Determinants of Customer Loyalty towards the Hotel Industry in Malaysia

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The hotel industry is a rapidly developing global industry. Increasingly, people are relying on hotels when travelling for a variety of purposes such as: business trips, visiting relatives and holidaying. Competition has made the hotel industry strive hard to attract customers and obtain their loyalty. This conceptual paper examines the factors that influence customer loyalty in the Malaysian hotel industry. This study develops a research model that consists of brand image, service quality, trust and price.

Key words: *hotel industry, customer loyalty, customer satisfaction, brand image, service quality, price, trust.*

Introduction

In this era of globalization, the tourism industry in Malaysia is growing and is increasingly becoming one of the most exciting travel destinations in the world. Tourists, whether from outside or inside the country, are a major contributor to the Malaysian economy (Anne & Sonia, 2018). According to Sushila, Vikneswaran, Saeed, and Uma (2015) tourism is one of the fastest growing industries in the world and it is currently the second highest contributor to Malaysia's Gross Domestic Product (GDP) after manufacturing. Malaysia has a wide variety of attractions, including places which feature nature, culture, history, adventure, leisure, and entertainment. Tourism Malaysia data shows that tourist arrivals to Malaysia increase from 2015 (25.7m) to 2016 (26.7m) (Department Of Statistic Malaysia, 2017; Adegbite, 2017).

The hotel industry in Malaysia is increasing, and this is potentially due to the increasing contribution of tourism (Boon, Chin, Brian, & Mansori, 2018; Jaafar, Kah Ing, & Zaleha Mohd Sukarno, 2011; Abdullah et al., 2018; Adisa et al, 2016). The hotel industry plays a

very important role in complementing tourism as it provides accommodation to tourists (Boon et al., 2018; Makhsun et al., 2018a). Competition between hotels in Malaysia is growing, as the number of established hotels has grown tremendously since 2015 (Malaysian Association of Hotel, 2017). As a result, hotel operators struggle to develop a competitive advantage that will separate themselves from their competitors.

Research Questions

This study aims to solve the following issues:
1) What are the factors that influence customer loyalty in the hotel industry?

2) Does customer satisfaction mediate the relationship between service quality, trust, brand image, and price on customer loyalty?

Research Objective

The objectives of this research:
1) To determine the factors that influence customer loyalty in the hotel industry.

2) To determine whether customer satisfaction mediates the relationship between service quality, trust, brand image, and price on customer loyalty.

Literature Review
Brand Image

The first independent variable is brand image. Brand image is an imperative factor which impacts customer loyalty and it is viewed as an essential factor for making, fabricating, and looking after connections (Das, 2012; Makhsun et al., 2019b). Sabrina (2009) described brand as "a name, term, sign, symbol, or design, or a combination of these that identify the maker or seller of a product or service." Brand image is characterised as something that rings a bell when a potential customer hears the name of a business (Nguyen, 2008). Brand image is the first thing that comes to the customer's mind when buying a product (Durmaz, Çavuşoğlu, & Özer, 2018; Meyer and Meyer, 2016). Many studies have proved that there is a positive interaction between customer loyalty and brand image (Al-Msallam, 2015; Jani & Han, 2014; Saleem & Raja, 2014; Zins, 2001; Meyer and Meyer, 2017).

Service quality

The second independent variable is service quality. In the past few years, service quality has received strong attention from researchers in marketing services and business development

(Aagja & Garg, 2010; Abu-El Samen, Akroush, & Abu-Lail, 2013; Farooq, Aslam, Khan, & Gillani, 2009; Qin, Prybutok, & Zhao, 2010; Shabbir, Malik, & Malik, 2016). By offering a high service quality, a company can charge a premium price (Adeleke & Aminu, 2012; Ramadania, Theresia, & Sadalia, 2018). Providing high service quality can improve the customers' favourable behavioural intentions and reduce unfavourable intentions (Ramadania et al., 2018). The effect of high service quality, especially in the hotel industry, is the attraction of more customers who will stay longer, as they are more satisfied. Service quality has been recognised as a factor that can achieve customer satisfaction with service providers (Syaqirah & Faizurrahman, 2014; Saudi et al., 2019).

