A Structural Model of Satisfaction and Brand Attitude in Hotels

Hugh Charles Wilkins
B.Sc. (Hons)

Department of Marketing
Griffith Business School
Griffith University

Submitted in fulfilment of the requirements of Doctor of Philosophy
November 2005
ABSTRACT

This thesis is about the customer experience in hotels. The thesis evaluates the customer experience in relation to the antecedents of behavioural loyalty. Behavioural loyalty is evaluated in relation to customer satisfaction, brand trust and brand attitude. Customer satisfaction is also evaluated in relation to the antecedents of hotel performance, service quality and perceived value. The broad research underpinning this research is:

*How do consumers perceive and relate to luxury and first class hotel brands?*

The hotel industry is a large and highly diverse industry that includes a wide range of property styles, uses and qualities (Chon & Sparrowe, 2000; Go & Pine, 1995; Olsen, 1996; Powers & Barrows, 1999). The industry covers the spectrum of small, medium and large enterprises (Brotherton, 2003; Jones, 2002) and makes a significant contribution to national and international economies.

The research incorporated data collection in three stages. The first stage was a qualitative study of consumers who self selected as first class or luxury consumers. The data from the focus groups were used to develop items for inclusion in a survey instrument. The focus groups data, together with information gathered from a literature review, were used to develop scales across a number of hotel performance dimensions. In addition scales were included in the survey instrument on customer satisfaction, perceived value, brand trust, brand attitude and behavioural loyalty. The second stage
of the research was a pilot study with the survey instrument being distributed to a convenience sample. The data collected at this stage were used to purify and refine the survey instrument.

The final stage was data collected from consumers in a number of Australian hotels. The resultant data set comprised 693 completed and usable responses. The data were examined using exploratory and confirmatory factor analyses to confirm the hotel performance and other dimensions. The resultant dimensions showed good psychometric properties. A number of hypotheses were proposed in the thesis and examined using structural equation modelling. Although two hypotheses were rejected the resultant structural model showed strong relationships between the dimensions included.

The research identified that service quality is a strong contributor to behavioural loyalty. The stronger pathway from service quality to behavioural loyalty was through customer satisfaction ($\beta = 0.63$) although the pathway through brand attitude ($\beta = 0.22$) was also significant. Both customer satisfaction and service quality had a significant effect on brand trust and service quality also influenced brand attitude.

A number of recommendations for further research were made. These included the replication of this study in different geographic and industry contexts.
Declaration

This work has not previously been submitted for a degree or diploma in any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

.................................................................

Hugh Charles Wilkins
30 November, 2005
Acknowledgements

The completion of this thesis would not have been possible without the contributions of a number of people.

My particular thanks go to my supervisors Professor Bill Merrilees and Dr Carmel Herington. Their great support, patience and understanding enabled the completion of this thesis and their combined wisdom supported me through the learning process associated with its completion.

During the course of my candidature there were several changes of supervision and I would also like to extend my thanks to my friend and colleague Professor Beverley Sparks for her support through the process. I also give my thanks to Laurance Robillard for her contributions during the earlier stages of this work.

Finally I extend my thanks to my family, and particularly my wife Sue. Her patience and tolerance during the time undertaken to complete has been fantastic, especially during all those evenings I have disappeared to my study.
# TABLE OF CONTENTS

## Chapter 1  Introduction

1.1 Introduction ........................................ 1  
1.2 Research Context .................................... 1  
1.3 Essence of Research .................................. 4  
1.4 Research Question .................................... 5  
1.5 Justification and Contributions of the Research ...... 5  
1.6 Outline of the Research ............................... 10  
1.7 Outline of Each Chapter .............................. 10  
1.8 Construct Definitions ................................. 12  
1.9 Conclusion ........................................... 15  

## Chapter 2  Literature Review

2.1 Introduction ........................................... 17  
2.2 The Hotel Industry .................................... 18  
   2.2.1 Competition within the Hotel Industry .......... 20  
2.3 Hotel Purchase Behaviour ............................. 24  
   2.3.1 Hotel Selection .................................. 26  
   2.3.2 Brand and Hotel Selection ........................ 28  
2.4 Customer Satisfaction and Its’ Sources ................ 30  
   2.4.1 Customer Satisfaction and Service Quality ....... 31  
   2.4.2 Antecedents of Service Quality .................. 34  
   2.4.3 Value ........................................... 36  
   2.4.4 Customer Satisfaction and Service Quality Research in Hospitality 37
2.4.4.1 Customer Satisfaction in the Hotel Industry
2.4.4.2 Service Quality in the Hotel Industry
2.4.4.3 Value in the Hospitality Industry
2.4.4.4 Conclusion to Customer Satisfaction, Service Quality and Value Research in Hospitality

2.5 Consumer Loyalty and Its Causes
   2.5.1 The Meaning of Loyalty
   2.5.2 Antecedents of Loyalty
      2.5.2.1 Customer Satisfaction as an Antecedent of Loyalty
      2.5.2.2 Brand as an Antecedent to Loyalty
   2.5.3 Loyalty Research in Hospitality
   2.5.4 Conclusion to Loyalty Research

2.6 Chapter Summary

Chapter 3 Research Model
   3.1 Introduction
   3.2 Research Context
   3.3 Research Model Overview
   3.4 Construct Evaluation and Hypotheses
      3.4.1 Service Quality
      3.4.2 Value
      3.4.3 Customer Satisfaction
      3.4.4 Brand Trust and Brand Attitude
      3.4.5 Structural Model of Dimensions
   3.5 Summary of Research Contribution
3.5.1 Research Contribution to the Hotel Industry 66
3.5.2 Contribution to Theory Development 69
3.6 Conclusion 72

Chapter 4 Research Methodology

4.1 Introduction 73
4.2 Research Design 74
4.3 Qualitative Research Approach 77
4.4 Scale Development 79
4.4.1 Construct Framework and Definition 80
4.4.2 Item Generation 81
4.4.2.1 Deductive Item Generation 82
4.4.2.2 Inductive Item Generation 84
4.4.3 Item Pool Review 88
4.4.4 Pilot Study 89
4.4.5 Scale Purification 92
4.4.6 Data Collection 94
4.4.6.1 Non Response Bias 96
4.4.6.2 Data Cleaning and Missing Value Analysis 99
4.4.6.3 Data Normality 101
4.4.7 Reliability and Validity Assessment 101
4.5 Data Analysis 102
4.5.1 Factor Analysis 102
4.5.2 Structural Equation Modelling 104
4.6 Conclusion 110
Chapter 5 Results

5.1 Introduction

5.2 Qualitative Research

5.2.1 Status

5.2.2 Patrons

5.2.3 Product

5.2.4 Service

5.2.5 Staff

5.2.6 Loyalty

5.2.7 Hotel Descriptions

5.2.8 Conclusion about Focus Group Analysis

5.3 Demographics

5.3.1 Gender

5.3.2 Age Distribution

5.3.3 Marital Status

5.3.4 Purpose of Trip

5.3.5 Income Distribution

5.3.6 Occupation

5.3.7 Educational Qualifications

5.3.8 Nationality

5.4 Model Component Validity

5.4.1 Analysis of Hotel Performance

5.5 Confirmatory Factor Analysis – Service Quality Dimensions

5.5.1 Stylish Comfort

5.5.2 Quality Staff
5.5.3 Personalisation 133
5.5.4 Room Quality 135
5.5.5 Speedy Service 136
5.5.6 Added Extras 138
5.5.7 Quality Dining 140

5.6 Confirmatory Factor Analysis of Other Dimensions 141
5.6.1 Customer Satisfaction 141
5.6.2 Perceived Value 142
5.6.3 Brand Trust 144
5.6.4 Brand Attitude 146
5.6.5 Loyalty 147

5.7 Hotel Performance 149

5.8 Hypothesis Testing 154
5.8.1 Hypothesis 1 154
5.8.2 Hypothesis 12 159
5.8.3 Hypothesis 2 165
5.8.4 Hypothesis 3 165
5.8.5 Hypothesis 4 166
5.8.6 Hypothesis 5 166
5.8.7 Hypothesis 6 167
5.8.8 Hypothesis 7 167
5.8.9 Hypothesis 8 168
5.8.10 Hypothesis 9 168
5.8.11 Hypothesis 10 169
5.8.12 Hypothesis 11 169
Chapter 6 Discussion

6.1 Introduction 173

6.2 Contribution to Academic Theory 173

6.2.1 Contribution to Services Marketing Theory 174

6.2.1.1 Service Quality as a Higher Order Construct 174

6.2.1.2 Relationship of Service Quality and Customer Satisfaction with Brand Trust and Brand Attitude 176

6.2.1.3 Effect of Brand Trust and Brand Attitude on Behavioural Loyalty 177

6.2.1.4 Structural Model of Antecedents to Behavioural Loyalty 178

6.2.2 Contribution to Hotel Management and Marketing Theory 180

6.2.2.1 Antecedents of Service Quality in Hotels 180

6.2.2.2 Impact of Brand Trust and Brand Attitude on Behavioural Loyalty in Hotels 182

6.2.2.3 Relationship of Service Quality and Customer Satisfaction with Brand Trust and Brand Attitude in Hotels 183

6.2.2.4 Structural Model of Antecedents to Behavioural Loyalty in Hotels 183

6.3 Contribution to Hotel Management Practice 184

6.4 Limitations 187

6.5 Further Research 189

6.6 Conclusion 191

References 193

Appendices 215
<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 2.1</td>
<td>Hotel Usage</td>
<td>20</td>
</tr>
<tr>
<td>Table 4.1</td>
<td>Scale Development Stages</td>
<td>80</td>
</tr>
<tr>
<td>Table 5.1</td>
<td>Gender by Hotel Quality Standard</td>
<td>119</td>
</tr>
<tr>
<td>Table 5.2</td>
<td>Age Distribution by Hotel Quality Standard</td>
<td>120</td>
</tr>
<tr>
<td>Table 5.3</td>
<td>Marital Status by Hotel Quality Standard</td>
<td>120</td>
</tr>
<tr>
<td>Table 5.4</td>
<td>Purpose of Trip by Hotel Quality Standard</td>
<td>121</td>
</tr>
<tr>
<td>Table 5.5</td>
<td>Income Distribution by Hotel Quality Standard</td>
<td>122</td>
</tr>
<tr>
<td>Table 5.6</td>
<td>Occupation by Hotel Quality Standard</td>
<td>122</td>
</tr>
<tr>
<td>Table 5.7</td>
<td>Educational Qualifications by Hotel Quality Standard</td>
<td>123</td>
</tr>
<tr>
<td>Table 5.8</td>
<td>Nationality by Hotel Quality Standard</td>
<td>124</td>
</tr>
<tr>
<td>Table 5.9</td>
<td>Factor Loadings – Service Quality Components</td>
<td>127</td>
</tr>
<tr>
<td>Table 5.10</td>
<td>Stylish Comfort – Exploratory Structure</td>
<td>129</td>
</tr>
<tr>
<td>Table 5.11</td>
<td>Stylish Comfort – Revised Structure</td>
<td>130</td>
</tr>
<tr>
<td>Table 5.12</td>
<td>Stylish Comfort – Retained Items and Factor Loadings</td>
<td>131</td>
</tr>
<tr>
<td>Table 5.13</td>
<td>Quality Staff – Exploratory Structure</td>
<td>131</td>
</tr>
<tr>
<td>Table 5.14</td>
<td>Quality Staff – Revised Structure</td>
<td>132</td>
</tr>
<tr>
<td>Table 5.15</td>
<td>Quality Staff – Retained Items and Factor Loadings</td>
<td>133</td>
</tr>
<tr>
<td>Table 5.16</td>
<td>Personalisation – Exploratory Structure</td>
<td>133</td>
</tr>
<tr>
<td>Table 5.17</td>
<td>Personalisation – Revised Structure</td>
<td>134</td>
</tr>
<tr>
<td>Table 5.18</td>
<td>Personalisation – Retained Items and Factor Loadings</td>
<td>134</td>
</tr>
<tr>
<td>Table 5.19</td>
<td>Room Quality – Exploratory Structure</td>
<td>135</td>
</tr>
<tr>
<td>Table 5.20</td>
<td>Room Quality – Revised Structure</td>
<td>135</td>
</tr>
<tr>
<td>Table 5.21</td>
<td>Room Quality – Retained Items and Factor Loadings</td>
<td>136</td>
</tr>
<tr>
<td>Table 5.22</td>
<td>Speedy Service – Exploratory Structure</td>
<td>137</td>
</tr>
<tr>
<td>------------------</td>
<td>----------------------------------------</td>
<td>-----</td>
</tr>
<tr>
<td>Table 5.23</td>
<td>Speedy Service – Revised Structure</td>
<td>137</td>
</tr>
<tr>
<td>Table 5.24</td>
<td>Speedy Service – Retained Items and Factor Loadings</td>
<td>138</td>
</tr>
<tr>
<td>Table 5.25</td>
<td>Added Extras – Exploratory Structure</td>
<td>138</td>
</tr>
<tr>
<td>Table 5.26</td>
<td>Added Extras – Revised Structure</td>
<td>139</td>
</tr>
<tr>
<td>Table 5.27</td>
<td>Added Extras – Retained Items and Factor Loadings</td>
<td>139</td>
</tr>
<tr>
<td>Table 5.28</td>
<td>Quality Dining</td>
<td>140</td>
</tr>
<tr>
<td>Table 5.29</td>
<td>Quality Dining – Retained Items and Factor Loadings</td>
<td>140</td>
</tr>
<tr>
<td>Table 5.30</td>
<td>Customer Satisfaction – Exploratory Structure</td>
<td>141</td>
</tr>
<tr>
<td>Table 5.31</td>
<td>Customer Satisfaction – Revised Structure</td>
<td>141</td>
</tr>
<tr>
<td>Table 5.32</td>
<td>Customer Satisfaction – Retained Items and Factor Loadings</td>
<td>142</td>
</tr>
<tr>
<td>Table 5.33</td>
<td>Perceived Value – Exploratory Structure</td>
<td>142</td>
</tr>
<tr>
<td>Table 5.34</td>
<td>Perceived Value – Revised Structure</td>
<td>143</td>
</tr>
<tr>
<td>Table 5.35</td>
<td>Perceived Value – Retained Items and Factor Loadings</td>
<td>144</td>
</tr>
<tr>
<td>Table 5.36</td>
<td>Brand Trust – Exploratory Structure</td>
<td>144</td>
</tr>
<tr>
<td>Table 5.37</td>
<td>Brand Trust – Revised Structure</td>
<td>145</td>
</tr>
<tr>
<td>Table 5.38</td>
<td>Brand Trust – Retained Items and Factor Loadings</td>
<td>145</td>
</tr>
<tr>
<td>Table 5.39</td>
<td>Brand Attitude – Exploratory Structure</td>
<td>146</td>
</tr>
<tr>
<td>Table 5.40</td>
<td>Brand Attitude – Revised Structure</td>
<td>146</td>
</tr>
<tr>
<td>Table 5.41</td>
<td>Brand Attitude – Retained Items and Factor Loadings</td>
<td>147</td>
</tr>
<tr>
<td>Table 5.42</td>
<td>Loyalty – Exploratory Structure</td>
<td>147</td>
</tr>
<tr>
<td>Table 5.43</td>
<td>Loyalty – Revised Structure</td>
<td>148</td>
</tr>
<tr>
<td>Table 5.44</td>
<td>Loyalty – Retained Items and Factor Loadings</td>
<td>149</td>
</tr>
<tr>
<td>Table 5.45</td>
<td>Service Quality Composite Dimensions</td>
<td>151</td>
</tr>
<tr>
<td>Table 5.46</td>
<td>Physical Product</td>
<td>151</td>
</tr>
<tr>
<td>Table 5.47</td>
<td>Service Experience – Exploratory Structure</td>
<td>152</td>
</tr>
<tr>
<td>Table 5.48</td>
<td>Service Experience – Revised structure</td>
<td>153</td>
</tr>
<tr>
<td>Table 5.49</td>
<td>Fit Statistics for Proposed Service Quality Models</td>
<td>156</td>
</tr>
<tr>
<td>Table 5.50</td>
<td>SEM Results for Hypothesis 12</td>
<td>160</td>
</tr>
<tr>
<td>Table 5.51</td>
<td>SEM Results for Hypothesised Model after Removal of non Significant Constructs</td>
<td>163</td>
</tr>
<tr>
<td>Table 5.52</td>
<td>Standardised Regression Weights for Relationships</td>
<td>163</td>
</tr>
<tr>
<td>Table 5.53</td>
<td>Results for Hypotheses 2-11</td>
<td>170</td>
</tr>
<tr>
<td>Table 5.54</td>
<td>Results for Hypotheses</td>
<td>171</td>
</tr>
<tr>
<td>Figure 3.1</td>
<td>Hypothesised Research Model</td>
<td>58</td>
</tr>
<tr>
<td>Figure 4.1</td>
<td>Selected Response Point Format</td>
<td>91</td>
</tr>
<tr>
<td>Figure 5.1</td>
<td>Alternative models of hotel performance-perceived service quality relationship</td>
<td>157</td>
</tr>
<tr>
<td>Figure 5.2</td>
<td>Full Hypothesised Model – Hypothesis 12</td>
<td>162</td>
</tr>
<tr>
<td>Figure 5.3</td>
<td>Final Research Model</td>
<td>164</td>
</tr>
</tbody>
</table>
# LIST OF APPENDICES

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix 1</td>
<td>Survey Instrument</td>
<td>215</td>
</tr>
<tr>
<td>Appendix 2</td>
<td>Descriptors of Participating Hotels</td>
<td>229</td>
</tr>
<tr>
<td>Appendix 3</td>
<td>List of Emotive and Cognitive Items</td>
<td>233</td>
</tr>
<tr>
<td>Appendix 4</td>
<td>Correlations of Composite Service Quality Dimensions</td>
<td>239</td>
</tr>
</tbody>
</table>
CHAPTER 1 - INTRODUCTION

1.1 Introduction

This thesis is about the customer experience in hotels. The thesis evaluates the customer experience in relation to the antecedents of behavioural loyalty. Behavioural loyalty is evaluated in relation to customer satisfaction, brand trust and brand attitude. Customer satisfaction is also evaluated in relation to the antecedents of hotel performance, service quality and perceived value. The research provides an empirical evaluation of the relationships between the dimensions of hotel performance, perceived service quality, customer satisfaction, perceived value, brand trust, brand attitude and behavioural loyalty.

