loyalty. Further, they found that that corporate image has a positive moderating effect on the relationship between service value, service quality, customer satisfaction, social pressure and customer loyalty. So customers will remain loyal if the image of the service provider is good because it has a moderating effect on customer perception of service value, perceived service quality, customer satisfaction and customer loyalty.

In other study, (Ostrowski, O'Brien et al. 1993) examined issues related to service quality and customer loyalty in the airline industry. Using data collected from two air carriers, they indicated that a significant relationship exists between carrier image and retained preference (a measure of customer loyalty). Among the carrier-image variables used in their research, airline reputation and quality of customer service were deemed the most important variables for both airlines.

Furthermore, study of (Ostrowski, O'Brien et al. 1993) show that the image of the location, employee attitude, facilities, and services of a hotel constitute important factors in determining customer loyalty. Also, based on (Normann 1991), the positive correlation between hotel image and a customer's intention to repurchase, to recommend, and to demonstrate loyalty can be attributed to the role of image as a representative of reality. Therefore, customers tend to repurchase and recommend a business with a favorable image in the belief that it provides an assurance of high quality goods and services.

In summary, hotel firms' competitiveness is associated with higher levels of service quality and customer satisfaction. Further, customer's perception about the firms' image will have positive impact on customer loyalty. Thus, referring to the above literature and SOM approach, hotel image is positively associated with customer satisfaction and loyalty.

## **2.4 SOM Approach**

(Mazanec 1995) examined Self-Organizing Maps (SOM) for positioning analysis of luxury hotels. He reported that image is positively associated with customer satisfaction and customer

preference (a dimension of customer loyalty). A desirable image leads to customer satisfaction and customer preference, whereas an undesirable image leads to dissatisfaction. It can be concluded that there are positive associations among hotel image, customer satisfaction, and customer loyalty.

## 2.5 Research Model

By reviewing previous studies by scholars and stating SOM approach introduced by (Mazanec 1995), the model of this original research is illustrated. The model of present study consists of three variables which are hotel image, customer satisfaction, and customer loyalty. Hotel image is exogenous variable; customer satisfaction is mediating variable and exogenous one for customer loyalty, and customer loyalty is endogenous variable. All of three variables are latent variables. For depicting research model, pattern introduced by (MacKinnon 2008) for statistical mediation analysis of customer satisfaction is utilized. Since the research model is determination of exogenous variable on endogenous variable, therefore the model is recursive (Schumacker and Lomax 2004, Cortina 2005, Blunch 2012, Byrne 2013). Figure 1 depicts model of current study.



**Figure 1: Research Model**

## 2.6 Hypotheses development

Formulation of hypotheses in this research is in line with review of literature, SOM approach, and in relation with research model as illustrated in figure 1. Thus, following hypotheses are developed.

***H1: Hotel Image affects customer satisfaction in the four-star hotels in Kuala Lumpur, Malaysia positively and directly.***

***H2: Hotel Image affects customer loyalty in the four-star hotels in Kuala Lumpur, Malaysia positively and directly.***



*H3: Customer satisfaction affects customer loyalty in the four-star hotels in Kuala Lumpur, Malaysia positively and directly.*

*H4: Customer satisfaction mediates the relationship between hotel image and customer loyalty in the four-star hotels in Kuala Lumpur, Malaysia positively and indirectly.*

### **3. RESEARCH METHODOLOGY**

#### **3.1 Questionnaire Description**

The development of questionnaire is based on exogenous and endogenous variables. As illustrated in the research model of this research paper, models consists of three variables which are namely, hotel image, customer satisfaction, and customer loyalty. In order to measure hotel image, scale introduced by previous research was adapted. The scale is the original scale introduced by (Kandampully and Suhartanto 2000) which includes three items. It is worthwhile noting that this scale has been cited by numerous scholars for measuring corporate/hotel image such as (Wu 2009, Milfelner and Korda 2010). For measuring customer satisfaction, scale introduced by YI (1990) which involves six items was adapted and finally for measuring customer loyalty scales introduced by Zeithaml, Berry et al. (1996) which involves seven items was utilized. Many studies by researchers such as Ndubisi (2003) have followed this scale for measuring customer loyalty. It is noteworthy to mention that all items were rated based on five-point frequency Likert scale from strongly disagree to strongly agree.