Trust

Trust is the third independent variable in this study. Trust is defined as follows: "a willingness to rely on an exchange partner in whom one has confidence" (Kwon & Suh, 2005). Kuusik and Varblane (2009) stated that trust is one of the significant components that influence customer loyalty. Trust is the foundation for an effective and enduring association with customers. Trust is also characterised as customers' contemplations, sentiments, feelings, or practices when they feel that they can depend on the provider to act to their greatest advantage when they surrender coordinate control (Patrick, 2002; Woon, Kee, Hwee, Lee, & Cheng, 2015; Sinaga et al., 2019). Research in the hotel industry has verified the significance between trust and customer loyalty, it was found that there is a positive impact of trust on customer loyalty. Al-Msallam and Alhaddad (2016) found that trust could directly enhance customer loyalty. Based on the findings of various studies, trust contributes to customer loyalty.

Price

Switching cost is a moderator variable in this study. "Price is the amount of money asked in payment for receiving a good or service, and the total of the values that customers exchange for the advantages of having the goods or services" (Kotler & Armstrong, 2012; El Husseiny, 2018). The potential of a lot of products or services are tied to their price (Eshgi, Haughton, & Topi, 2007; Olkiewicz, 2018). Customers are ready to buy once the benefits as likened to the price are meaningful to them. Ti Bei and Ching Chiao (2001) discovered that perceived price fairness has a positive effect for both direct and indirect impacts (through customer satisfaction) towards consumer loyalty. Al-Msallam (2015) conducted research on a hotel in Damascus, Syria and found that the price is connected to customer loyalty.

Framework

This research is to determine the relationship between service, brand image, trust, price and customer loyalty while mediating by customer satisfaction.

Figure 1. Proposed Research Model
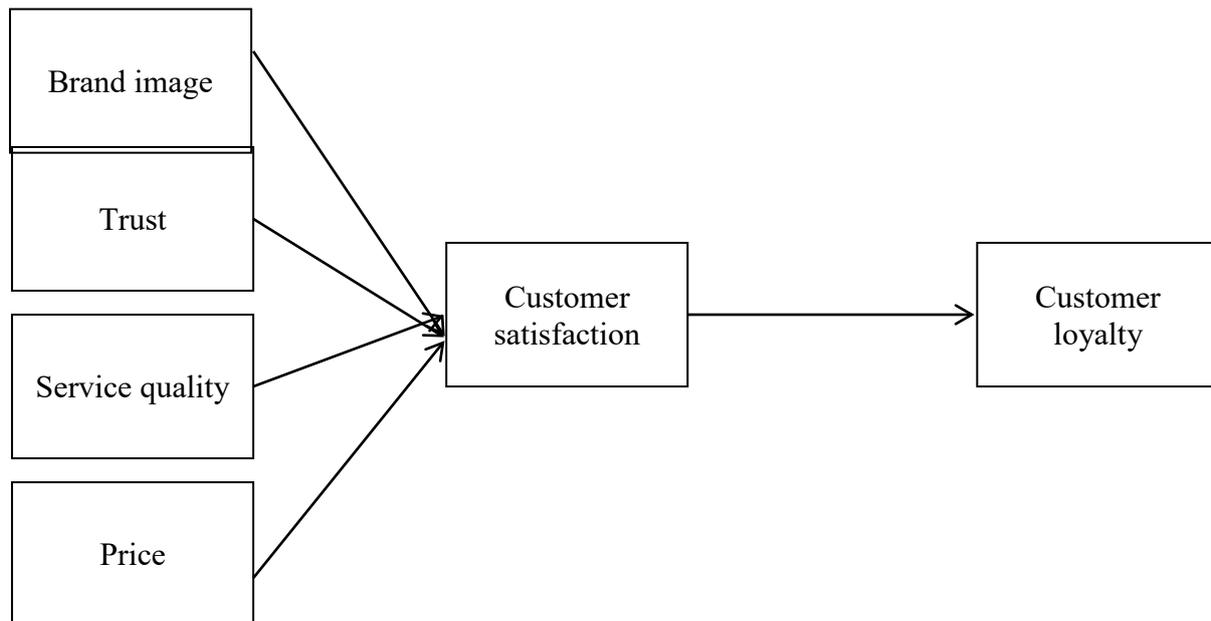
Based on the thorough literature review, the present study proposes the research model presented in Figure 1. Figure 1 proposes a research model that involves testing the relationship between customer satisfaction and customer loyalty along with the factors. Future empirical studies may make use of this model.