This chapter will continue with sections on the research context and the essence of the research before identifying the research question and providing a justification of the research. Following this the chapter proceeds to outline the research contained in this thesis before giving a summary of the chapters contained in the thesis. The chapter then provides definitions of the constructs used in the thesis before providing a conclusion.

1.2 Research Context

The hotel industry is a large and highly diverse industry that includes a wide range of property styles, uses and qualities (Chon & Sparrowe, 2000; Go & Pine, 1995; Olsen, 1996; Powers & Barrows, 1999). The industry covers the spectrum of small, medium and large enterprises (Brotherton, 2003; Jones,
and makes a significant contribution to national and international economies.

In Australia, the broadly defined accommodation industry generates revenue of nearly $6,000 million and employs over 250,000 staff (Australian Bureau of Statistics, 2005) whilst globally the hotel industry employs over eleven million staff and generates revenue in excess of US$2.4 billion (Olsen, 1996).

The hotel industry is particularly complex for a number of reasons. Firstly, the industry is structurally complex with there being a large number of categories. These categories encompass hotel quality (e.g. luxury, first class, mid-range and economy), hotel location (e.g. city centre, rural, seaside), hotel style (e.g. traditional hotel, resort hotel, all-suite hotel, limited service hotel, motel) (Chon & Sparrowe, 2000; Go & Pine, 1995; Lewis, Chambers & Chacko, 1995; Littlejohn, 2003; Powers & Barrows, 1999) and hotel usage (e.g. business, leisure, convention) (Jones, 2002; Lewis et al., 1995; Powers & Barrows, 1999).

Secondly, the industry is made complex by both the affiliation and management structures. In terms of affiliation hotels can be operated as independent properties, franchised to a branded hotel company (e.g. Marriott, Holiday Inn), or as members of a marketing consortium (e.g. Best Western, Leading Hotels of the World). In addition hotels can be owner-managed, managed by independent hotel management companies or managed by a national or international branded hotel company (Chon & Sparrowe, 2000; Go & Pine, 1995).
Thirdly, the industry is also highly fragmented, with most hotels independently owned and operated, (Olsen, 1996; Powers & Barrows, 1999) although there is a higher level of concentration in certain key quality sectors such as the luxury and first class sectors and the limited service sector (Jones, 2002). The perceived level of fragmentation is also lower when measured by the number of bedrooms rather than the number of properties (Olsen, 1996).

Due to the breadth and diversity of the industry it is appropriate to only study a particular section. The first class and luxury hotels, otherwise known as the four star and five star segments of the market, have been selected for this study as they are two of the sectors that evidence a high level of dominance by the major hotel companies (Jones, 2002). This research project focuses on the first class and luxury hotel sectors to identify the importance consumers place on a range of physical features and service attributes.

The performance of selected hotels in relation to these expectations is examined together with perceptions of satisfaction and value in these hotels and of the relationship between satisfaction, product congruence, brand attitude, brand trust and loyalty. The importance of the industry, both globally and domestically, in economic and employment aspects, identifies an industry that is deserving of research into the dynamics of interface between the company and the customer.

The research will contribute both to theory development and to management in the hotel industry. The contribution to theory will result from the increased understanding of the relationship between performance, satisfaction and behavioural loyalty within the hotel industry and of the impact of perceived value, product congruence, brand attitude and brand trust on this relationship.
These additions to the body of knowledge will not only add to our theoretical understanding but will also be of considerable benefit to industry through providing a clearer understanding of the importance consumers place in a variety of product features, customer perceptions of performance and how these relate to brand perceptions and repeat purchase behaviour.

1.3 **Essence of the Research**

In broad overview, this research investigates the antecedents of behavioural loyalty within the Australian first class (four star) and luxury (five star) hotel sectors. The research empirically investigates the direct relationship between hotel performance, customer satisfaction and behavioural loyalty, and also investigates the influence on loyalty, either directly or indirectly, of perceived value, brand trust and brand attitude.

The higher priced segments of the hotel industry are highly competitive with low switching costs (Skogland & Siguaw, 2004) and little opportunity to develop competitive advantage through differentiation or cost leadership (Bowen & Shoemaker, 1998; Kandampully & Suhartanto, 2000). It is important, therefore, to understand the aspects of business performance that persuade customers to become repeat purchasers, and to exhibit behavioural loyalty. The overall research intent, thus, is to identify the antecedents of, and influences on, behavioural loyalty.

The research process includes the development of a scale to measure hotel performance in relation to the aspects of the hotel experience found important by customers, together with scales to measure perceived value,
brand trust, brand attitude and behavioural loyalty. The scales were developed from the literature and from qualitative research.

1.4 Research Question

The broad research question to be investigated in this research is:

How do consumers perceive and relate to luxury and first class hotel brands?

The research will investigate the antecedents of behavioural loyalty, commencing with the hotel performance, and including factors that influence loyalty, both directly and indirectly through influencing the antecedents of loyalty. In particular, the impact of service quality, perceived value, customer satisfaction, brand trust and brand attitude are investigated to identify their effect on future behavioural intentions. The research includes the identification of aspects of the hotel experience customers find important in hotels in order to evaluate hotel performance in relation to these items.

There are a number of individual research questions that will relate to specific aspects of the relationships amongst the variables being examined. The specific research questions are identified in Chapter 3 of this thesis.

1.5 Justification and Contributions of the Research

The research is important for a number of reasons. These include the economic significance of the hotel industry, the paucity of current research and
the contribution to both theory and management both in the hotel industry, and
the broader service sector, that results from this research.

The significance of the industry derives from the economic and
employment contributions to the Australian and global economies. There is
also a significant indirect contribution to the broader economy. Without the
accommodation sector, associated industries such as tourism and the event
and conference industries would be unable to operate. Industry generally is
also dependent on hotels to support the staff travel necessary for business to
operate effectively.

As stated previously the hotel industry is a large industry contributing a
substantial amount to the Australian and global economies and providing
employment for many million people worldwide. In Australia, the broader
accommodation industry, that includes motels and serviced apartments as well
as hotels, comprises 3,992 properties with 204,461 bedrooms (Australian
Bureau of Statistics, 2005) whilst at the global level the hotel industry comprises
over seventeen million bedrooms (World Tourism Organisation, 2004
www.world-tourism.org/facts/trends/capacity.htm) in over three hundred
thousand hotels (Olsen, 1996). The growth in the hotel industry has reflected
the growth in travel patterns, especially those that occurred with the advent of
comparatively inexpensive air travel in the latter part of the twentieth century
(Weaver & Oh, 1993). This growth is expected to continue with the World
Tourism Organisation (2004) forecasting a growth to 1.56 billion international
arrivals by the year 2020 from 0.56 billion in 1995 (www.world-
tourism.org/facts/trends/capacity.htm).
Despite the economic significance of the hotel industry there has been comparatively little previous research that has explored consumer satisfaction and loyalty in the higher quality segments of the hotel industry. As a result, there are a number of gaps in the literature that this research will address. Firstly, with the exception of a paper by Wei, Ruys and Muller (1999) that addressed the topic of the gap in perceptions of hotel attributes between marketing managers and older people in Australia, there has been no Australian research found on customer expectations, customer satisfaction or customer loyalty in hotels, or on hotel performance.

Secondly, there is a literature gap in relation to the determinants of customer loyalty in the luxury and first class hotel sectors. In particular, there is no research that has been found on the impact of brand trust or brand attitude on loyalty within these segments. Even within the broader service industry literature, there is little research that has addressed these particular aspects of the brand as a mediating variable in the satisfaction - loyalty relationship.

Thirdly, there is a gap in the literature in respect of the mediating effect of value on the relationships between service quality, customer satisfaction and consumer loyalty. Whilst there has been research in the broader service environment on the impact of value there is very limited research in relation to value and value expectations in the hotel industry.

The limited volume of previous research enables this research to make a contribution to knowledge and to theory development. This research significantly extends the body of knowledge in relation to a number of the literature gaps mentioned above. Firstly, there has been very little research conducted in Australia in respect of hotel satisfaction or loyalty and, therefore,
the research project, almost in its entirety, extends the body of knowledge across a number of areas in respect of a geographical extension of research into selection, performance, customer satisfaction and loyalty research within the hotel industry.

Secondly, the relationship between hotel performance, value and customer satisfaction has not previously been investigated in respect of the luxury and first class hotel sectors, and this research will provide greater understanding of the drivers of customer satisfaction in hotels.

Thirdly, the mediating impact of the brand, in the format of brand trust and brand attitude, has not been investigated in terms of its impact on the relationship between customer satisfaction and customer loyalty in the hotel industry. No previous research has been found that has investigated the impact of these aspects of the brand on customer loyalty in hotels. This research, therefore, will provide an important contribution to the body of knowledge in this area.

This research will also make a practical contribution to management in the hotel industry through empirically sound research that will identify the relationships between performance, satisfaction and behavioural loyalty together with the mediating impact of perceived value, brand trust and brand attitude. In particular, the importance of the brand to hotel consumers and its impact on customer loyalty has not been addressed previously. This will be of particular relevance to the global hotel sector that is so reliant on the brand for global marketing strategies (Chon & Sparrowe, 2000; Tepeci, 1999). The hotel industry, in general, will benefit from the increased levels of knowledge and understanding of the factors customers find important in the hotel experience,
and of how hotel performance impacts on the levels of satisfaction, and how this, in turn impacts on loyalty intentions. For the Australian hotel industry, this research is mostly groundbreaking as there has been, with the exception of the paper by Wei, Ruys and Muller (1999), no previous research that has investigated the domestic hotel industry in relation to customer satisfaction and behavioural loyalty.

Of particular importance is the need to increase understanding and knowledge relating to consumer behaviour and expectations in relation to the luxury and first class hotel sectors as the first class and luxury hotel sectors are less fragmented, and reflect higher levels of concentration, than many of the other hotel sectors (Jones, 2002). In what may be called the traditional hotel sector, individual properties are sometimes able to develop a market niche that is reflective of that particular hotel from a particular characteristic, such as location, physical structure or another individual characteristic. In the more concentrated industry sectors, such as the first class and luxury sectors, there are several hotel groups each with a large number of hotels. These groups are dependent on the brand identity rather than aspects of an individual property (Tepeci, 1999). Thus it is particularly important to have a clear understanding of the expectations of consumers in relation to these hotel sectors because the higher levels of concentration and competition may reduce behavioural loyalty. This research will address a number of the literature gaps that exist in relation to the Australian and global hotel industries and will assist hotel managers, through a better understanding of the interrelationships between service quality, customer satisfaction and behavioural loyalty, to improve hotel performance and therefore customer satisfaction and behavioural loyalty.
1.6 Outline of the Research

The research was conducted through three stages that included both qualitative and quantitative approaches.

The first stage comprised four focus groups of hotel consumers who self selected themselves as either first class or luxury hotel consumers. Two focus groups consisted of consumers who identified themselves as luxury hotel consumers, and two comprised self-selected first-class hotel consumers.

The second stage comprised a pilot study using the scales developed from the qualitative data collected through the focus groups, together with additional items and scales composed from the literature. The data were then factor analysed using SPSS. The scales were purified through removal of items that failed to load adequately or were complex.

The third stage comprised a self-completed questionnaire that was distributed through eight hotels located in Queensland. The hotels comprised a range of first class and luxury hotels. The hotels each provided the opportunity to win a weekend break as an incentive for response. The data were then analysed using SPSS, a statistical analysis program, and AMOS, a structural equation modelling program.

1.7 Outline of Each Chapter

In summary, this thesis contains six chapters. Chapter 2 includes a review of the main areas of literature relevant to this research. The literature is reviewed within four broad headings. The first section contains hotel industry specific literature related to the size and importance of the international hotel industry, the specific characteristics of the industry and its industrial behaviour.
The second section addresses the consumer selection process and in particular the literature, identified in previous research outside Australia, of the hotel selection process by consumers. The third section looks at the determinants of customer satisfaction including the motivations for, and benefits deriving from, customer satisfaction, as well as the antecedents of customer satisfaction, including the service encounter and value perceptions. The section concludes with a review of previous hospitality research in customer satisfaction. The final section of the literature review looks at customer loyalty, and includes components on the meaning of loyalty, and the antecedents of loyalty, including the impact of the brand on loyalty behaviour. This section concludes with a review of previous research into customer loyalty in the hospitality arena.

In the third chapter, the research model is proposed. This chapter draws from chapter two, both in respect of identified gaps in the literature that this research will address, and in respect of insights that can be gained from the literature to support the research question and the hypotheses proposed. The chapter includes a number of hypotheses that are proposed in relation to service quality, customer satisfaction, the role of the brand in customer perceptions and loyalty intentions. The chapter finishes with an evaluation of the contribution to both theory and hotel management that will result from this research.

The fourth chapter contains the methodological approaches utilised. The chapter commences with a section on the research design before progressing to discuss the approaches used in analysing the qualitative data gathered from the focus groups. The chapter then continues by addressing the scale development process before providing a description of the scales that resulted.
Following this the structure of the pilot study and the analysis of the data collected is discussed. The chapter continues with an explanation of the statistical methods used to analyse the data. In analysing the data, principal component analysis, regression analysis and structural equation modelling using AMOS are utilised.

The results of the research are provided in the fifth chapter. The chapter commences with the qualitative research results. Following this, the demographic information relating to the sample, including sex, age, income and educational standard is presented. The chapter then continues with the exploratory factor analysis of the dimensions of hotel performance before providing confirmatory factor analyses of the dimensions of the structural model. The chapter then presents the research results for the individual hypotheses identified in Chapter 3.

The sixth and final chapter contains a discussion of the results related to the overall research question, and the research hypotheses. The chapter addresses the impact of the results both from a theoretical development perspective and from that of the contribution to management in the hotel industry. This chapter also identifies limitations of this research and makes suggestions for future research.

1.8 Construct Definitions

The three main constructs of service quality, customer satisfaction and behavioural loyalty are now briefly discussed and a definition of the construct provided as used in this research. The supporting literature that underpins the definitions adopted will be provided in the next chapter.
There has been debate over the distinction between service quality and customer satisfaction (Iacobucci, Ostrom & Grayson, 1995; Johnston, 1995; Oh & Parks, 1997) that has revolved around the definition and sequence of the constructs. In particular Oh and Parks (1997) note there has been research in which satisfaction was assumed to measure service quality whilst other research assumed they were the same construct. They continue by suggesting they are distinct constructs with some overlap (Oh & Parks, 1997). The original definition of service quality identified it as the difference between consumer expectations and perceptions (Parasuraman, Zeithaml & Berry, 1985; 1988) although this definition is similar to that of customer satisfaction and originated the confusion between the constructs (Oh & Parks, 1997). The use of a gap model has been criticised as encouraging changing estimates of service quality as customers become familiar with delivered quality (Getty & Thompson, 1994).

In this research service quality is defined as:

*The consumer evaluation of the quality delivered in the components of the service encounter.*

This definition reflects overall service quality being the cumulative result of the evaluation of individual components of the service encounter. The definition encompasses service quality being a subjective judgement and is a consumer evaluation of quality and thus does not reflect a technical evaluation of quality (Getty & Thompson, 1994).

The definition of customer satisfaction has also eluded consistency, with definitions being derived from either cognitive or emotive assessments.
However most researchers have defined customer satisfaction from a cognitive position (Oh & Parks, 1997). In this research a disconfirmation approach is adopted that derives from the original specification by Oliver (1980) and customer satisfaction is defined as:

*Customer satisfaction derives from the perceived service quality meeting, or exceeding, previously held expectations.*

Customer satisfaction, in this definition, derives from the comparison between the expectations held by the consumer prior to the service encounter, and formed from tangible and intangible cues, with their evaluation of the service encounter. This approach to the definition of customer satisfaction has been empirically tested in several studies and is widely accepted (Pizam & Ellis, 1999).