#### **3.2 Data Collection Procedure**

Kuala Lumpur as a federal region has considerable importance due to many following reasons. First, Kuala Lumpur is the capital city of Malaysia, as a multi-purpose destination with a domestic population of around three million people. Second, Kuala Lumpur is a city of business, education, industry, with attractive tourists' places. Third, most of the international flights operate from Kuala Lumpur International Airport. Fourth, many foreigners stay in Kuala Lumpur hotels. A cross-cultural mixture of hotel customers is significant, as the purpose of this research is not to focus specially on a particular type of customer. In addition, Kuala Lumpur has sufficient number of foreigner and domestic guests in four stars hotel. Therefore, these hotels enable the researcher to gather sufficient sample size. The sample population of this study will be composed of the guests who stay at least one night at four-star hotels in Kuala Lumpur.

Data collection in the present research was a kind of cross sectional data survey. Because data gathering was done in a period from March to May 2016, 550 copies of survey questionnaires were distributed among guests of different 4-star hotels in Kuala Lumpur, Malaysia. 384 copies

were returned. Thus, the response rate was 69.81 percent. Questionnaire distribution was done by the help of a field worker who had sufficient knowledge about content of survey and no bias, and through managing this step by the main author of this study.

This research is going to study from customers' perspective. The target population of the study is the guests of four-star hotels in Kuala Lumpur for three reasons. Firstly, in Kuala Lumpur, there are many four-star hotels. Selecting these hotel classes enables the researcher to gather sufficient completed questionnaires to analysis the collected data. Secondly, the guests of the upper class hotels tend to give more weight to the benefits of service (Back and Parks 2003, Suhartanto 2011). Lastly, due to owing the limited resources on disposal of the researcher, the target population of the study is restricted to the customer or guests of four-star hotels in Kuala Lumpur.

#### **4. DATA PROCESSING AND RESULTS**

##### **4.1 Reliability Test**

Reliability tests were conducted for each exogenous and endogenous variable of research model separately as illustrated in figure 1. According to the (Cronbach 1951), the value above .60 is acceptable for exploratory studies and for confirmatory studies, based on (Nunnally, Bernstein et al. 1967, Peter 1979, Gefen, Straub et al. 2000) value above .70 is acceptable. In addition, referring to the (Hair, Anderson et al. 1984, Barclay, Higgins et al. 1995), in SEM technique, the internal consistency coefficient should be above .70. As can be seen in table 1, all the values are well and acceptable for conducting this confirmatory research. Table 1 contains relevant information.

**Table 1: Reliability Test**

<b>Exogenous or Endogenous Variable</b>	<b>Cronbach's alpha value</b>	<b>No. of Items</b>
<b>Customer Satisfaction</b>	<b>.850</b>	<b>6</b>
<b>Customer Loyalty</b>	<b>.912</b>	<b>7</b>
<b>Hotel image</b>	<b>.767</b>	<b>3</b>

##### **4.2 Factor Analysis**

Since the original scales within this research have been cited and those scales have been introduced by previous scholars as mentioned earlier, the type of factor analysis (FA) in this

research paper is CFA. FA was run in SPSS version 22 software with (PCA) extraction method for all items of survey questionnaire which are sixteen items for hotel image, customer satisfaction, and customer loyalty. Based on (Field 2005) “correlation coefficients fluctuate from sample to sample, much more so in small samples than in large”. Therefore, the reliability of FA is really dependent of size of sample(Field 2005). According to the (Coakes and Steed 2009), for the case of size of sample more than 200 is preferable. Based on (Coakes and Steed 2009), and (Bartlett 1954, Kaiser 1974), Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO-MSA) should be far greater than 0.6. As can be seen in table 2, the obtained result related to (KMO-MSA) is equal with .894. This is far greater than 0.6. Thus, it can be concluded that sample size is adequate. Besides, it is obvious that Bartlett’s Test of Sphericity is 5370.111 which are significant p-value is equal with .000 and less than 0.05 which is acceptable for Sig.