Methodology

An appropriate research design is essential to determining the type of data, data collection technique and sampling methodology (Hair, Money, Samouel, & Page, 2007). This study is using a qualitative method. The data collection tool for this research was questionnaire. The Likert scale is used to measure responses since it is widely used in market research and has been extensively tested in both marketing and social sciences (Garland, 1991). The scale was five points and it ranged from strongly disagree (1), to strongly agree (5). The data will be input into SPSS version 24 software program and analyzed using SmartPLS 3.2.7. The mmeasurement model at the first stage is to test the validity and reliability of items and construct. The second stage is on the structural model.
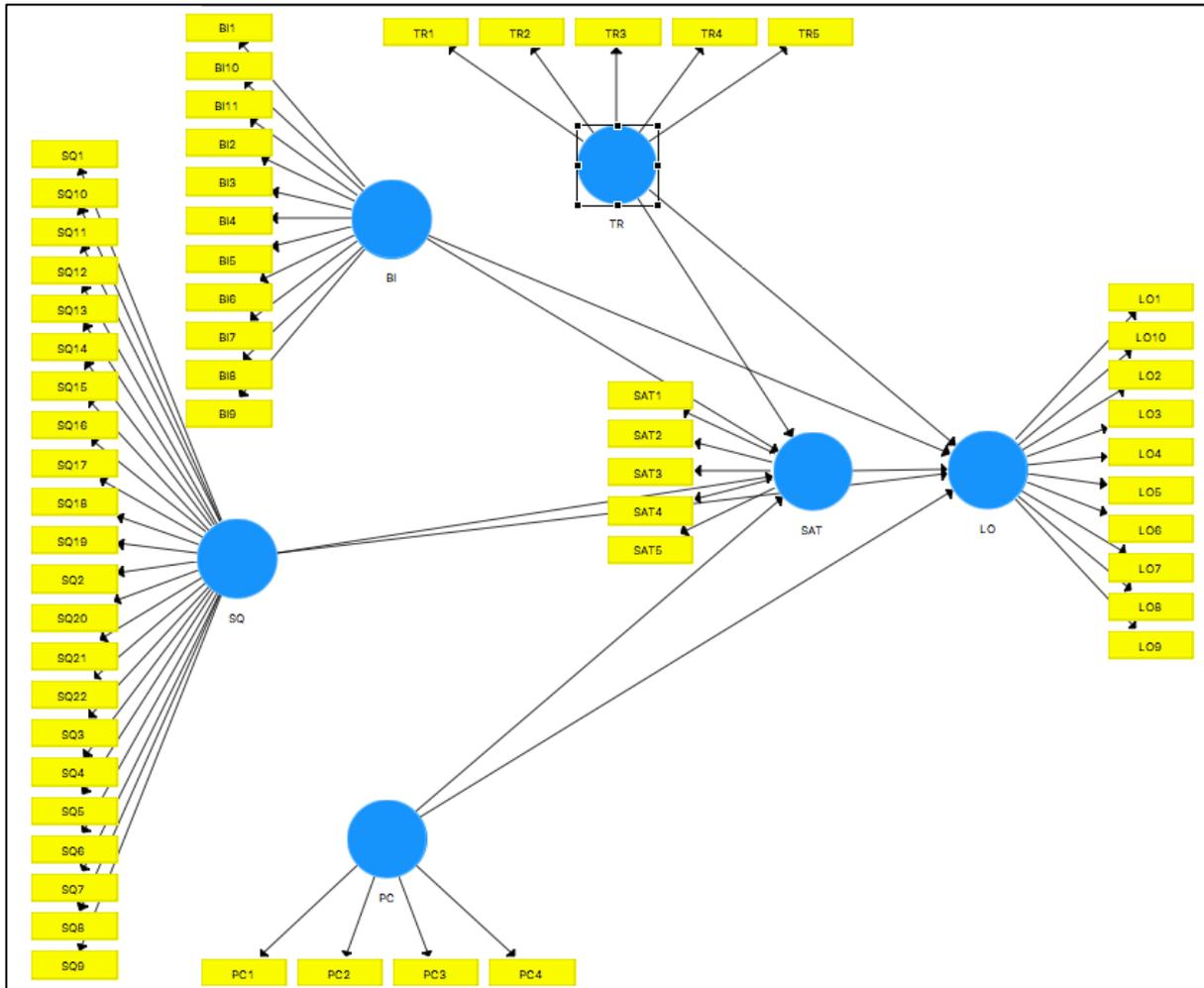
Conclusions

Further empirical studies are urged to be conducted to examine the proposed model by collecting data from a significantly large source and examining the hypothesized relationships. Finally, the proposed model concentrated on the hotel sector, so further studies are needed to test other service sectors, such as healthcare and finance.

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