The construct of loyalty comprises both behavioural and emotional aspects (Dick & Basu, 1994; Gounaris & Stathakopoulos, 2004). In this research loyalty is defined from a behavioural position as:

*An intention to repurchase the same product or service at the next purchase occasion without undertaking further search activities.*

This definition reflects a strong commitment to the product or service from a behavioural perspective but does not extend into the broader definition of loyalty that includes emotional attachment.
1.9 Conclusion

This chapter has provided a broad overview of the structure and direction of the thesis. As can be seen from the information contained, the thesis addresses gaps that exist within the literature in relation to the expectations and consumption of a quality hotel product. The research will be of benefit to the industry in providing greater understanding of the importance consumers attach to aspects of hotel performance, and to performance gaps that appear common across a range of hotels.
CHAPTER 2 - LITERATURE REVIEW

2.1 Introduction

Although the hotel industry is large, and economically important for most countries, there has been surprisingly little research into the industry. As an example a search on Proquest (17 November 2005) revealed that only eighteen of the nearly seven hundred articles in scholarly journals on the topic of brand loyalty relate to the hotel industry. A closer examination shows that of these eighteen only seven relate directly to brand loyalty in hotels with, for example, three related to restaurants not hotels and three to the role of guest histories.

Despite the paucity of previous research the published literature does contain a number of areas that have relevance to this thesis. This chapter is divided into appropriate sections that are intended to give cohesion to the literature contained therein. The literature is discussed within four broad sections. The first section contains hotel industry specific literature relating to the characteristics of the industry, its structure and competitive forces. The second continues with the criterion consumers’ use for selection of goods and services, including hotel selection. The third section relates to customer satisfaction, whilst the final section relates to customer loyalty. This structure allows comparison of research in a broader context with that in the narrower hospitality field allowing a clearer identification of the gaps in the literature that contribute to the research questions.
2.2 The Hotel Industry

The global hotel industry is a major component of the travel and tourism industry, generating over US$247 billion in 1995 (Olsen, 1996). It is an extensive industry defined as “a set of lodging firms, including motels, in competition, and producing goods and services of a like function and nature” (Go and Pine 1995 pg 25). A hotel, within this industry, is defined as “any facility that regularly (or occasionally) provides overnight accommodations” (Olsen 1996, pg 20).

The hotel industry is highly complex in that there are several independent but competing elements (hotels, resorts, motels, guest-houses etc.) within the industry (Go & Pine, 1995; Littlejohn, 2003). Each element has internal quality classifications (one star to five star or economy to luxury) and diverse customer groups (business, leisure & convention travellers) (Jones, 2002; Lewis et al., 1995). In addition to the diversity within the industry, we must note the complexity of the operating environment is extended for the multinational hotel industry with “the unique challenge of competing in three business environments: international, national and local” (Olsen 1996, pg 29).

According to the International Hotel Association report ‘Into the New Millennium’ (Olsen 1996) the global hotel industry comprised 307,683 hotels with 11,333,199 bedrooms in 1995. Subsequently the World Tourism Organisation identifies an industry that had grown to comprise 17.4 million bedrooms by 2001 (World Tourism Organisation, 2004). The hotel industry has experienced significant growth over the last thirty years (Go & Pine, 1995; Olsen, 1996) with, in particular, a growth in the number of bedrooms worldwide by over twenty five percent in the period from 1990 to 1998 (Littlejohn, 2003).
There is some consensus that similar increases occurred in the previous decade (Go & Pine, 1995). Weaver and Oh (1993) comment that many hotel companies capitalised on the growth and expansion trends that followed World War II, especially in the more developed nations, such as the USA and some of the countries in Europe. In more recent times the expansion trends of the hotel companies have transferred to the less developed and developing countries (Olsen, 1996).

The hotel industry is a highly complex industry (Olsen, 1996) that contains many sub-sections, yet also competes at a broader level within specific geographic areas (Lewis et al., 1995). At the product level, the hotel industry is categorised by hotel quality and style. For example, most consumers are familiar with the star quality ratings and the slightly broader categorisations of luxury, first class, mid-range and economy, but within these categorisations there are also several types of hotel such as business or leisure hotels, apartment or all-suite hotels (Lewis et al., 1995; Littlejohn, 2003). Equally, the location of a hotel, such as CBD, city outskirts, seaside, rural or roadside also provides a reasonable segmentation of hotels (Olsen, 1996).

In general a first class hotel competes with another first class hotel, but within any given geographic area a first class hotel may also compete with a luxury, mid-range or economy hotel depending on the range of hotels available at the destination (Lewis et al., 1995). The structure is also made complex by a separation of ownership and management, with few industries reflecting the range of stakeholders commonplace in the hotel industry that include franchisors, management firms and owners (Dube & Renaghan, 1999c; Jones, 2002; Littlejohn, 2003).
The Horwarth International (1998) report provides a useful breakdown of hotel usage. As can be seen from Table 2.1, there is a broad distribution of demand between the various source markets for each of the quality classifications, although the value of business travellers is often underestimated, as the intensity of use by business travellers is often higher (Lockyer, 2002). As can also be seen in Table 2.1, the percentage of repeat business averages less than 36 per cent, highlighting the importance, for hotels, of increasing their understanding of the antecedents of repeat purchase behaviour.

**Table 2.1: Hotel Usage**

<table>
<thead>
<tr>
<th>Source of Business</th>
<th>All Hotels</th>
<th>Luxury</th>
<th>First Class</th>
<th>Midprice/Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>47.4</td>
<td>37.5</td>
<td>53.8</td>
<td>58.7</td>
</tr>
<tr>
<td>Foreign</td>
<td>52.6</td>
<td>62.5</td>
<td>46.2</td>
<td>41.3</td>
</tr>
<tr>
<td>Repeat Business (%)</td>
<td>35.9</td>
<td>37.0</td>
<td>34.9</td>
<td>36.0</td>
</tr>
<tr>
<td>Business</td>
<td>30.7</td>
<td>36.2</td>
<td>32.1</td>
<td>28.5</td>
</tr>
<tr>
<td>Convention</td>
<td>10.1</td>
<td>12.4</td>
<td>11.2</td>
<td>8.8</td>
</tr>
<tr>
<td>Leisure</td>
<td>51.8</td>
<td>44.0</td>
<td>47.0</td>
<td>56.2</td>
</tr>
<tr>
<td>Other</td>
<td>7.4</td>
<td>7.4</td>
<td>9.6</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Derived Horwath International Worldwide Hotel Industry Study 1998

2.2.1 Competition within the Hotel Industry

The hotel industry is changing, reflecting higher levels of concentration and competition (Go & Pine, 1995; Littlejohn, 2003; Olsen, 1996). The emergence, post WWII, of large hotel groups operating internationally has fundamentally changed the hotel industry from a fragmented industry with most hotels individually owned, to one dominated by large groups (Littlejohn, 2003;
Olsen, 1996). This process of change and consolidation is continuing and a more internationalised and concentrated industry is expected to develop (Go and Pine 1995, Olsen 1996). This research is particularly relevant in the light of these changes as, whilst an individual hotel may gain competitive advantage from a specific attribute, the large hotel group is unlikely to derive competitive advantage from those attributes available to the individual hotel. Hence, the literature would be advanced through a contribution towards a solution to the problem faced by many hotels and hotel groups of a lack of differentiation from competitor hotels and hotel groups (Bowen & Shoemaker, 1998; Kandampully & Suhartanto, 2000; Lewis et al., 1995). This research offers such a contribution.

The structure of an industry and the concentration of firms within that industry determines the behaviour of participating organisations (Needham, 1978). The hotel industry has historically been considered fragmented, as the industry level of concentration is perceived as low (Littlejohn, 2003). The assumption that the level of concentration is low derives from two major reasons. First, the diversity within the industry is high. Second, there is wide ranging ownership with many hotel companies only owning one or a small number of properties (Littlejohn, 2003). However it may be argued that the industry has consolidated over recent years.

According to figures derived from the International Hotel Association report (Olsen, 1996), the top twenty hotel companies only controlled 6.45 per cent of the world hotel stock at that time, indicating a low level of concentration. However in terms of the number of bedrooms, the top twenty hotel companies controlled 23.44 per cent of the total, thereby providing a different impression. Littlejohn (2003) supports this, citing Todd and Mather (2001), who suggest that
less than 20 per cent of European hotels belong to branded chains, whilst also citing statistics that show a growth in rooms belonging to the top twenty hotel companies from 1.8 million to 3.6 million in the period from 1990 to 2001. The level of concentration is thus determined by the term of measurement, hotel properties or hotel rooms, and although the level of concentration is still low in comparison with many other industries, it is far higher than initially indicated.

These figures, however, give an inaccurate perception of the levels of concentration and competitive rivalry that exist within certain discrete sectors of the industry. The hotel industry includes luxury, first class, mid-range, and economy hotels, high quality and standard motels as well as other forms of accommodation, such as caravan parks, serviced apartments and guesthouses. It is in this context, at the industry level, that the hotel industry may be seen as fragmented, but in reality the industry comprises several sub-industries, some of which show very different structural characteristics.

The majority of the hotels owned by the top twenty hotel companies would be found within certain discreet sectors of the industry, such as the higher priced first class and luxury sectors, and the economy sectors, and within these sectors the levels of concentration would be much higher (Jones, 2002). These sectors, dominated by the large hotel groups, tend to have high levels of competitive rivalry. The level of competitive rivalry positively correlates with the following characteristics, all prevalent in these sectors of the hotel industry: high levels of concentration, high entry barriers, homogeneous products, high cross-elasticity, high fixed costs and where there is excess capacity (Johnson & Scholes, 2002). Additional factors, also prevalent in the hotel industry that exacerbate the levels of competitive rivalry are low buyer loyalty and low
switching costs (Skogland & Siguaw, 2004), which lead to a willingness to switch between brands.

For the hotel industry, within an individual quality sector, there is a lack of sources of competitive advantage at the group level as there are limited sources of product differentiation or cost advantage (Bowen & Shoemaker, 1998; Kandampully & Suhartanto, 2000; Lewis et al., 1995). Differentiation arises from a buyer perspective and, in general, within a hotel quality grading, there is little differentiation, from the consumer’s perspective, between hotels of any given standard (Bowen & Shoemaker, 1998; Kandampully & Suhartanto, 2000). As an example of the limited differentiation, hotel general managers from a luxury brand in Asia were shown photographs of hotel rooms from their own brand, and three competitors, with most of the managers being unable to identify any of the rooms including their own (Bowen & Shoemaker, 1998).

Individual properties can hold competitive advantage for many reasons, including tangible aspects such as location, physical attributes or facilities, as well as intangible aspects related to service issues or specific characteristics (Lewis et al., 1995). At a group level, within a quality classification, the competitive advantage that can derive from the uniqueness available to a single hotel is not available and, therefore, the development and management of strong brands is seen as a key driver of success in the face of highly competitive markets, and low product differentiation (Delgado-Ballester & Munuera-Alemán, 2000; Jiang, Dev & Rao, 2002). Tepeci (1999 pg 223) suggests that as a mature industry, with “rising international competition, slower growth rates, decreased population growth and oversupplied and mature markets”, the hotel industry needs to pursue market share rather than market
growth strategies with consumer loyalty being paramount to a successful strategy.

In summary the hotel industry provides a significant economic and employment contribution to the Australian and global economies. The industry has seen a long period of growth and consolidation that has fundamentally changed the competitive climate, particularly in discrete sectors such as the first class and luxury sectors, those chosen for this study. These sectors, whilst still showing comparatively low levels of concentration, are dominated by the major hotel groups. But, due to a lack of physical product differentiation, these groups seek to rely on brand attitudes as a source of competitive advantage.

2.3 Hotel Purchase Behaviour

This section reviews the literature that affects the hotel selection and purchase behaviour by consumers. The section addresses the hotel purchase within the context of the consumer purchase decision and includes a review of the literature on hotel selection and decision involvement. The purchase of hotel accommodation fits within the framework of the consumer purchase decision comprising several stages including problem recognition, information search, product evaluation and choice (Mowen, 1987). The purchase decision is influenced by a range of individual and environmental factors that impact on the purchase process including decision involvement (Foxall & Goldsmith, 1994; Mowen, 1987).

The consumer purchase decision takes place within a life-space formed from individual and environmental factors that impact on the purchase process. Purchase behaviour includes motivations connected to both symbolic and
actual product values and contains interrelationships between group influences, sub cultures, motivation, personality and psychographics (Foxall & Goldsmith, 1994).

The involvement in the decision process reflects the importance to the consumer of the decision outcomes (Foxall & Goldsmith, 1994; Mowen, 1987). Foxall and Goldsmith (1994) talk about the involved and uninvolved consumer with the greater the involvement the higher the investment in the decision process. In a similar fashion the level of perceived risk in the product purchase will influence the level of investment in the decision process (Foxall & Goldsmith, 1994; Mowen, 1987). Perceived risk can derive from a number of sources including psychological, physical, functional and financial aspects of the purchase decision (Foxall & Goldsmith, 1994; Mowen, 1987). The hotel selection process is likely to reflect high investment in the decision process as hotel purchase decisions, especially for leisure travellers, are important and reflect risk. This includes the potential for psychological, physical, functional and financial risk. The perceived levels of risk increase reliance on extrinsic cues, including brand loyalty (Campbell & Goodstein, 2001; Mitchell & Greatorex, 1993). The levels of perceived risk may also be reflected in the previous research into hotel selection (discussed next) that includes a focus on functional aspects of the hotel product as well as safety and security.

In summary the hotel selection decision is likely to be taken seriously, especially by leisure travellers or when travelling to unfamiliar destinations or countries. The decision reflects high levels of risk for a variety of reasons including psychological risk arising from a lack of product congruity, physical
risk arising from safety and security aspects of the decision, functional risk from selecting a poor quality hotel and financial risk from a poor decision.

2.3.1 Hotel Selection

For a hotel, most demand is either derived or secondary demand. Demand for accommodation generally originates in a primary reason, such as a business meeting, and the hotel accommodation facilitates the primary travel purpose. From a hotel perspective, it is necessary to understand the reasons why individuals consume hotels, why they choose one hotel from another and what benefits result for the individual consumer.

The research that has been previously undertaken in respect of selection criteria has tended to focus on a particular aspect, such as purpose of travel (Callan & Kyndt, 2001; Knutson, 1988; Lockyer, 2002; McCleary, Weaver & Hutchinson, 1993; McCleary, Weaver & Lan, 1994; Weaver & Oh, 1993), age (Ananth, DeMicco, Moreo & Howey, 1992; Wei, Ruys & Muller, 1999), gender (McCleary et al., 1994), or hotel standard (Callan, 1998; Callan & Bowman, 2000). The majority of this research has also relied on data collected in the United States (Ananth et al., 1992; Dube & Renaghan, 2000; Knutson, 1988; McCleary et al., 1993; McCleary et al., 1994; Weaver & McCleary, 1991; Weaver & Oh, 1993). There are a few examples of other research using data collected in the United Kingdom (Callan & Bowman, 2000; Callan & Kyndt, 2001), New Zealand (Lockyer, 2002) and Australia (Wei et al., 1999).

With the exception of Lockyer (2002) who used a scale derived from Weaver and McCleary (1991) these individual pieces of research have used
different scales, which make a direct comparison of results more difficult. There are themes that emerge from the previous research into hotel selection.

Aspects of the basic hotel product have been ranked as most important across much of the research and in particular cleanliness has been often placed as most important (Callan & Bowman, 2000; Knutson, 1988; Lockyer, 2002; Weaver & McCleary, 1991; Weaver & Oh, 1993) with Weaver and McCleary (1991) reporting that over ninety per cent of business travellers ranked cleanliness as the most important aspect. Following cleanliness, other aspects of the core hotel product such as comfortable beds and rooms and good quality towels (Knutson, 1988; Weaver & McCleary, 1991; Weaver & Oh, 1993) were ranked highly. Other aspects of the hotel that were reported as important for hotel selection included quality staff and service (Knutson, 1988; Lockyer, 2002; Weaver & McCleary, 1991; Weaver & Oh, 1993), safety and security (Knutson, 1988; Lockyer, 2002; Weaver & McCleary, 1991) and added value extras such as free newspapers and cable TV (Weaver & McCleary, 1991; Weaver & Oh, 1993).

Differential aspects associated with particular market segments based on age, gender or purpose of trip showed some unsurprising differences. In a study that compared male and female travellers, McCleary, Weaver and Lan (1994) found female travellers to be more security focused whilst male travellers rated a fax machine and suite rooms as more important. In terms of particular features, they found that women were more likely to use hair dryers, ironing facilities, room service and bathrobes, whilst men were more likely to use telephones in the bathroom. The research that has studied the needs of mature travellers (Ananth et al., 1992; Wei et al., 1999) did not show consistency of
findings, although the survey formats were considerably different, and may have obscured comparison of the findings. Other research has shown that leisure travellers are more price conscious than business travellers (Knutson, 1988) and that as the quality of the hotel decreases price becomes more important in the selection process (Knutson, 1988).