**Table 2: KMO and Bartlett's Test**

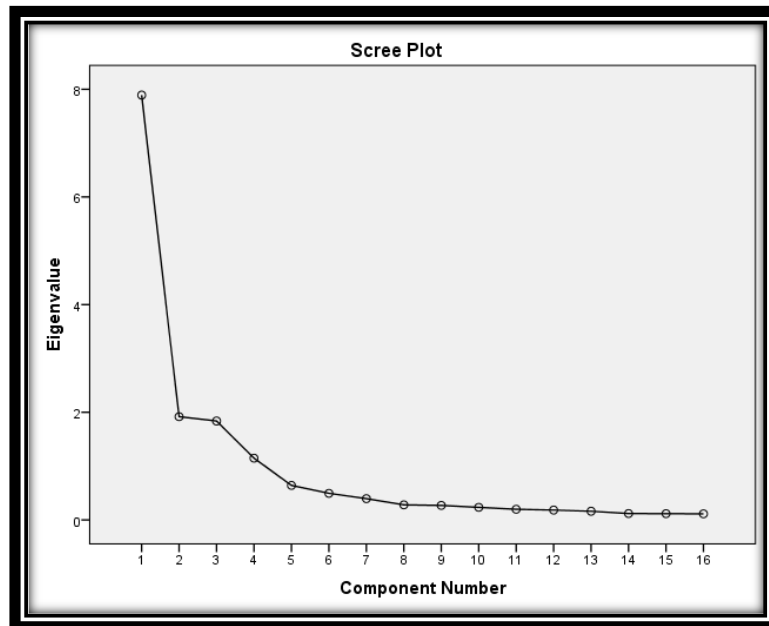
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		<b>.894</b>
Bartlett's Test of Sphericity	Approx. Chi-Square	<b>5370.111</b>
	df	<b>120</b>
	Sig.	<b>.000</b>

Another important table is communality table, based on (Hair 2010, Hair, Sarstedt et al. 2012); communality item should be above **0.5**. As can be seen in the commonality table, all items’ values of survey questionnaire are above **0.5**. Table 3 represents related information.

**Table 3: Communalities**

	Initial	Extraction
CS1: I am very pleased on the service provided by the hotel.	1.000	.787
CS2: I am satisfied with the service provided by the hotel.	1.000	.892
CS3: The hotel is trustworthy.	1.000	.908
CS4: The hotel puts customer's interest before its own interests.	1.000	.798
CS5: The services offered by the hotel are good.	1.000	.823
CS6: The hotel is a reliable company.	1.000	.821
CL1: I will remain using the hotels.	1.000	.792
CL2: I will purchase additional services from the hotel.	1.000	.781
CL3: I will urge relatives and friends to use the hotel.	1.000	.845
CL4: I say positive about the hotel to others.	1.000	.833
CL5: I recommend the same hotel to others.	1.000	.864
CL6: I would not switch to other hotel even at a lower cost.	1.000	.772
CL7: I will always consider the hotel as my first choice for my future trip.	1.000	.729
IMG1: The reputation of this hotel is good.	1.000	.628
IMG2: The overall image of this hotel is good.	1.000	.760
IMG3: Compared to other hotels with the same classification, this hotel has a good image.	1.000	.761
Extraction Method: Principal Component Analysis.		

Figure 2 graphically displays the eigenvalues for each factor and suggests that there is no predominant factor (Coakes and Steed 2009, Hair 2010)



**Figure 2: Scree Plot of FA in SPSS (PCA) Extraction Method**

### 4.3 SEM Technique through AMOS Program

In the present study, SEM which is a powerful technique for data analysis through running CFA in AMOS V.22 program will be utilized. CFA will be run for developed model of the study and in order to test the formulated hypotheses (Albright 2006). It is notable that CFA is theory-driven (Blunch 2012). The advantage of CFA is that it allows for testing hypotheses about a particular factor structure (Albright 2006). CFA is a special case of the SEM, also known as the covariance structure. There are two strategies which are one-step strategy and two-step strategy. In one-step strategy, the measurement model and structural model will be run at a time. But in the two-step strategy, firstly measurement model will be run, and then structural model will be run. In the present study, CFA in AMOS V.22 will be run using two-step strategy introduced by (Anderson and Gerbing 1988). It is notable that when Degree of Freedom is equal with zero, the model is just-identified (Saturated Model). (Blunch 2012, Byrne 2013). CFA with two-step strategy and maximum likelihood (ML) estimation method, which is an iterative procedure, which attempts to maximize the likelihood that obtained values of the criterion variable will be correctly predicted; was run for hotel image, Mediation effect of customer satisfaction, and customer loyalty. Figure 3 illustrates the first run of CFA in AMOS program.