Much of this research, and in particular the research that has found cleanliness to be most important, is comparatively dated and contrasts with more recent findings from Dube and Renaghan (1999b) who identified brand name and reputation as most important. It may be that the industry consolidation and brand development that occurred during the 1990’s has raised standards and supplanted aspects of the core hotel product such as cleanliness and comfortable beds with brand name and reputation. These findings contain implications about the possible changing nature of expectations as to the core product.

2.3.2 Brand and Hotel Selection

A major aspect of hotel selection relates to the consumer awareness of the hotel features and standards. If a potential consumer has not visited a location previously, they will be unaware of the hotels present in that location or their quality. When there is unfamiliarity with a hotel potential customers may rely on extrinsic cues, such as brand names (Dube & Renaghan, 1999b; Krishnan & Hartline, 2001; Morgan, 1991) as substitutes for hotel selection criteria.

The issue of brand recognition is seen as important for services (McDonald, de Chernatony & Harris, 2001; Selnes, 1993), due to their high
levels of intangibility rendering quality evaluation prior to consumption difficult (Lewis et al., 1995). Any product with simultaneous and inseparable production and consumption, that includes high levels of experience effects, such as hotels and restaurants, can only be evaluated during and after the consumption process. This requires extrinsic cues to help form a judgement on the likely levels of satisfaction to be expected in the consumption process (Krishnan & Hartline, 2001).

The issue of perceived risk in a purchase is antecedent to anticipated value and willingness to buy (Sweeney, Soutar & Johnson, 1999). The hotel product reflects a lack of intrinsic cues as to quality and the role of an extrinsic cue, such as a brand reputation, becomes more important for selection. For this reason consumers often base their hotel choice on their beliefs about brand (Jiang et al., 2002; Kotler, Bowen & Makens, 1996; Morgan, 1991).

In a retail study undertaken by Darden and Babin (1994), a degree of relationship was identified between affective quality and perceptions of functional quality that would suggest consumers use tangible aspects to infer likely intangible qualities. Affective quality was induced from store design and internal and external tangible cues. In this context the role of the Internet is gaining credibility as part of a selection process as it allows consumers to view the tangible aspects of the hotel prior to visit.

Although the role of the brand, as an extrinsic cue to quality, is highly important for hotel selection, no previous research has addressed the role of the brand in the initial or subsequent purchase of hotel accommodation. The role of trust in the brand (discussed later), may be seen as an important extrinsic cue in the purchase process. This would be particularly valuable for chain hotel
properties where customer satisfaction with one hotel may be transferable to other hotels within the brand.

2.4 Customer Satisfaction and Its Sources

The importance of customer satisfaction has long been recognised, both in hospitality research and in the broader research environment (Iacobucci et al., 1995; Oh & Parks, 1997; Oliver, 1980; Pizam & Ellis, 1999; Szymanski & Henard, 2001; Yeung, Ging & Ennew, 2002). Although satisfying customers is a fundamental component of the marketing concept (Spreng, MacKenzie & Olshavsky, 1996), it is the link to business performance as an antecedent of repeat purchase behaviour that has encouraged the research interest in customer satisfaction (Oh & Parks, 1997; Wirtz, 2003; Yeung et al., 2002).

Most researchers agree there are linkages between service quality and customer satisfaction (Buttle, 1996; Caruana, 2002; Cronin, Brady & Hult, 2000; Oh, 1999; Parasuraman et al., 1985; 1988), and between customer satisfaction and consumer loyalty (Bloemer & Kasper, 1995; Buttle, 1996; Caruana, 2002; Chiou, 2004; McDougall & Levesque, 2000; Oliver, 1980). It is also generally accepted that a positive relationship exists between consumer loyalty and company profitability (Bowen & Chen, 2001; Buttle, 1996; Hallowell, 1996; Kandampully & Suhartanto, 2000; Oliver, 1999; Tepeci, 1999), with loyal customers exhibiting a number of behavioural facets that contribute to increased profitability including higher levels of purchase, decreased price sensitivity, positive word of mouth and less likelihood of switching brands (Bowen & Shoemaker, 1998; Buttle, 1996).
In mature and highly competitive industries, the satisfaction of customers is essential for customer retention (Clow & Vorhies, 1993; Oliver, 1999; Pizam & Ellis, 1999; Szymanski & Henard, 2001; Wirtz, 2003; Yuksel & Rimmington, 1998) and survival (Bloemer & de Ruyter, 1998; Bowen & Shoemaker, 1998; Pizam & Ellis, 1999; Zeithaml, Berry & Parasuraman, 1996). This is valid for the hotel industry (Bowen & Shoemaker, 1998; Pizam & Ellis, 1999) as well as more generally in the broader service industry environment (Bloemer, de Ruyter & Wetzels, 1998; Zeithaml et al., 1996). Previous research suggests that the overall level of a consumer's satisfaction derives from the component satisfactions that are generated by the individual aspects of the consumption experience (Garbarino & Johnson, 1999), with perceived value being an important mediator (Day, 2002; Jayanti & Ghosh, 1996; Oh, 1999).

In order to achieve customer satisfaction it becomes critical that customers form accurate expectations about service standards, that the parameters of superior performance are defined from a customer perspective (Coyne, 1989), and that firms meet or exceed the expected standards (Clow & Vorhies, 1993). In addition to identifying existing customer expectations, customer oriented firms should also anticipate the changing needs of customers and respond with appropriate goods and services (Brady & Cronin, 2001).

2.4.1 Service Quality

There has been considerable debate over the differences and similarities between customer satisfaction and service quality (Iacobucci et al., 1995; Johnston, 1995; Oh & Parks, 1997), with the concepts having been treated as interchangeable by some service researchers (Iacobucci et al., 1995; Oh &
This perceived confusion reflects service quality reflecting functional, rather than technical quality, and, as such, being closer to satisfaction (Caruana, 2002). There is, however, general consensus in the literature that service quality and customer satisfaction are different constructs (Cronin & Taylor, 1992; Iacobucci et al., 1995; Oh, 1999; Oh & Parks, 1997), but that a positive correlation exists between them (Buttle, 1996; Cronin & Taylor, 1992; Oh & Parks, 1997; Parasuraman et al., 1985; 1988; Selnes, 1993). The debate over the constructs has, to a large extent, revolved around sequential, definitional and measurement issues.

The sequential aspect essentially relates to superiority, the question being whether customer satisfaction with a service encounter is antecedent to perceived service quality, or does perceived service quality contribute to customer satisfaction? Although early service quality researchers defined satisfaction as an antecedent of service quality (Iacobucci et al., 1995), it has now generally been accepted that service quality is antecedent to customer satisfaction (Caruana, 2002; Cronin & Taylor, 1992; Parasuraman, Zeithaml & Berry, 1994; Teas, 1994) and that customer satisfaction acts as a mediating variable between service quality and loyalty (Caruana, 2002).

Confusion also arises between the terms, as both customer satisfaction and service quality have been defined, and measured, as the difference between the expectations held prior to purchase, and the post consumption performance evaluations. This is known as the gap model for service quality measurement and as the disconfirmation paradigm for customer satisfaction measurement (Iacobucci et al., 1995).
The principal means of measuring service quality has been SERVQUAL (Parasuraman et al., 1985; 1988) and although there is widespread acceptance of the contribution of this scale there has also been some criticism over a range of methodological and operational aspects of the measure (Buttle, 1996; Carman., 1990; Cronin & Taylor, 1992; Teas, 1993). Customer satisfaction measures are widespread but derive from the work originally postulated by Oliver (1993). The measurement process for both service quality and customer satisfaction was founded on the basis of a disconfirmation paradigm (Iacobucci et al., 1995), although other methods have been postulated. Pizam and Ellis (1999) identified nine different approaches to the measurement of customer satisfaction. However, the significant difference has been the approach to identifying the disconfirmation, with satisfaction researchers using a better than/worse than scale originally specified by Oliver (1980), whilst service quality researchers mathematically identify disconfirmation through the collection of expectations and performance separately, based on the approach to service quality measurement identified by Parasuraman, Zeithaml and Berry (1985, 1988).

Although the use of the disconfirmation approach has generally been accepted in customer satisfaction measurement, there has been, however, considerable debate in the literature over the inclusion of expectations in service quality measurement (Carman., 1990; Cronin & Taylor, 1992; Cronin & Taylor, 1994; Parasuraman, Berry & Zeithaml, 1991; Parasuraman et al., 1994; Teas, 1993; Teas, 1994). This has resulted in a general agreement that performance only measures are superior (Cronin & Taylor, 1994; Parasuraman et al., 1994; Teas, 1994).
In summary, it is now generally accepted that service quality is different from and antecedent to customer satisfaction (Caruana, 2002; Cronin & Taylor, 1992; Parasuraman et al., 1994; Teas, 1994), which acts as a mediating variable between service quality and loyalty (Caruana, 2002). It is also accepted that performance only measures of service quality are superior. The relationships between service quality and customer satisfaction have received limited attention in the hotel industry.

2.4.2 Antecedents of Service Quality

The individual service encounter, between the customer and the service provider, is the fundamental unit during which the customer evaluates quality and develops satisfaction or dissatisfaction (Bitner, Booms & Stanfield, 1990). Each service experience is made up of a series of individual discrete service encounters during which the customer will make these evaluations (Bitner, 1990).

Prior to the service encounter, the customer forms expectations about the forthcoming experience using a number of intrinsic and extrinsic cues that give indication about the likely performance standards (Clow & Vorhies, 1993; Gould-Williams, 1999). Although there has been comparatively little research undertaken in the service context on the intrinsic and extrinsic cues used by consumers, it is likely that, due to the intangible nature of services, greater emphasis will be placed on the extrinsic cues (eg brand, word of mouth recommendations), rather than intrinsic cues (Clow & Vorhies, 1993; Gould-Williams, 1999; Krishnan & Hartline, 2001; Parasuraman et al., 1985). Service expectations are not only influenced by the intrinsic and extrinsic cues related to
a particular experience, but also by a global perspective built from previous experiences and other information sources (Gould-Williams, 1999).

Although most products and services comprise a range of attributes that may be used for evaluation purposes, most consumers tend to make their quality judgement on just a few attributes that, either from experience or ease of use, they find most useful in making judgements (Gould-Williams, 1999). The service experience will be evaluated by consumers on the basis of their a priori expectations and used to evaluate quality, to determine satisfaction and to form expectations about future consumption experiences (Clow & Vorhies, 1993; Garbarino & Johnson, 1999; Yi & La, 2003).

The service encounter can be broken into three categories: environmental, transactional and assistance-based aspects (Coyne, 1989) with the assistance based aspect most influential in defining service standards. Customer contact employees play a critical role in forming consumer judgements of quality, with good performance being linked to improved perceptions of quality and poor performance to increased complaints (Gould-Williams, 1999). As customer satisfaction is generated by performance either meeting or exceeding expectations (Clow & Vorhies, 1993; Danaher & Mattsson, 1994; Oh, 1999; Oh & Parks, 1997; Oliver, 1980; Spreng et al., 1996), it is important for managers to be aware of the cues used by customers in order to maximise satisfaction (Gould-Williams, 1999).

In summary, in service industries, such as the hospitality industry, the service encounter is critical with customer satisfaction or dissatisfaction resulting from a comparison between expectations and performance. Expectations are formed from tangible and intangible aspects and from previous
experience. Employees are the most important aspect of delivery as they are integral to the encounter, especially when advice is sought, but other aspects, such as timeliness of delivery, are also important. In order for managers to maximise satisfaction it is essential they understand the aspects that are valued by customers. Hence, an examination of the concept of value is warranted.

2.4.3 Value

The importance of value to the customer has been recognised particularly in the relationship between price, quality and value (Bojanic, 1996; Cronin et al., 2000; Jayanti & Ghosh, 1996; Oh, 1999; Sweeney & Soutar, 2001; Zeithaml, 1988) and as a component of the customer evaluation of satisfaction (Bojanic, 1996; Cronin et al., 2000; Day, 2002; Oh, 1999; Zeithaml, 1988). In early comments on the role of value, Zeithaml (1988) suggests there might be confusion over the distinction between value and quality, with this partially being generated by the role of the value concept in pre-purchase deliberations, as well as in sequence with consumption and in-post consumption reviews. Zeithaml (1988) also notes that the term value has different meanings for different people including low price, inclusion of expected features and a trade-off between price and included features. Perceived value reflects an extension of the customer satisfaction–service quality dimension, to incorporate the relationship between the experience and the overall financial and non-financial sacrifices contributed (Bojanic, 1996; Cronin et al., 2000; Jayanti & Ghosh, 1996; Oh, 1999; Rosen & Surfrenant, 1998).

Although the relationship between customer satisfaction and value has been previously researched no finite evaluation of the relationship has
emerged. Some researchers suggest value is antecedent to customer satisfaction (Cronin et al., 2000; Day, 2002; Oh, 1999) whilst others suggest it acts as a mediator between quality and purchase intentions (Babakus & Boller, 1992; Bojanic, 1996), or represents a higher order construct than price or quality (Kashyap & Bojanic, 2000). Zeithaml (1988) proposed a model that has been tested and adapted by subsequent researchers, whereby perceived value is a mediator between quality and purchase intentions. In particular, Bojanic (1996) adapted this model for application in the hotel industry, finding support for Zeithaml’s (1988) findings. In the service arena, value consists of three components, emotional, practical and logical. This also recognises the creation of value during the service encounter, rather than by the service output, and includes the possible carry-over effects between stages in a service encounter (Lemmink, de Ruyter & Wetzels, 1998).

In summary, value acts a mediator between service quality and customer satisfaction, and influences repurchase intentions. In a hotel context, the purpose of travel affects value perceptions, with this making complex the creation of value for customers.

2.4.4 Customer Satisfaction and Service Quality Research in Hospitality

There have been a number of studies that have looked at customer satisfaction and service quality in the hotel industry. There is evidence that significant levels of dissatisfaction occur. For example, Knutson (1988) identifies that over half of both business and leisure travellers had stayed in a hotel to which they would never return, with most identifying poor maintenance and repair and dirty rooms as the reasons. This section will continue with a
review of the literature on the measurement and levels of customer satisfaction in the hotel industry before proceeding to the service quality in the hotel industry.

2.4.4.1 Customer Satisfaction in the Hotel Industry

The studies that have been undertaken into customer satisfaction in hotels (Barsky & Labagh, 1992; Cadotte & Turgeon, 1988; Choi & Chu, 2000; Gunderson, Heide & Olsson, 1996) show little commonality. There have been two United States, one Norwegian and one Hong Kong study undertaken with limited overlap of results. In the Norwegian study Gunderson et al, (1996) identify the intangible elements of reception and food and beverage, and the tangible aspect of housekeeping, as significant, explaining eighty percent of the variance in satisfaction. They also found a combined model of tangible and intangible aspects provided less clarity as it masked the non-significance of the tangible elements of food and beverage and reception, and the intangible aspects of housekeeping.

In a US based study Barsky and Labagh (1992) identified employee attitude as the most important contributor to customer satisfaction, followed by location, room, price, facilities, reception, services, parking and food and beverage. In a study, based on a survey of restaurant and hotel managers, of the causes of compliments and complaints Cadotte and Turgeon (1988) found helpful employees, cleanliness, neatness of establishment, quality of service and employee knowledge generated compliments. Complaints arose from price, speed and quality of service, parking and poor employee knowledge.

The Hong-Kong based study (Choi & Chu, 2000) differed in comparing
satisfaction levels between Asian and Western travellers. A regression analysis of Asian and Western travellers’ overall satisfaction found that the most important factor contributing to satisfaction for Asian travellers was value whilst Western travellers found room quality most important.

In summary, there is little research that has addressed customer satisfaction in the hotel industry. The existing research has adopted different research approaches and, although there are some elements of similarity in the findings the substantive differences between the approaches used would reduce the likelihood of similarity.

2.4.4.2 Service Quality in the Hotel Industry

As with customer satisfaction research there has been comparatively limited research on service quality measurement in the hotel industry, which is surprising given the recognition that SERVQUAL (Parasuraman et al., 1985; 1988) has achieved.

A specific application for the hotel industry, named LODGQUAL, was developed by Getty and Thompson (1994) as a derivative of SERVQUAL and used similar dimensions. It explained 45 percent of overall quality using a sample of hospitality students and the authors suggested it could be used to benchmark hotel performance.

In contrast, Saleh and Ryan (1991) used SERVQUAL in a Canadian study finding that a five factor solution was identified. The factors differed from those suggested in SERVQUAL and the first factor, named conviviality, explained the majority of the variance. Saleh & Ryan (1991) cite Martin (1986) who argues that service delivery comprises two dimensions, the procedural and
the convivial. The convivial dimension includes attitude, body language, and tone of voice, tact, attentiveness, problem solving and the ability to name names. They suggest that, in four-star business hotels, the tangibles may be taken for granted, with quality being defined by other reasons (Saleh & Ryan, 1991).

In their evaluation of service quality in China, from a tourist and hotel manager perspective, (Tsang & Qu, 2000) used an amended SERVQUAL model identifying, with one exception from 35 questions, a consistent underperformance of hotels, with the most significant aspects relating to cleanliness, room quality, staff performance, and prices. Of interest was the finding that the hotel managers consistently overestimated the tourists’ expectations and generally underestimated the tourists’ perception of service quality.

A study in the US hotel industry looked at the effect of employee performance on perceived quality, value and word of mouth intentions (Hartline & Jones, 1996). The results showed that the performance of front-desk, housekeeping and parking employees had significant impact on perceived overall quality, whilst the performance of front desk and room service employees affected perceived value. Both value and quality were found to affect word of mouth intentions.

In summary, the volume of literature on service quality in the hotel industry does not allow for many generalisations to be developed. Three studies that utilised some derivation of SERVQUAL were identified. Saleh and Ryan (1991) found the SERVQUAL dimensions did not apply to the hotel industry, Getty (1994) proposed an amended version of SERVQUAL, called
LODGQUAL, and Tsang and Qu (2000) applied SERVQUAL but did not comment on the use of the measure, except to state that “the study attempted neither to test existing theory nor to develop new research instruments” (Tsang & Qu, 2000. Pg. 323). Other studies have compared business travellers in two locations, albeit with a small sample size (Callan & Kyndt, 2001), and mature travellers (Callan & Bowman, 2000). The lack of previous research on service quality in hotels, even when combined with the work on customer satisfaction, leaves many aspects of hotel performance unanswered. Further, with the exception of the study by Wei, Ruys and Muller (1999), a gap analysis of mature travellers and marketing managers in Australia, there is no research that looks at service quality or customer satisfaction in Australian hotels.

2.4.4.3 Value in the Hospitality Industry

The role of value in the hospitality context has received scant attention with only a small number of papers identified that have relevance. Lemmink, de Ruyter and Wetzels (1998) looked at value in the context of Hartman’s taxonomy as emotional, practical and logical. They applied this in a restaurant context to build a model of value and satisfaction on a longitudinal basis during the meal experience. The model identified four stages of the meal experience, with three of these (reception, ordering and check-out) comprising interactions with service employees. They identified substantial carry-over effects with satisfaction developing cumulatively through the meal experience.

Kashyap and Bojanic (2000) found value had a direct effect, and an indirect effect through moderating quality evaluations, on revisit intentions. Their study found that for business travellers the quality of room was not
significant, but the quality of public areas was significant, whilst the reverse existed for leisure travellers. The quality of staff services did not influence perceived value in either case (Kashyap & Bojanic, 2000).

In a similar fashion, Bojanic (1996) applied an adapted version of the model proposed by Zeithaml (1988) to a hotel context, finding support for the proposition that perceived value is directly related to perceived quality. He also noted some variation in the perceptions of price, quality and value by hotel quality, with luxury hotels showing a weakening relation between perceived quality and price.

The role of value on customer satisfaction and revisit intentions is of considerable interest as the issue of consumer loyalty is highly important in the hotel industry. The role of value needs further exploration within the hotel industry and particularly needs exploring outside the US.

2.4.4.4 Conclusion to Customer Satisfaction, Service Quality and Value Research in Hospitality

This section has reviewed previous research in the hotel industry relating to customer satisfaction, service quality and value. There has been a small number of studies that have addressed service quality and customer satisfaction in the hotel industry with there being little consistency in the results. The studies have been undertaken in a range of countries but have used different research approaches that make direct comparison of the results difficult. Three of the studies of customer satisfaction (Barsky & Labagh, 1992; Cadotte & Turgeon, 1988; Gunderson et al., 1996) show some commonality in the importance of employees to the creation of satisfaction but the balance of
findings are diverse. In contrast the three studies that have used SERVQUAL or a derivative (Getty & Thompson, 1994; Saleh & Ryan, 1991; Tsang & Qu, 2000) for evaluation in hotels show almost no commonality of findings. In relation to previous research relating to the value construct in the hotel industry there is limited research but that research would suggest value is related to perceived quality and hotel performance.

### 2.5 Customer Loyalty and Its Causes

The topic of consumer loyalty has gained in importance as the recognition of the benefits that can be derived from loyal customers emerges. The increasing levels of competition evident in most industries has resulted in an increased customer focus, with the need to meet customers’ expectations becoming more critical (Disney, 1999). The focus of consumer research has moved from satisfaction research to loyalty research (Oliver, 1999) with consumer loyalty becoming the dominant business performance indicator (Singh & Sirdeshmukh, 2000). The shift to focus on loyalty, as opposed to satisfaction, reflects the role of loyalty in generating additional profits (Oliver, 1999). It is generally accepted that business performance improves through loyal customers generating higher levels of profits (Reichheld & Sasser Jr, 1990) from higher levels of purchase, decreased price sensitivity, positive word of mouth and lower likelihood to switch brands (Bowen & Chen, 2001; Bowen & Shoemaker, 1998; Buttle, 1996). The context of loyalty is of particular importance for service industries that are beset by the service characteristics of inseparability of production and consumption, heterogeneity and intangibility. Loyalty research has widened from the early works on brand loyalty for tangible
goods to include store loyalty, vendor loyalty and service loyalty (Caruana, 2002).

This section will continue by addressing the meaning of loyalty, a concept that has changed from a purely behavioural context to include emotional aspects before discussing the antecedents of loyalty. The section will then discuss the previous research in loyalty within the hotel industry.

2.5.1 The Meaning of Loyalty

Initial research viewed loyalty purely as repeat purchase behaviour with no implication of a cognitive relationship (Caruana, 2002). This perspective of loyalty has changed, with a recognition that loyalty is a complex phenomenon (Dick & Basu, 1994), that includes a range of behavioural, attitudinal and cognitive aspects of behaviour (Caruana, 2002). However, there is also criticism that much of the loyalty research still focuses on cognitive decision-making (Fournier, 1998) and thus fails to capture the “talismanic relationships consumers form with that which is consumed” (Belk, Wallendorf & Sherry, 1989. Pg 31).

There is considerable generic literature on consumer loyalty, and some researchers have defined loyalty in behavioural terms based on the volume of purchase for a particular brand (Tranberg & Hansen, 1986). Others define loyalty as attitudinal, with loyalty being defined in terms of preferences or intentions (Jacoby & Kyner, 1973). There is consensus that there is distinction between repeat purchase behaviour, even if derived from customer satisfaction, and genuine loyalty. Neal (2000) suggests that behavioural loyalty is more important to an organisation as actual purchase behaviour is more relevant than
attitudinal intentions. This reflects recognition that behavioural loyalty derives from many sources, including attitudinal loyalty, as well as other reasons, such as convenience and lack of choice and that an attitudinally loyal consumer may be behaviourally disloyal for similar reasons, (Neal, 2000; Oliver, 1999). The importance of behavioural actions is reflected in the balance of research with most research having focused on satisfaction and retention rather than the dynamic interactions that form the longitudinal basis of a relationship (Belk, Wallendorf & Sherry, 1989; Rosen & Surprenant, 1998). However, the strength of loyalty between the consumer and the provider develops over time, rather than arising from an initial encounter (Rosen & Surprenant, 1998). Therefore, it is essential that the consumer is satisfied with the service experience in the first encounter.

Dick and Basu (1994) investigated the concept of loyalty concluding a range of cognitive, affective and conative antecedents affect the relative attitude that, moderated by social norms and situational factors, determines the level of loyalty. The levels of loyalty are determined by the levels of repeat patronage and relative attitude, with true loyalty resulting from high scores on both dimensions (Dick & Basu, 1994). In a similar fashion Oliver (1999) also divides loyalty behaviour into four stages that reflect increasing commitment to the brand, resistance to inducements to transfer to other brands and tolerance of error in performance. These stages sequentially are cognitive, affective, conative and action and reflect increasing levels of loyalty. The action stage reflects the definition of true loyalty by Dick & Basu (1994), with the consumer having a deep commitment, where the consumer will overcome obstacles to maintain loyalty (Oliver, 1999).
2.5.2 Antecedents of Loyalty

It is generally recognised that there are linkages between service quality, customer satisfaction and loyalty (Bloemer & Kasper, 1995; Buttle, 1996; Caruana, 2002; Chiou, 2004; McDougall & Levesque, 2000; Oliver, 1980). However Oliver (1999) states that the suggestion that satisfaction generates loyalty is erroneous, with between 65% and 85% of satisfied customers defecting to other suppliers. There have been a number of studies that have looked at the antecedents of loyalty, including value, levels of functional and emotional risk, and brand reputation, trust, affect and preference. A number of studies by various researchers (Bloemer & Kasper, 1995; Bowen & Chen, 2001; Caruana, 2002; Delgado-Ballester & Munuera-Alemán, 2000; Dick & Basu, 1994; Oliver, 1999; Shoemaker & Lewis, 1999), have contributed to the understanding of the relationship between the consumer and provider. Javalgi and Moburg (1997) suggest that, due to the intangibility and heterogeneity of services, there is an increased likelihood of loyalty in a service context, resulting from a risk reduction strategy associated with selection of a new provider. This section continues by looking at the key antecedents of loyalty including satisfaction and the brand.

2.5.2.1 Customer Satisfaction as an Antecedent of Loyalty

Although the linkage between customer satisfaction and behavioural loyalty has generally been well established (Bloemer & Kasper, 1995; Buttle, 1996; Caruana, 2002; Chiou, 2004; McDougall & Levesque, 2000; Oliver, 1980) some researchers have found contradictory results (Skogland & Siguaw, 2004). For example Selnes (1993) found the relationship between satisfaction and
repeat purchase intentions is dependent on the ability of customers to evaluate the product or service. Others have found that satisfaction does not generate loyalty in the insurance industry (Hellier, Geursen, Carr & Rickard, 2003) or the hotel industry (Skogland & Siguaw, 2004). Skogland and Siguaw (2004) suggest the weak linkage between satisfaction and loyalty may be a result of the low switching costs associated with the hotel industry. An alternative view is that a threshold effect operates, with satisfaction only generating advances in loyalty when satisfaction exceeds a certain level (Bowen & Chen, 2001; Oliva, Oliver & MacMillan, 1992). Thus, the relationship between satisfaction and loyalty although generally recognised has been found somewhat ambiguous in the hotel industry and deserving of further investigation outside the United States.

2.5.2.2 Brand as an Antecedent to Loyalty

Although there has been considerable research on the brand and brand behaviour, the research on brand loyalty has been lacking in recent years (Fournier & Yao, 1997). Some authors have suggested there is a lack of theoretical and empirical research on the principles underlying the consumer-brand relationship (Delgado-Ballester, Munuera-Aleman & Yague-Guillen, 2003) and a lack of progress in understanding, measuring, and leveraging brand loyalty assets (Fournier & Yao, 1997). In a similar fashion, the lack of research on brand trust has been criticised as significant, given the centrality of trust to the consumer-brand relationship (Delgado-Ballester et al., 2003).

Fournier and Yao (1997) suggest three research frameworks underpin research in the relationship between the brand and loyalty. First, the contrast
between the antecedents and outcomes of loyalty behaviour, second the contrast between behavioural and attitudinal and third the contrast between the hedonic aspects and cognitive aspects of loyalty. Brand loyalty is recognised as “biased behavioural response expressed over time by some decision-making unit with respect to one or more alternative brands out of a set of such brands” (Jacoby and Chestnut 1978 p80 cited in Fournier and Yao 1997). However there is criticism that the existing definitions are too broad and fail to distinguish between “thoughtless habits from felt loyalties” (Fournier & Yao, 1997. Pg 452).

A number of aspects of the relationship between brand and customer loyalty have been reported, with Artzt (1993) suggesting brand loyalty is based on the two core elements of performance and value, with quality being important, but moderated by value (Artzt, 1993). Selnes (1993) found that quality impacts on both satisfaction and brand reputation, with satisfaction also influencing brand reputation, and both satisfaction and brand reputation affecting loyalty for some products. He suggests brand reputation is a long-term and overall perspective that exceeds satisfaction and has the benefit of being an extrinsic cue when there is lack of knowledge of intrinsic detail, with customers using a brand or brands within a product class as a surrogate for expectations in performance (Selnes, 1993). In contrast Taylor and Hunter (2003) found brand attitude, brand trust and satisfaction were antecedent to loyalty whilst Merrilees and Fry (2002) found trust to be antecedent to attitude that was antecedent to loyalty. In a similar fashion, Chiou (2004) found perceived trust to be antecedent to value, satisfaction and loyalty, whilst value was also antecedent to both loyalty and satisfaction, and satisfaction was antecedent to loyalty.
The role of trust in the relationship has been highlighted by a number of researchers (Delgado-Ballester et al., 2003; Hiscock, 2001; Merrilees & Fry, 2002; Morgan & Hunt, 1994) with it recognised as central to the development of loyalty (Delgado-Ballester & Munuera-Alemán, 2000). The inclusion of trust in the relationship between the brand and the consumer implies the relationship extends beyond the characteristics of the brand as a product, and, therefore, the relationship goes beyond the functional performance of the product or service (Delgado-Ballester & Munuera-Alemán, 2000). The relationship also recognises the risk arising from imperfect information, with trust mediating the risk associated with a wrong decision. Therefore trust is most important in high involvement decisions (Delgado-Ballester & Munuera-Alemán, 2000). Chaudhuri and Holbrook (2001) found, in a product context, that brand trust and brand affect are different constructs that combine to form brand commitment, with brand trust being related to functional brand choice and brand affect to emotional brand choice.

Another aspect of the brand that has received attention in relation to loyalty is brand attitude. Taylor and Hunter (2003) suggest brand attitude acts as a mediator between satisfaction and loyalty, whilst Low and Lamb (2000) suggest brand image, perceived quality and brand attitude are separate constructs.

In a similar fashion, Alreck and Settle (1999) identified brand preference as a precursor to loyalty, with preferences for different product types developing from different associations, that is the motivations for loyalty to a car manufacturer differ from those of a brewer (Alreck & Settle, 1999). Another antecedent of loyalty, that may be of particular importance when involvement
levels are high, is the match between the brand and the associated personality
and image, and that of the actual or aspirational identity of the consumer
(Quester & Lim, 2003). In a related aspect, the importance of corporate image
and reputation in developing and maintaining customer loyalty (Nguyen &
Leblanc, 2001) and brand reputation (Cronin & Taylor, 1992; Selnes, 1993)
should be recognised.

In summary, there has been considerable research that has revolved
around the interrelated concepts of attitude, trust, preference, affect and loyalty
associated with the brand. However none of this research has been related to
the hotel industry although there have been a number of studies that have
addressed the role of loyalty programs in the hotel industry (Barsky & Nash,
2003; Bowen & Shoemaker, 1998; Palmer, McMahon-Beattie & Beggs, 2000;
Skogland & Siguaw, 2004).

2.5.3 Loyalty Research in Hospitality

The issue of consumer loyalty is significant given the highly competitive
nature of the hotel industry and the lack of substantive differentiation that exists
within any hotel quality grading. In parallel with the broader marketing arena,
the issues associated with consumer loyalty in a hospitality context have also
received attention over recent years. Although there has been increased
attention, there has still been comparatively little research on loyalty within a
service context (Javalgi & Moberg, 1997), and little specific research on
consumer choice and loyalty in the hospitality context (Clark & Wood, 1998).
Loyalty has been inferred from assessments of the factors consumers rate as
important in selection. Thus, it is implied that the key to loyal customers is to
concentrate on resourcing those attributes that matter most to customers (Clark & Wood, 1999). However, although the research has been limited, the importance of loyalty (Bowen & Chen, 2001; Bowen & Shoemaker, 1998; Tepeci, 1999) and brand management (Dibb & Simkin, 1993) have been recognised, although loyalty strategies have been largely focused on transactional aspects such as frequent guest programs (Barsky & Nash, 2003; Bowen & Shoemaker, 1998; Palmer et al., 2000; Skogland & Siguaw, 2004). The importance of customer loyalty is also recognised as high for the hotel industry, with most segments being mature and highly competitive (Bowen & Shoemaker, 1998; Tepeci, 1999). Interestingly, however, the hospitality research that has been undertaken has proved inconsistent, with some researchers finding no significant relationship between service quality and repurchase intentions (Cronin & Taylor, 1992; Skogland & Siguaw, 2004) whilst, in contrast, Boulding, Kalra, Staelin & Zeithaml 1993 found a significant relationship between service quality and repurchase intentions. Other research has indicated a threshold relationship with very high levels of satisfaction having a substantial impact on the levels of loyalty (Bowen & Chen, 2001). This would reflect the findings of Oliver (1999) whereby apparently satisfied customers will defect from the organisation with implications about the need for there to be customer delight to generate loyalty (Finn, 2005).

Although there have been several studies, discussed earlier, that look at customer satisfaction in the hotel industry, only a limited number have extended beyond this into looking at the impact on loyalty. Of these, three studies were in the United States and one in New Zealand. The findings of all the studies showed some substantial difference in results. In the studies conducted in the
United States results included the importance of the quality of on-site services, personnel, guest room design and amenities (Dube & Renaghan, 1999a), room upgrades, flexible check in–out and customised services (Bowen & Shoemaker, 1998) whilst Barsky and Nash (2002) found distinct groups of affective emotions affected loyalty. The New Zealand study found hotel image and customer satisfaction with reception, housekeeping, food and beverage and price important in determining loyalty, although only housekeeping showed significance. Housekeeping and hotel image were the most important factors in determining loyalty (Kandampully & Suhartanto, 2000).