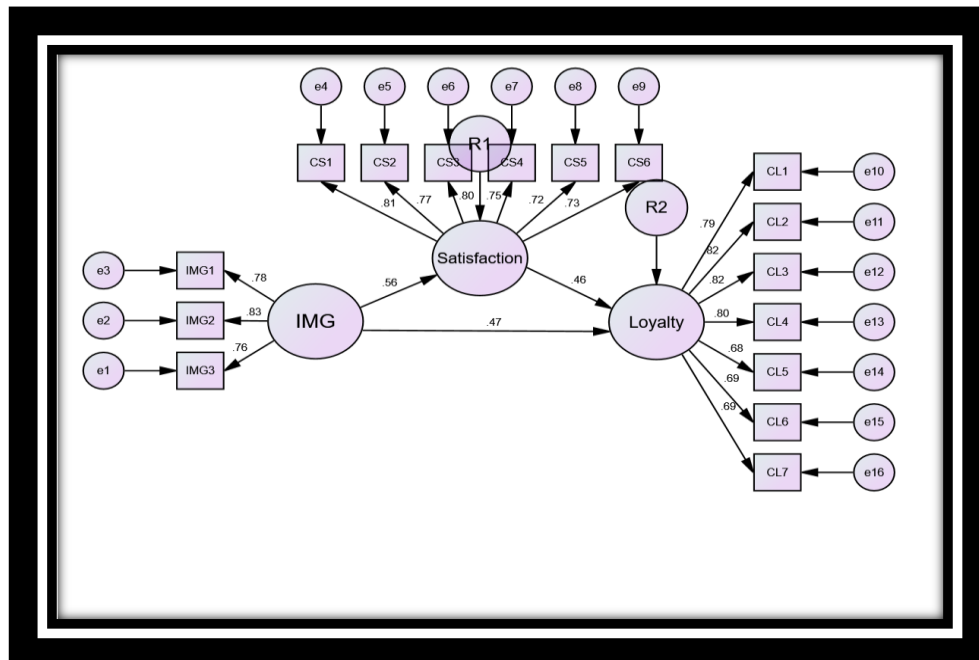


Figure 3: First Run of CFA for Research Model

Modification Indices make suggestions about loosening certain model parameters in order to improve the overall model fit. As long as any decisions made on the basis of modification indices are theoretically meaningful and do not result in an unidentified model. They can be helpful in improving model specification.(Albright 2006, Albright and Park 2009, Blunch 2012).

Based on modification indices table provided by AMOS program after first run, covariance arrow were drawn between **e14 and e15**, **e14 and e16**. Figure 4 illustrates the second run of CFA for the research model.

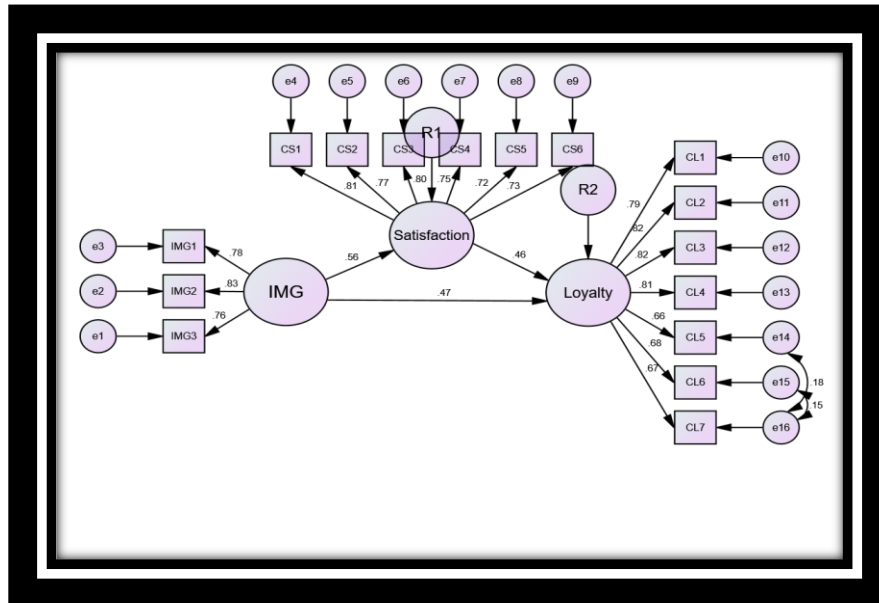


Figure 4: Second Run of CFA for Research Model

Conclusion is that after second run, overall model fit appears quite good and acceptable. The  $\chi^2$  test yields a value of **118.411** which, evaluated with **99** degrees of freedom, has a corresponding p-value of **.089**. This p-value is too high to reject the null of a good fit. Additionally the RMSEA is **.023**, well below the .05 cut-off. Both tests suggest that the model is a good fit to the data. Table 4 represents summary of significant fit indices to highlight in the body of article. The complete model fit summary, parameter summary and covariance tables of output tables from AMOS program have been appended in the appendix part of current research paper.