The use of loyalty schemes has also prompted other researchers to suggest hotels generate spurious rather than true loyalty (Baloglu, 2002; Javalgi & Moberg, 1997).

2.5.4 Conclusion to Loyalty Research

The generic loyalty literature identifies a broad range of research into the antecedents and meaning of loyalty that has not been replicated within the hospitality or hotel context. The very limited nature of this loyalty research in the hospitality context generates a number of gaps in the literature that would benefit from investigation. Research in the hospitality context would also enable an evaluation of the transferability of loyalty research across industries to be addressed. Specific aspects of loyalty research that are in need of further investigation include more empirical research on the relationship between satisfaction and loyalty, the application of antecedents of loyalty in other regions than the US and NZ, the role of value and the role of the brand, through trust, reputation, affect, and image in the development of loyalty.
2.6 Chapter Summary

This chapter has reviewed the key themes in the literature related to the antecedents of customer loyalty together with an examination of the previous research in the hotel industry related to these themes. There has been comparatively limited research related to the hotel industry. Most hotel studies have been conducted in Europe or the United States with only two studies having been conducted in Australia or New Zealand (Lockyer, 2002; Wei et al., 1999).

Previous research has demonstrated a central relationship between performance and perceived service quality (Clow & Vorhies, 1993; Garbarino & Johnson, 1999; Yi & La, 2003), customer satisfaction (Buttle, 1996; Caruana, 2002; Cronin et al., 2000; Oh, 1999; Parasuraman et al., 1985; 1988) and loyalty (Bloemer & Kasper, 1995; Buttle, 1996; Caruana, 2002; Chiou, 2004; McDougall & Levesque, 2000; Oliver, 1980).

The importance and moderating impact of value (Bojanic, 1996; Cronin et al., 2000; Day, 2002; Oh, 1999; Zeithaml, 1988), trust (Ball, Coelho & Machas, 2004; Chaudhuri & Holbrook, 2001; Delgado-Ballester & Munuera-Alemán, 2000; Doney & Cannon, 1997; Garbarino & Johnson, 1999; Harris & Goode, 2004; Lau & Lee, 1999; Merrilees & Fry, 2002; Ranaweera & Prabhu, 2003a; 2003b) and attitude (Baldinger & Rubinson, 1996; Grisaffe, 2001; Merrilees & Fry, 2002; Taylor & Hunter, 2003) have also been identified, as have the interrelationships between the constructs.

On the basis of the literature the research model proposed in Chapter 3 incorporates the above dimensions. Previous research in the hotel industry has not evaluated this range of antecedents of loyalty as a model.
CHAPTER 3 - RESEARCH MODEL

3.1 Introduction

This chapter contains the framework for the research reported in this thesis. The research model is enumerated, together with the components that combine to form the overall model. Following this introduction is a section that defines the research context, followed by an overview of the research model. This is followed by a summary of the contribution of the research both to industry and to theory. The chapter then continues by addressing each of the constructs (service quality; value; customer satisfaction; brand trust; brand attitude; loyalty). The section on each construct will address the theoretical underpinnings of the research and comment on the significance to industry before proceeding to define the hypotheses to be tested. Finally, an overall research model is proposed that forms the basis of the research and is constructed from the identified hypotheses.

3.2 Research Context

In broad overview, this research investigates the antecedents of behavioural loyalty within the Australian first class and luxury hotel sectors. The research investigates the direct relationship between hotel performance, customer satisfaction and behavioural loyalty, and also investigates the influence on loyalty, either directly or indirectly, of a range of additional factors, including perceived value, brand trust and brand attitude.

Previous research across a number of domains has identified a sequential relationship between service quality, customer satisfaction and
behavioural loyalty. This research extends this previous work by investigating this relationship within the higher priced sectors of the Australian hotel industry.

The research included the identification of the aspects of the hotel experience that are important to guests, and hotel performance in relation to these aspects. The measurement of organisational performance is generally recognised to reflect perceived service quality (Bolton & Drew, 1991; Brady, Cronin & Brand, 2002; Cronin & Taylor, 1992; Parasuraman et al., 1994), a key antecedent of customer satisfaction (Bitner, 1990; Bitner et al., 1990; Clow & Vorhies, 1993).

The research also investigates a number of aspects that mediate the relationship between service quality, customer satisfaction and behavioural loyalty including perceived value, brand attitude and brand trust.

The role of perceived value is important to the evaluation of satisfaction by consumers (Bojanic, 1996; Day, 2002; Rosen & Surprenant, 1998) and acts as a mediating variable between service quality and customer satisfaction (Bojanic, 1996; Day, 2002; Rosen & Surprenant, 1998).

The inclusion of brand trust and brand attitude in the model is also particularly relevant for the hotel industry. Brand trust is a means of ameliorating risk (Delgado-Ballester & Munuera-Alemán, 2000; Delgado-Ballester et al., 2003; Hiscock, 2001) with the hotel experience, especially in unfamiliar locations that may be characterised by uncertainty over the quality of the accommodation. In a similar fashion, brand attitude is important for hotels, as there is limited differentiation between the hotel experience in differing hotels of the same quality (Bowen & Shoemaker, 1998; Kandampully & Suhartanto, 2000), and the role of brand attitude is an important contributor to behavioural
loyalty (Alreck & Settle, 1999; Low & Lamb 2000; Taylor & Hunter, 2003). The research model proposes that these variables; perceived value, brand trust and brand attitude not only interrelate with satisfaction, but also, directly or indirectly affect behavioural loyalty.

3.3 Research Model Overview

The research model proposes a number of hypothesised relationships. The first hypothesised relationship is that perceived service quality derives from hotel performance across a number of dimensions and directly impacts on customer satisfaction although the impact is moderated by perceived value. The model then hypothesises a direct relationship between customer satisfaction and behavioural loyalty which is moderated by brand trust and brand attitude. It is suggested brand trust is antecedent to brand attitude and only affects behavioural loyalty indirectly.

It is also hypothesised that brand trust and brand attitude derive from hotel performance. Both brand trust and brand attitude, it is suggested, are generated by the perceived service quality and levels of customer satisfaction.

The model is shown diagrammatically in Figure 3.1.

3.4 Construct Evaluation and Hypotheses

In this section each of the constructs is discussed. The discussion will include a brief overview of relevant theory, the significance of the construct within this research and the contribution of the construct to the research model. In each section hypotheses will be proposed for testing the relationships between constructs.
Figure 3.1: Hypothesised Research Model
3.4.1 Service Quality

Although there is no fully accepted definition of service quality, there is consensus that service quality reflects an evaluation by consumers of business performance in relation to prior expectations (Carman., 1990; Cronin & Taylor, 1992; Iacobucci et al., 1995; Parasuraman et al., 1985; 1988).

In an increasingly competitive environment such as the hotel industry, the importance of service quality cannot be underestimated (Jones, 2002; Olsen, 1996). Service quality has become an important topic because of its relationship to customer satisfaction (Brady et al., 2002; Caruana, 2002; Cronin & Taylor, 1992; Iacobucci et al., 1995; Oh, 1999; Oh & Parks, 1997; Selnes, 1993), consumer loyalty (Bloemer et al., 1998; Bloemer & Kasper, 1995; Bowen & Chen, 2001; Caruana, 2002; Disney, 1999; Dube & Renaghan, 1999a; Selnes, 1993; Wong & Sohal, 2003) and business performance (Bowen & Chen, 2001; Bowen & Shoemaker, 1998; Oliver, 1999; Reichheld & Sasser Jr, 1990). It should be noted that in this context, service quality reflects customer perceptions of quality, rather than a notion of technical quality (Caruana, 2002). Although there has been considerable debate in the literature over sequence, it is now generally accepted that service quality is antecedent to customer satisfaction (Cronin & Taylor, 1992; Cronin & Taylor, 1994; Parasuraman et al., 1994; Teas, 1993), which acts as a mediator between service quality and customer loyalty (Caruana, 2002).

There has also been debate in the literature over the inclusion of expectations within the measurement of service quality (Carman., 1990; Cronin & Taylor, 1992; Cronin & Taylor, 1994; Parasuraman et al., 1994; Teas, 1994). This is a reported superiority of performance based scales over
gap based measurements (Babakus & Boller, 1992; Cronin & Taylor, 1994; Gould-Williams, 1999). It is now generally accepted that the measurement of service quality should be based only on performance measurement (Carman., 1990; Cronin & Taylor, 1992; Cronin & Taylor, 1994; Parasuraman et al., 1994; Teas, 1994). In addition, although implicit within their work that service quality is a higher order construct (Parasuraman et al., 1985; 1988), no research has been found that addresses the relationship between service quality and its antecedents.

Hence the first hypothesis posits;

**H1** Service quality is a higher order construct and is a separate dimension from the antecedent aspects of business.

A second hypothesis posits;

**H2** Perceived service quality will have a significant positive effect on customer satisfaction.

Although the relationship between brand trust, brand attitude and loyalty has been established (Casielles, Alvarez & Martin, 2005; Chaudhuri & Holbrook, 2001; Delgado-Ballester & Munuera-Alemán, 2000; Garbarino & Johnson, 1999; Harris & Goode, 2004; Hart & Johnson, 1999; Ranaweera & Prabhu, 2003b; Sirdeshmukh, Singh & Sabol, 2002) the antecedents of brand trust and brand attitude have received limited attention. The linkages between service quality, customer satisfaction and loyalty (Bloemer & Kasper, 1995;
Buttle, 1996; Caruana, 2002; Chiou, 2004; McDougall & Levesque, 2000; Oliver, 1980) have been investigated but the relationship between service quality and brand perceptions has received limited attention in the literature. The only previous research found has identified a relationship between the service experience, satisfaction and brand attitude in the banking sector (Grace & O'Cass, 2004). It would appear likely that service quality will influence brand perceptions and therefore it is hypothesised that service quality will affect both brand trust (Gounaris, 2005) and brand attitude:

\[ H3 \text{ Perceived service quality will have a significant positive effect on brand trust.} \]

\[ H4 \text{ Perceived service quality will have a significant positive effect on brand attitude.} \]

3.4.2 Value

The concept of value derives from an economic framework and reflects the utility and disutility encountered within any transaction (Bojanic, 1996; Lemmink et al., 1998; Oh, 1999; Sweeney & Soutar, 2001; Woodruff., 1997). Perceived value provides a relationship between the benefits received in the encounter and the overall price paid, including non-monetary expenditure (Rosen & Surprenant, 1998; Sweeney & Soutar, 2001; Zeithaml, 1988). The consumer perception of value is antecedent to customer satisfaction (Day, 2002), and acts as a moderator between quality and customer satisfaction (Babakus & Boller, 1992; Lemmink et al., 1998), with it providing the
balancing element of price paid that is an intrinsic component of expectations of quality (Bojanic, 1996; Zeithaml, 1988).

Hence the fifth hypothesis posits that value will act as a moderating variable between service quality and customer satisfaction.

\[ H5 \quad \text{Perceived value will act as a moderating variable between service quality and customer satisfaction.} \]

### 3.4.3 Customer Satisfaction

Although the concept of customer satisfaction is well understood, it has eluded finite definition. It has been described as a relative concept (Yu & Dean, 2001), as the difference between prior expectations and post consumption evaluations (Iacobucci et al., 1995), and as the summation of satisfaction with component aspects of the experience (Garbarino & Johnson, 1999).

The importance of customer satisfaction is recognised through its impact on business performance and profitability (Bowen & Chen, 2001; Buttle, 1996; Zeithaml et al., 1996) and has occupied a central role in business objectives and research in marketing for some years (Oliver, 1999). Although the importance of customer satisfaction has not diminished, consumer loyalty has replaced customer satisfaction, both as a business objective and a research objective (Oliver, 1999), with there being recognition of the linkages between the constructs (Bloemer et al., 1998; Buttle, 1996; Caruana, 2002).
Previous researchers have suggested customer satisfaction is a moderating variable between service quality and customer loyalty (Bloemer et al., 1998; Caruana, 2002; Parasuraman et al., 1994). In their meta-analysis of satisfaction literature, Szymanski and Henard (2001) identify repeat purchase behaviour as a consequence of customer satisfaction, whilst Oliver (1999) suggests loyalty derives from cumulative satisfaction.

In addition, as with service quality, it is anticipated customer satisfaction will influence the levels of brand trust and brand attitude. As a result there are four hypotheses associated with customer satisfaction. The first posits that customer satisfaction will have a direct impact on behavioural loyalty whilst the second posits that it will act as a moderating variable between service quality and behavioural loyalty.

H6 Customer satisfaction will have a significant positive effect on behavioural loyalty.

H7 Customer satisfaction acts a moderator between perceived service quality and behavioural loyalty.

The third and fourth hypotheses posit that customer satisfaction will influence the levels of brand trust and brand attitude.

H8 Customer satisfaction will have a significant positive effect on brand trust.
Customer satisfaction will have a significant positive effect on brand attitude.

3.4.4 Brand Trust and Brand Attitude

The role of the brand in the relationship between consumer and provider has been subject to research from a variety of perspectives. The premise behind the brand in this relationship derives from social psychology (Delgado-Ballester & Munuera-Alemán, 2000; Fournier, 1998), with it being suggested the relationship between the consumer and the brand has similarity to an interpersonal relationship (Delgado-Ballester & Munuera-Alemán, 2000; Fournier, 1998). The literature would suggest two key aspects of this relationship are the cognitive aspect, reflecting trust in the brand, and the emotive aspect reflecting attitudes (Delgado-Ballester & Munuera-Alemán, 2000; Fournier, 1998).

Brand trust has been defined as a consumer belief in the reliability of the brand to perform to its expected standard (Chaudhuri & Holbrook, 2001). The relevance of the level of trust in the brand is heightened either when there is perceived risk (Krishnan & Hartline, 2001; Mitchell & Greatorex, 1993), uncertainty about the standard of the product in comparison with other competitor products (Chaudhuri & Holbrook, 2001), or in cases when there are high levels of involvement in the selection process (Garbarino & Johnson, 1999; Mowen, 1987). In the hotel context, these are important, especially when visiting unknown destinations, as there is uncertainty about product standards, about inter-hotel comparisons and, for leisure travellers, a high involvement in the selection process. Although no research has been found
in the hotel industry Taylor and Hunter (2003) found trust antecedent to brand attitude and loyalty in the eCRM industry and Merrilees and Fry (2002) have also found brand trust antecedent to brand attitude in the e-retailing industry. Chiou (2004) also found that brand trust antecedent to customer loyalty for internet service providers.

Hence it is hypothesised that brand trust will be antecedent to brand attitude in the hotel industry.

\[ H10 \text{ Brand trust will have a significant positive effect on brand attitude.} \]

Brand attitude, or affect, is the emotional relationship between the brand and the consumer, and reflects the creation of a positive emotional feeling in relation to the brand (Chaudhuri & Holbrook, 2001). The emotional element of the brand relationship is the counterbalance to the cognitive aspect of trust and is anticipated to impact on the level of behavioural loyalty.

Hence it is postulated that brand attitude will positively influence behavioural loyalty.

\[ H11 \text{ Brand attitude will have a significant positive effect on behavioural loyalty.} \]

3.4.5 Structural Model of Dimensions

Each of the hypotheses identified previously relates to a stage in the overall relationship between hotel performance, perceived service quality,
perceived value, customer satisfaction, brand trust, brand attitude and
behavioural loyalty. The previous hypotheses will test the relationships
between two or more of the above dimensions. The final hypothesis is holistic
and postulates that behavioural loyalty will result from the dimensions of
hotel performance, perceived service quality, perceived value, customer
satisfaction, brand trust and brand attitude.

\[ H12 \text{ The dimensions of hotel performance, perceived service quality,}
\text{ perceived value, customer satisfaction, brand trust and brand attitude}
\text{ will have, direct or indirect, impact on behavioural loyalty.} \]

3.5 Summary of Research Contribution

The research reported in this thesis will make a number of
contributions to advancing knowledge from both an industry perspective and a
theoretical perspective. The research integrates, within the quality hotel
industry context, a number of additional dimensions to the relationships
between service quality, customer satisfaction and loyalty, as well as
providing an extension and replication of previous research in an Australian
context. The research contribution is now briefly discussed in relation to the
industry and conceptual contributions.

3.5.1 Research Contribution to the Hotel Industry

There are a number of industry related contributions that will derive
from this research. The changing nature of the hotel industry and the
resultant increase in competitive intensity necessitates higher performance
levels in the hotel industry. These can only be achieved through a better understanding of the expectations of hotel customers and of the importance placed by them on aspects such as perceived value, brand trust and brand attitude. The research outcomes will inform managers through the establishment of an empirical relationship between satisfaction, loyalty and their antecedents.

Although there has been considerable previous research that has investigated the selection criteria used by consumers in choosing hotels (Ananth et al., 1992; Dube & Renaghan, 2000; Knutson, 1988; McCleary et al., 1993; McCleary et al., 1994; Weaver & McCleary, 1991; Weaver & Oh, 1993) little research has been conducted within an Australian context. This research will identify, in an Australian context, the factors customers find important in the higher quality segments of the hotel industry. This provides a resource for hotel managers and developers.

There has been a comparatively limited range of previous research that has measured service quality in the hotel industry. This research will provide the industry with a means of evaluating customer perceptions of service quality in relation to those items customers find important in the hotel experience.

Although customer perceptions of value have been recognised as having an important influence on customer satisfaction and to act as a mediator between perceived service quality and customer satisfaction (Bojanic, 1996; Day, 2002; Rosen & Surprenant, 1998), there has been little research in the hotel industry that has incorporated value as a concept in measuring customer satisfaction and behavioural intent (Bojanic, 1996; Dube
& Renaghan, 2000; Kashyap & Bojanic, 2000; Lemmink et al., 1998). The contribution of this research to the industry’s understanding of the role of perceived value on the relationships between service quality, satisfaction and loyalty will provide a new understanding that will benefit managers in the industry.

There has also been little previous research that has addressed customer satisfaction in the hotel industry and this research will provide insight into the relationship between aspects of service quality and customer satisfaction, allowing for the mediating impact of other variables. This research will be particularly useful to the hotel industry, as it will determine the impact of aspects of service quality on customer satisfaction.

Although the importance of the brand has been recognised in hotel industry research, no research has been found that has measured the influence of brand trust or brand attitude on behavioural intentions. Thus, this research will provide an important contribution to understanding the strength of the relationship between customer satisfaction, brand trust, brand attitude and behavioural loyalty within the hotel industry. Many hotel companies rely on the brand as a key selection criteria when customers are travelling to unfamiliar destinations (Tepeci, 1999), and a greater understanding of the impact of brand trust and brand attitude on the future purchase intentions will provide much assistance to hotels in planning strategies.

Although there is a good level of recognition in the hotel industry literature on the importance of loyalty (Barsky & Nash, 2002; Bowen & Chen, 2001; Bowen & Shoemaker, 1998; Cronin & Taylor, 1992; Dube & Renaghan, 1999a; Kandampully & Suhartanto, 2000; Palmer et al., 2000; Tepeci, 1999)
and recognition of the relationship between satisfaction and loyalty (Bowen & Chen, 2001; Dube & Renaghan, 1999a; Kandampully & Suhartanto, 2000; Tepeci, 1999), there has been little research that has attempted to empirically measure the relationship between the antecedents and customer loyalty. In addition, there has been no research that has evaluated the impact of brand trust, brand attitude and product congruity on loyalty. This research, within the context of the higher priced sectors of the Australian hotel industry, will provide new understanding for the hotel industry of the impacts of the antecedents of loyalty on future behavioural intentions.

3.5.2 Contribution to Theory Development

The contribution to theory development falls mainly within the confines of hotel industry research, the context of the specific research focus. In addition, some aspects of the research, for example that relating to brand trust and brand attitude, has been subject to little previous research, particularly within a service industry context. In consequence, this research will contribute to a greater understanding at the generic level of the role played by these constructs in determining loyalty.

The central relationship between service quality, customer satisfaction and consumer loyalty has been well established within the service industry context. This research extends the understanding of those relationships within the context of the hotel industry. A significant contribution is made in respect of the constructs that moderate and influence the central relationships defined above. The constructs that are particularly investigated in this research are the influences of value, brand trust and brand attitude to the
relationships between service quality, customer satisfaction and behavioural loyalty. Although there has been previous research into the role of value on the customer perceptions of service quality and customer satisfaction, this research will extend understanding of how value perceptions and value expectations impact on satisfaction and repurchase intentions. The impact of the brand has received considerable research interest over time, with there being particular focus on aspects related to the brand, such as brand loyalty and brand equity. The linkages between the brand, perceived risk and trust have been established (Delgado-Ballester & Munuera-Alemán, 2000; Delgado-Ballester et al., 2003; Hiscock, 2001; Merrilees & Fry, 2002; Taylor & Hunter, 2003), but no previous research has investigated the role of trust and attitude in relation to both satisfaction and behavioural loyalty.

In the context of research within the confines of the hotel industry, there are a number of contributions to theory that derive from this research. In the first place, with the exception of an article by Wei, Ruys and Muller (1999), there has been no research into customer expectations or satisfaction in the hotel industry in Australia. In that context, this research, almost in its entirety, provides new theoretical understanding. However, the research also extends the understanding of a number of aspects of the hotel industry that have been subject to research previously.

In particular, this research extends our understanding of the aspects of the hotel experience consumers find important. Previous research has been mainly focused in the United States and, with the exception of the work by Dube and Ronaghan (1999, 1999, 2000), was conducted in the late 1980s or early 1990s. This research not only provides a geographic extension to
previous research, but also revisits, almost a decade later, an aspect of research interest that may be likely to reflect changes over time as customer tastes and expectations change.

In addition, aspects of the relationships between service quality, customer satisfaction and behavioural loyalty have been investigated, but little research previously has included all components and there is inconsistency in the results of previous research. No previous research has included the relationship between brand trust and brand attitude with customer satisfaction and behavioural loyalty in the hotel industry. Although the central tenet has been subject to some previous research, the addition of the above components provides a new contribution to theory.

This research will make some considerable contributions, not only to specific theory related to the hotel industry, but also to theory in the broader service industry context. The contribution to theory development in relation to hotel consumption research is extensive, not least, as there has been almost no previous research undertaken in Australia. However, the research contribution extends beyond a geographic extension to include new theory on the impacts of perceived value, brand trust, brand attitude and product congruence on the relationship between service quality, customer satisfaction and behavioural loyalty. This aspect of the research also extends understanding of the role of these constructs in the broader theory environment, where there has been limited research that has evaluated the impact of them in other industries.
3.6 Conclusion

The research contained in this thesis will provide valuable new insights into the relationships between service quality, customer satisfaction, perceived value, brand trust, brand attitude and behavioural loyalty. The research will be valuable through the contribution to theory both in the context of the hotel industry and also in the broader service industry. In addition the research will be valuable to management in the hotel industry, as it will provide empirical evaluation of the relationships contained in the research.
CHAPTER 4 - RESEARCH METHODOLOGY

4.1 Introduction

This chapter provides details of the research methodology that underpinned the research process. The research approaches used within this project includes both qualitative and quantitative methods. The research process was initiated using qualitative data gathered through focus groups and this data contributed, together with information gathered from the literature, to the scale development process. The second stage was quantitative comprising a pilot study with data gathered by self-completion questionnaires. The third stage comprised the main study with self-completion questionnaires distributed to guests at selected hotels.

This chapter will commence with a discussion of the research approaches. The qualitative data collection approaches will then be discussed. Following this a section on the scale development process that was included in the research design is included. In this section the theoretical approaches to scale development are discussed followed by the detail of the scale development process contained in this research. The chapter will then progress to the quantitative aspects of the research with a section on the data collection process, including the sampling approach used. This section will also address the issue of non-response bias in the data collection and the data cleaning process. The final section will then address the statistical methods used to analyse the data.
4.2 Research Design

The selection of an appropriate research methodology is crucial to the effectiveness of a research project. Methodology within social science falls within the three categories of positivist, interpretive and critical social science with the majority of research being contained in the first two categories (Neuman, 2003). Often the methodology is more simply defined as quantitative or qualitative, but of most importance is that the methodology selected must complement the research questions being examined (De Vaus, 2002).

Positivist research methodology derives from the natural sciences where objectivity, measurement, reliability and validity are emphasised (De Vaus, 2002; Lee, 1992; Neuman, 2003). Positivism has evolved to encompass different approaches including logical empiricism, post-positivism and behaviourism (Neuman, 2003). Positivist research is generally based on quantitative data and derives from an objective perspective and endeavours to explain and predict occurrences in society by identifying regularities and causal relationships between events (Lee, 1992; Neuman, 2003). Quantitative research facilitates the development of clearly defined statistical relationships between dependent and independent variables. Critics of positivism argue that the focus on confirming abstract relationships fails to reflect the vagaries of reality (Neuman, 2003) and that interdependence between variables can provide a unjustified clarity to the results (Lee, 1992). In contrast positivist researchers would argue that the research approach combines “deductive logic with precise empirical observations …to discover
and confirm a set of probabilistic causal laws that can be used to predict
general patterns of human activity” (Neuman 2003 pg 71).

Interpretive research reflects the theory of symbolic interactionism and
encompasses a range of theoretical approaches including hermeneutics,
phenomenology, subjectivism and ethno-methodology (Neuman, 2003). The
research approach in interpretive research is normally qualitative and involves
participant observation and field based research (Neuman, 2003). Although
derived from the major work by Dilthey (1883) interpretism is a relative
newcomer to business research methodology and suffers from being
“overshadowed by the inordinate recognition given to quantitative research…if
it’s not experimental, empirical, or statistical, it’s not research” (Leedy, 1993,
p140). Interpretive or qualitative research seeks to generate empathetic
understanding of the everyday lives of people and the researcher will gather
data to enable understanding and interpretation of the social world as seen by
the subjects being studied (Neuman, 2003).

The third approach, critical social science, encompasses the
approaches of dialectical materialism, class analysis and structuralism and is
critical of both positivist and interpretive approaches (Neuman, 2003).
Advocates of the critical social science approach criticise positivism for being
impersonal, ignoring the social context and supporting the status quo. They
equally criticise interpretive research as being too subjective and focusing on
subjective reality. Critical social science endeavours to identify the underlying
social structures and myths with the explanation acting as a catalyst for the
change of social structures (Neuman, 2003).
The majority of business research is encompassed with the positivist, or quantitative, and the interpretive, or qualitative, approaches and the following discussion will focus exclusively on these approaches. The distinction between the research methods derives from a fundamental and diametrically opposed view as to the best approach to understand social behaviour. From an ontological perspective the research methods contrast objectivity with subjectivity. Quantitative research adopts an objective stance and seeks to identify the precise nature of relationships among social phenomena whilst qualitative research aims to identify the motives and reasons which lead people to act in the ways they do (Lee, 1992; Neuman, 2003). From an epistemological position, the research methods contrast positivism with phenomenology, that is, the quantitative researcher seeks to decompose the social world into its separate parts thus enabling the determination of causal relationships between the separate parts, whilst the qualitative researcher seeks the unfolding of social processes and the meaning of social life (Lee, 1992; Neuman, 2003). Although advocates of both approaches may take a strong position on the merits of their favoured methods the importance and validity of both are well recognised (Lee, 1992; Neuman, 2003).

The pedagogical debate that exists over the relative merits of quantitative and qualitative research can be, and was in this research, ameliorated through the inclusion of both qualitative and quantitative research approaches. This is known as a triangulation approach, where a combined approach is taken within a particular study (Leedy, 1993). In this study a methodological triangulation or mixed method approach was adopted, whilst
other approaches to triangulation include measurement, theoretical and observational triangulation (Neuman, 2003). The inclusion of a mixed method approach enables some of the benefits of both qualitative and quantitative research approaches to be contained within one study.

In this research the initial approach was qualitative and enabled the researcher to gain a deep understanding of the perceived hotel experience. Focus groups of customers with experience of luxury and first class hotels were held with the resultant data providing valuable insights into the aspects of the hotel experience that created satisfaction and dissatisfaction in customers within the luxury and first class hotel sectors. This was followed by a quantitative approach with data collected through a self-completed survey instrument. The instrument was partially constructed through an analysis of the data collected in the qualitative stage of the research. The quantitative stage enabled the researcher to gain a volume of response that would not have been possible within an exclusively qualitative approach.

4.3 Qualitative Research Approach

In this research focus groups were used to explore perceptions of hotel consumption with the resultant data being analysed and used for the development of scales to be used in the quantitative stage of the research. Focus groups have gained considerable credence over the last decade as a way of extracting the complexities of consumer decision-making without creating a threatening environment (Krueger, 1994; Morgan, 1996) and are often used as an initial research technique and as a precursor of a larger research project (Threlfall, 1999). In this research four focus groups were
held comprising consumers with experience of first class and luxury hotels. This number of focus groups is consistent with normal practice that suggests a focus group study will normally consist of between four and six focus groups (Krueger, 1994; Morgan, 1996). The participants are selected because they have certain characteristics of behaviours in common (Krueger, 1994; Morgan, 1996) and, in this research, two focus groups comprised customers with experience of consumption of four-star or first class hotels, and two focus groups comprised customers with similar experience in five-star or luxury hotels. Each focus group consisted of between six and ten people including Griffith University staff and community members. The focus group participants included both frequent and occasional users of hotels. Griffith University respondents were recruited by means of a staff email, requesting volunteers, and community members were recruited via newspaper advertisements. This size of focus group is within the recommended parameters for a focus group with different authors suggesting between six and ten participants (Morgan, 1996), seven and ten participants (Krueger, 1994) whilst Asquith (1997) suggests a size of less than eight is appropriate. Each of the focus groups lasted between one and one and a half hours, were tape recorded after seeking permission from the participants, and subsequently transcribed.

The data from the focus groups were content analysed using Nvivo, a qualitative software analysis computer program. The Nvivo software enabled the researcher to code and tag text and to search for combinations of words in the text and patterns in the coding. The key themes and words were identified and used to develop a range of items in relation to the hotel
experience of the participants. These components included elements related to the food and beverage operations, the room product, the hotel presentation, the staff and the service standards. In addition the focus groups discussed aspects of the relationship that affected loyalty and the aspects of the hotel performance that influenced loyalty.

4.4 Scale Development

The need for a rigorous approach to scale development has been subject to attention in the literature since the early criticisms levelled by Jacoby (1978). Although the approach identified by Churchill (1979) in response to these criticisms has been widely recognised (Flynn & Pearcy, 2001; Hinkin, Tracey & Enz, 1997), there is still criticism in the literature over the approaches used for scale development (Flynn & Pearcy, 2001; Hinkin, 1995; Hinkin et al., 1997; Ping, 2004). Much of the criticism relates to the reliability and validity of scales (Flynn & Pearcy, 2001; Hinkin, 1995; Hinkin et al., 1997; Ping, 2004) with examples, such as SERVQUAL, being cited where attempts by other researchers to replicate the scale have been unsuccessful (Flynn & Pearcy, 2001).

Several authors (Churchill, 1979; DeVellis, 2003; Hinkin, 1995; Hinkin et al., 1997; Llusar & Zornoza, 2002) have proposed a structure for the scale development process that reflects a number of component stages, although there is inconsistency in the number of stages proposed. The number of components suggested as appropriate for the scale development process have been six stages (Hinkin, 1995; Ping, 2004), seven stages (Hinkin et al., 1997), eight stages (Churchill, 1979; DeVellis, 2003) and 10 stages (Llusar &
Zornoza, 2002). The essential outcome of the process is that the resultant scale maximises reliability and demonstrates content, criterion and construct validity (DeVellis, 2003; Hinkin, 1995). In this research, a seven-stage process has been adopted that is derived from Churchill (1979), yet also reflects the consensus from subsequent authors. The approach to scale development in this research is summarised in Table 4.1.

Table 4.1: Scale Development Stages

<table>
<thead>
<tr>
<th>Stage</th>
<th>Scale Development Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Construct Framework and Definition</td>
</tr>
<tr>
<td>2</td>
<td>Item Generation</td>
</tr>
<tr>
<td>3</td>
<td>Item Pool Review</td>
</tr>
<tr>
<td>4</td>
<td>Pilot Study</td>
</tr>
<tr>
<td>5</td>
<td>Scale Purification</td>
</tr>
<tr>
<td>6</td>
<td>Data Collection</td>
</tr>
<tr>
<td>7</td>
<td>Reliability and Validity Assessment</td>
</tr>
</tbody>
</table>

4.4.1 Construct Framework and Definition

Both Churchill (1979) and DeVellis (2003) include this stage within their development process, although the other authors omit this stage, perhaps seeing it as implicit in an earlier stage of the research process. The importance of clearly identifying the aspects and parameters of the measurement process is critical if an appropriate level of specificity and accuracy is to be achieved in the item generation (Churchill, 1979; DeVellis, 2003). In this research, the construct framework and definition was derived from the literature review in Chapter 2, and the research model proposed in Chapter 3.
4.4.2 Item Generation

The objective of this stage is to generate a pool of items that are specific to the construct being investigated, cover the full dimension of the construct, and yet do not stray into other dimensions (Churchill, 1979; Hinkin, 1995). The item pool should form a random subset of the construct to be measured (DeVellis, 2003). The pool can be generated either inductively, due to a lack of available theory, by asking respondents to describe attitudes and feelings, or deductively from previous research (Hinkin, 1995; Hinkin et al., 1997). Hinkin (1995) describes the item generation stage as possibly the most important of the scale development process. A number of aspects of good practice have been reported in relation to item generation. Firstly, items should address only a single issue and should not be ‘double-barrelled’ (DeVellis, 2003; Hinkin et al., 1997). Secondly, items that assess attitudes and behaviours should not be included in the same scale (Hinkin et al., 1997). Thirdly, the items should be short and use simple language that is easily understood by the respondents (DeVellis, 2003; Hinkin et al., 1997) and fourthly the use of negatively worded items should be avoided or used with considerable caution (DeVellis, 2003; Hinkin et al., 1997).