Table 4: Fit Indices after Second Run

$\chi^2$	df	$\chi^2/df$	RMSEA	CFI	GFI	TLI
118.411	99	1.196	.023	.994	.963	.993
P-value=.089						

### 4.3.1 Hypotheses Testing

Results of CFA support the notion that hotel image has positive and direct prediction on customer satisfaction and customer loyalty with the standardized regression weights equal with .560 and .471. Therefore it can be concluded that H1 and H2 are supported. Moreover, results reveal that customer satisfaction has a direct and positive determination on customer loyalty with

the standardized regression weights equal with .460. Conclusion is that H3 is also supported. Tables 5 and 6 contain relevant information.

**Table 5: Regression Weights for Default Model**

		Estimate	S.E.	C.R.	P	Label
Satisfaction	<--- IMG	.590	.064	9.163	***	
Loyalty	<--- Satisfaction	.499	.059	8.439	***	
Loyalty	<--- IMG	.538	.066	8.172	***	
IMG3	<--- IMG	1.000				
IMG2	<--- IMG	1.151	.076	15.136	***	
IMG1	<--- IMG	1.075	.074	14.457	***	
CS1	<--- Satisfaction	1.000				
CS2	<--- Satisfaction	.947	.058	16.415	***	
CS3	<--- Satisfaction	1.039	.060	17.420	***	
CS4	<--- Satisfaction	.919	.058	15.851	***	
CS5	<--- Satisfaction	.979	.064	15.200	***	
CS6	<--- Satisfaction	1.034	.067	15.470	***	
CL1	<--- Loyalty	1.000				
CL2	<--- Loyalty	1.082	.061	17.705	***	
CL3	<--- Loyalty	1.023	.058	17.648	***	
CL4	<--- Loyalty	1.044	.060	17.330	***	
CL5	<--- Loyalty	.717	.053	13.530	***	
CL6	<--- Loyalty	.718	.052	13.905	***	
CL7	<--- Loyalty	.736	.053	13.800	***	



**Table 6: Standardized Regression Weights for Default Model**

	Estimate
Satisfaction <--- IMG	<b>.560</b>
Loyalty <--- Satisfaction	<b>.460</b>
Loyalty <--- IMG	<b>.471</b>
IMG3 <--- IMG	.757
IMG2 <--- IMG	.828
IMG1 <--- IMG	.779
CS1 <--- Satisfaction	.807
CS2 <--- Satisfaction	.768
CS3 <--- Satisfaction	.804
CS4 <--- Satisfaction	.748
CS5 <--- Satisfaction	.724
CS6 <--- Satisfaction	.734
CL1 <--- Loyalty	.792
CL2 <--- Loyalty	.821
CL3 <--- Loyalty	.819
CL4 <--- Loyalty	.807
CL5 <--- Loyalty	.662
CL6 <--- Loyalty	.677
CL7 <--- Loyalty	.674

#### **4.3.2 Mediation Effect of Customer Satisfaction**

Table 7 contains results of standardized indirect effects for the second run of research model in AMOS program. As it is clear, there is an indirect relationship between hotel image and customer loyalty with the positive regression weights of .258. This point indicates that customer satisfaction mediates the relationship between hotel image and customer loyalty with .258 standardized regression weights which is positive and significant. Thus, H4 is also supported.

**Table 7: Standardized Indirect Effects for Default Model**

	IMG	Satisfaction	Loyalty
Satisfaction	.000	.000	.000
Loyalty	<b>.258</b>	.000	.000
CL7	.491	.310	.000
CL6	.493	.312	.000
CL5	.482	.305	.000
CL4	.588	.372	.000
CL3	.596	.377	.000
CL2	.598	.378	.000
CL1	.577	.364	.000
CS6	.411	.000	.000
CS5	.405	.000	.000
CS4	.419	.000	.000
CS3	.450	.000	.000
CS2	.430	.000	.000
CS1	.452	.000	.000
IMG1	.000	.000	.000
IMG2	.000	.000	.000
IMG3	.000	.000	.000

## 5. DISCUSSION AND CONCLUSIONS

Based on findings, it can be stated that hotel image has a positive direct effect on customer satisfaction and customer loyalty with **.560** and **.471** standardized regression weights. It is noteworthy to mention that customer satisfaction has a positive direct effect on customer loyalty equal with **.460**. Conclusion is that findings of present study is in line and consistent with previous studies as reviewed in literature review of current study such as (Kandampully and Suhartanto 2000, Kandampully and Suhartanto 2003, Kandampully and Hu 2007, Muturi, Jackline Sagwe et al. 2013, S Nikou 2016). Besides, the results of current study and previous studies are based on SOM Approach by (Mazanec 1995).

As stated earlier, customer satisfaction in the model of present study is a mediator for the relationship between hotel image and customer loyalty which is endogenous variable in the model of current study. For testing mediation effect of customer satisfaction, complete pattern proposed by (MacKinnon 2008) for statistical mediation analysis was used. The findings supported that customer satisfaction mediates the relationship between hotel image and customer loyalty with standardized indirect effect which is **.258**.

### **5.1 Managerial Implications**

This research implies significant messages to managers in hospitality industry especially four-star hotels in Kuala Lumpur, Malaysia. It can be asserted that managers should implement a basic strategy and take this point into their mind that retaining overall image and reputation of their hotels are successful ways for gaining loyalty of customers. This will be really beneficial for both of customers and managers in hospitality industry because it will lead to customer loyalty and increasing return on investment (ROI), revenue, profitability for four-star hotels or in general hospitality industry.

### **5.2 Recommendations**

At this stage, it will be really beneficial to highlight avenues for future studies in this research era. Extensions of research could be conducted to cover the whole of Malaysia in luxury hotels including four and five star hotels. Current study was limited to the cluster of four-star hotels in Kuala Lumpur, Malaysia. Besides, extensions to this study are highly suggested in order to clustering luxury hotels with the combination of qualitative and quantitative in the future research development in Malaysia, other countries in hospitality industries or even other kinds of service industries. finally, as mentioned earlier, data processing in current research was based on SEM which is powerful technique for data analysis (Blunch 2012). SEM was done through AMOS program. For the future studies, it is recommended to process data through other statistical software such as EQS.

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**APPENDIX**

**Model Fit Summary and Parameter Summary**

**Model Fit Summary**

**CMIN**

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	37	118.411	99	.089	1.196
Saturated model	136	.000	0		
Independence model	16	3580.760	120	.000	29.840

**RMR, GFI**

Model	RMR	GFI	AGFI	PGFI
Default model	.019	.963	.949	.701
Saturated model	.000	1.000		
Independence model	.336	.231	.129	.204

**Baseline Comparisons**

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.967	.960	.994	.993	.994
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

**Parsimony-Adjusted Measures**

Model	PRATIO	PNFI	PCFI
Default model	.825	.798	.820
Saturated model	.000	.000	.000
Independence model	1.000	.000	.000

**NCP**

Model	NCP	LO 90	HI 90
Default model	19.411	.000	50.886
Saturated model	.000	.000	.000
Independence model	3460.760	3269.140	3659.678

**FMIN**

Model	FMIN	F0	LO 90	HI 90
Default model	.309	.051	.000	.133
Saturated model	.000	.000	.000	.000
Independence model	9.349	9.036	8.536	9.555

**RMSEA**

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.023	.000	.037	1.000
Independence model	.274	.267	.282	.000

**AIC**

Model	AIC	BCC	BIC	CAIC
Default model	192.411	195.848	338.585	375.585
Saturated model	272.000	284.634	809.287	945.287
Independence model	3612.760	3614.246	3675.970	3691.970

**ECVI**

Model	ECVI	LO 90	HI 90	MECVI
Default model	.502	.452	.585	.511
Saturated model	.710	.710	.710	.743
Independence model	9.433	8.932	9.952	9.437



**HOELTER**

Model	HOELTER	HOELTER
	.05	.01
Default model	399	436
Independence model	16	18

**Parameter Summary**

	Weights	Covariance	Variances	Means	Intercepts	Total
Fixed	21	0	0	0	0	21
Labeled	0	0	0	0	0	0
Unlabeled	16	2	19	0	0	37
Total	37	2	19	0	0	58

**Covariance for Default Model**

	Estimate	S.E.	C.R.	P	Label
e15 <--> e16	.050	.018	2.760	.006	
e14 <--> e16	.063	.019	3.274	.001	