In summary, the items generated should reflect the whole construct being investigated, and not focus unnecessarily on specific aspects of the construct. Whilst specific recommendations for the item format have been suggested, the overall requirement is that the item is easily understood and correctly interpreted by the respondents in relation to the researchers intent. Items can result from either an inductive or deductive approach and, in this research, a combination of inductive and deductive approaches were used.
4.4.2.1 Deductive Item Generation

The deductive approach uses existing theory as a source for the generation of items, and a thorough review of the literature in respect of the constructs to be measured was undertaken, and is fully described in Chapter 2 of this thesis. This literature review was used both as a source of items and as an information source to evaluate items generated inductively. The existing literature on hotel selection, service quality, satisfaction, value, brand trust, brand attitude and loyalty was reviewed to gain a good conceptual understanding of the constructs and their interrelationships.

The research model proposed incorporates a number of scales that have been derived from the literature, as well as a scale to be derived from qualitative research to measure service quality in the hotel industry. An overview of the scales derived from the literature is now provided.

Perceived Value: This scale measures customer attitudes to price and quality. In addition to the ten items contained in the scale respondents were also asked to rate how the hotel performed in relation to their value expectations. The scale questions reflect Zeithaml’s (1988) qualitative research that found value has a range of meanings. Zeithaml (1988) found a range of meanings of value and in this research the questions have been structured to cover this range of meanings. The meanings, with examples of the questions in brackets, include low price (I like to get the cheapest rate, I like to shop around to get the best room price), a focus on product features (I expect the hotel to provide free gym and recreational facilities), the relationship between price and quality (The quality of the hotel is reflected in

82
the price you pay, I expect superb service because I am prepared to pay more) and a holistic view of benefits and sacrifices (The quality of the hotel is more important than the price you pay).

**Customer Satisfaction:** The Customer Satisfaction scale contained in the research is a four-item scale that reflects a strong focus on the core issues of satisfaction, for example “I am very satisfied with this hotel” and “I made the right decision to use this hotel”. In contrast to the work of Oliver (1993) there is no inclusion of the disconfirmation paradigm through the inclusion of a comparison with expectations. The expectations aspect of the satisfaction equation has been included as a separate end question to each of the dimensions associated with service quality. Each performance dimension included as a final question “To what extent did the overall ‘dimension name’ compare with the expectations you held prior to arriving at the hotel”. This approach thus includes an overall evaluation of satisfaction with an evaluation of the key components of the service experience, an approach that adopts a multi-item measure approach that has become more widely accepted (Danaher & Haddrell, 1996).

**Brand Trust and Attitude:** The brand aspects of the survey comprised ten questions covering the two concepts of brand trust and brand attitude with the survey containing five items for each concept. This approach recognises the distinction between trust and attitude that previous research has identified (Chaudhuri & Holbrook, 2001; Delgado-Ballester, 2004; Delgado-Ballester & Munuera-Alemán, 2000; Merrilees & Fry, 2002; Taylor & Hunter, 2003).
Previous research has also suggested brand trust is antecedent to brand attitude (Merrilees & Fry, 2002) thus making it important that there is a clear distinction in the data collection between the two components of the brand. In this research brand trust was measured by items such as “You can trust this hotel” and “The hotel meets its promises” whilst brand attitude reflected a different direction with items such as “This hotel is a great brand” and “There is something special about this hotel”.

**Behavioural Loyalty:** The scale addressing behavioural loyalty contains five items such as “I am likely to come back to this hotel” and “My intention is to re-book with this hotel in the future”. The scale also contains one item that is more reflective of attitudinal loyalty “I have a feeling of loyalty to this hotel”. The focus on behavioural loyalty derives from two sources. Firstly this approach reflects the Neal-Brandt debate in the marketing literature in which Neal (2000) suggests not only that it is behavioural loyalty that is important to a business but also suggests that attitudinal measures often reflect satisfaction rather than attitude. In addition attitudinal loyalty is thought to be more associated with an individual hotel property rather than the brand dimension of a hotel group.

### 4.4.2.2 Inductive Item Generation

An inductive approach to the research process adopts qualitative research methods by gathering information about the construct from people who have experience, and then content analysing the data to identify themes of commonality (Leedy, 1993). The inductive approach uses grounded theory
as a methodology to derive theory, or in this case items, from respondent observations and comments (DeVellis, 2003).

As discussed earlier in this chapter the qualitative research comprised focus groups of luxury and first class hotel consumers with the data being recorded, transcribed and analysed using Nvivo. Although the full results of the data analysis of the qualitative research is contained in chapter five the scales relating to hotel expectations and performance that derived from the qualitative stage of the research are discussed here.

The focus groups comprised separate groups of luxury and first class consumers and these groups demonstrated considerable difference in their expectations of hotel performance. Key, and frequently used, words and themes were translated into items for inclusion in the quantitative survey. The items derived from the focus groups were used in relation to hotel expectations and performance and were grouped into contextual areas, such as hotel staff, for ease of completion by respondents. Each grouping is now discussed.

**Presentation of Hotel:** This scale comprised ten items and reflected the perceived quality of the hotel. Two distinct themes emerged from the focus groups. The luxury hotel sector groups’ data included a focus on exclusivity and quality whilst the first class groups’ produced themes of comfort and relaxation. These themes were included through items such as ‘The hotel is exclusive’ and ‘The hotel lobby is grand’ for the luxury sector and ‘The mood is restful’ and ‘The hotel lobby is comfortable’ for the first class sector.
Overall Hotel: The overall hotel scale comprised eight items and reflected aspects of value adding that the hotel might provide such as shuttle buses, a gym or shops. As with the other scales the items in the scale comprised an equal distribution between the luxury and first class sectors. The items derived from the luxury hotel sector focus groups reflected more economic value and included items such as ‘Timesaving services such as valet parking’ and ‘Floor concierge’. In contrast the first class hotel items reflected more of a focus on comfort and value with items such as ‘Comfortable chairs in the lobby’ and ‘Regular shuttle buses to the airport’.

Room Product: This scale contained nine items, with five of the items deriving from the luxury hotel focus group data, and four from the first class group. The luxury hotel items reflected aspects of the room that went beyond essential products and included items such as ‘Luxurious branded toiletries’ in contrast to the first class equivalent item that was ‘Range of toiletries available in the bathroom’. Other items reflected similar differences with ‘Large, comfortable beds’ contrasting with ‘Soundproof rooms’.

Food & Beverage Product: The food and beverage product scale contained eight items equally divided between hotel qualities. The items reflected the contrast between the quality and price conscious aspects of the hotel experience. The luxury hotel focused questions contained items such as ‘Exquisite food presentation’ and ‘Provision of a fine dining restaurant’. These contrasted with the first class items reflecting a lower standard with items
such as ‘Fairly priced food and beverage’ and ‘Economical items available for room service’.

**Personalised Service:** The personalised service scale contained eight items that had reflected a strong theme from the focus groups for both hotel classes although with evident difference in expectations between them. The luxury hotel focus group customers identified expectations of being recognised by hotel staff at the individual level that wasn’t reflected in the first class hotel group data. The luxury hotel expectations of personalisation were reflected through items such as ‘Staff remembering your requirements’ and ‘VIP treatment, being the focus of attention’. In contrast the first class hotel expectations were reflected in items such as ‘To be acknowledged rather than treated as just another customer’ and ‘People are nice to you at checkout’.

**Service in General:** The service in general scale contained ten items equally derived from the luxury and first class sectors. The items reflected two aspects of the hotel experience identified from the focus groups. The first of these was an expectation of promptness of service and the second aspect reflected service standards through an attention to detail. The items included ‘Not being kept waiting for more than a minute’ and ‘Precise attention to detail’ reflecting the luxury hotel sector in contrast to ‘Professional service’ and ‘Prompt service’ reflecting the first class hotels sector.

**Hotel Staff:** The final scale related to the importance and performance of the hotel contained ten items. These items were all reflective of expectations of
staff and their performance. Items included “Staff who have a sense of pride in their work’ and ‘High quality staff who are well trained” reflecting luxury hotel expectations and ‘Staff who put you at ease’ and ‘Smiling and friendly staff’ reflecting more modest expectations in the first class sector.

4.4.3 Item Pool Review

Following the scale development process the researcher and academic colleagues reviewed the initial pool of items. The objective of this review process was to ensure the items reflected both face and content validity and to remove unclear or repetitive items. The use of an expert panel to review items intended for use in the scale is recommended (Churchill, 1979; DeVellis, 2003; Hardesty & Bearden, 2004; Llusar & Zornoza, 2002). DeVellis (2003) also recommends that the item pool be over-inclusive at this stage rather than the researcher be concerned with parsimony and comments that it is acceptable to have considerable redundancy in the item pool.

On the basis of natural selection, the literature and the recommendations of the expert panel the items were grouped into functional areas that reflected coherent aspects of the hotel experience as discussed above. The resultant headings included the following constructs in relation to the aspects of the hotel experience considered important by consumers; Presentation of Hotel; Overall Hotel; Room Product; Food and Beverage Product; Personalised Service, Service in General, Hotel Staff. In addition, constructs were included relating to perceived value Issues, brand trust and attitude, satisfaction loyalty. Each component scale comprised an approximately equal number of items deriving from the five-star or luxury
consumer focus groups, and the four-star or first class consumer focus groups.

In line with previous research using multi attribute models, the term “importance” was used for hotel selection criteria (Ananth et al., 1992; Lockyer, 2002), whilst performance measures were also identified in line with the research into service quality (Carman., 1990; Parasuraman et al., 1994; Teas, 1993; Teas, 1994). In addition, expectation measures were also collected, although the literature suggests the performance - expectations gap does not form a valuable alternative to the performance only measurement (Carman., 1990; Parasuraman et al., 1994; Teas, 1993; Teas, 1994).

### 4.4.4 Pilot Study

The items selected for retention were then formed into a questionnaire. A particular aspect of the questionnaire development is the approach chosen as a measurement format (DeVellis, 2003; Hinkin et al., 1997; Wegener & Fabrigar, 2004). This was particularly important as, in this research, many of the scales included had a dual measurement zone of importance and performance. These two zones were included to differentiate between aspects of the hotel experience consumers find important in contrast with the hotel performance in relation to these items. It was, therefore, necessary to use a measurement format that enabled differentiation between the importance and performance dimensions. It was determined that an interval scale was most appropriate as this provided more comparative information than either a nominal or ordinal scale would provide (De Vaus, 2002). Although an enhanced potential to capture subtle distinctions is provided by a
greater range of response points the appropriate number of response points is also limited by respondent ability to distinguish between them (Wegener & Fabrigar, 2004).

The use of an interval scale ranked from one to ten was chosen, as this range of values is familiar to most respondents (Graziano & Raulin, 2000) and provides sufficient range of response points to enable respondents to differentiate between importance and performance. The option of using a Likert scale was considered but rejected as it was thought to provide insufficient response points to effectively distinguish between importance and performance.

The use of fully labeled scales increases reliability and validity of responses but this is only practical with a limited number of response points (Wegener & Fabrigar, 2004). In this research the use of three anchor points was selected, one at both ends, and a central point as shown in Figure 4.1. Research has suggested that respondents interpret this structure of scale labeling as unipolar rather than bipolar (Schwartz and Hippler (1991) cited in Webener and Fabrigar 2004).

In addition, at the end of each dimensions an overall performance questions was included in the format “To what extent did the overall dimension eg ‘room product’ compare with the expectations you held prior to arriving at the hotel?” This item was included in a Likert scale format with full labelling. The Likert scale format was adopted for these items as a five point response was considered adequate.
Figure 4.1: Selected Response Point Format

**Column 1 Importance**
Please rate how important it is to you that the hotel possess the characteristics of each item described below. Please write a score in this column from

\[
\begin{array}{ccc}
1 & \ldots & 5 & \ldots & 10 \\
Not at all & Moderately & Extremely \\
important & important & Important \\
\end{array}
\]

**Column 2 Performance**
Please rate how effective the hotel was in delivering each item described below. Please write a score in this column from

\[
\begin{array}{ccc}
1 & \ldots & 5 & \ldots & 10 \\
Very & Moderately & Very \\
Poor & effective & Good \\
\end{array}
\]

The resultant survey instrument was distributed to a convenience sample of university staff and participants from the focus groups. University staff were contacted via email and survey forms distributed to those staff who responded. Participants in the focus groups were sent, by post, a copy of the survey and asked to complete and return the survey form using an enclosed prepaid envelope. A prize draw of a weekend’s accommodation was offered as an incentive to respondents to complete the survey. Approximately 240 survey forms were distributed, with 108 completed and usable responses being received, i.e. a response rate of 45 per cent.

There has been considerable debate over what constitutes an acceptable sample size for the results to be statistically valid (Hinkin et al., 1997), with there being no accepted rule to define an appropriate sample size (Flynn & Pearcy, 2001). Different authors have suggested different sample sizes as appropriate, including an absolute sample from one hundred to two hundred (Spector, 1992 cited in Flynn and Pearcy 2001), one hundred or
larger (Hair, Anderson, Tatham & Black, 1998), and ratios of items to respondents from 1:4 to 1:10 (Hinkin 1995 cited in Flynn and Pearcy 2001). In this research, there were a number of scales being examined, with a maximum of ten items in any individual scale. On this basis, a sample of over one hundred would comply with both the absolute range suggested above, and fall within the parameters of the ratios also suggested.

4.4.5 Scale Purification

The data were entered into SPSS. The data were cleaned to remove any entry errors or invalid responses, and checked for normality through an examination of skewness and kurtosis (Hair et al., 1998). Following the data cleaning, the data were subject to an exploratory R type factor analysis using principal components analysis and an orthogonal (Varimax) rotation. Principal components analysis was used as it explains common, specific and random error variances (Hair et al., 1998; Hinkin et al., 1997). As each scale contained items derived from both five star or luxury hotel focus groups, and four star or first class hotel focus groups, it was anticipated each scale would comprise two factors, one representing the five star items and one the four star items.

For each scale, factors demonstrating an Eigenvalue greater than one were extracted, although a scree plot was also obtained to clarify if any other factors might be present (Hair et al., 1998; Tabachnick & Fidell, 2001). The resultant component analysis was examined and items that were complex, that is, showed substantial and similar loadings on more than one factor (Hair et al., 1998) were removed. Items that demonstrated a factor loading of 0.55
or below were examined and unless there was a specific theoretical reason for retention, these items were also deleted. The factor loading of 0.55 was determined as significant at the 0.05 level using a sample size of one hundred (Hair et al., 1998). Tabachnick and Fidell (2001) suggest a factor loading of above 0.32 is acceptable as a rule of thumb, and cite Comrey and Lee (1992) as suggesting loadings above 0.71 be considered excellent, above 0.63 very good, above 0.55 good, above 0.45 fair and below 0.32 poor. The use of a loading of 0.55 at this stage in this research is considered to be a conservative guideline, and thus an acceptable level of certainty of the item validity is attained (Hair et al., 1998).

The Cronbach alpha for each scale was also calculated to ensure scale consistency and reliability. Cronbach’s alpha is a measure of the internal consistency of a scale and is widely used as a means of assessing the reliability of a scale (Churchill, 1979; DeVellis, 2003; Hair et al., 1998; Tabachnick & Fidell, 2001). A Cronbach alpha value of 0.70 or above is generally accepted to demonstrate a high level of homogeneity within the scale, and to determine that the items do reflect a single dimension (Churchill, 1979; Hair et al., 1998; Hinkin et al., 1997).

The resultant scale comprised 63 items and was divided into seven sections with items grouped conceptually for ease of response. The revised questionnaire was then, after a further evaluation by the researcher and expert colleagues, deemed finalised for the main data collection. A copy of the survey instrument is attached as Appendix 1.
4.4.6 Data Collection

The main data collection was intended to focus on the performance of a series of five star or luxury hotels, and four star or first class hotels. As a result, a number of specific hotels were approached to participate in the data collection process. The hotels selected were all located in Queensland, Australia. Participating hotels were located on the Gold Coast, in Brisbane and in Cairns. In order to gain equal representation of both five star or luxury hotels, and four star or first class hotels, an equal number of hotels from each category were approached to participate in the data collection process. The hotels selected were chosen to provide a balanced respondent sample with the hotels overall providing an acceptable balance of business, leisure and convention travellers in each quality category. It was also important the hotels were of a reasonable size to provide a suitable number of responses within the given time frame and the hotels selected each had a minimum of 150 rooms.

A judgement sampling approach was used. Judgement sampling is an approach whereby the researcher selects a non-probability sample they believe is representative of the population as a whole (Zikmund, 1997). In this research the selected hotels were considered to be approximately representative of the Australian demand pattern in their balance between business, leisure and convention travel. It was determined that each hotel needed to provide a minimum of one hundred completed survey responses in order to gain statistical validity at the unit level, and as a result, four hotels from each category were deemed to provide an adequate sample overall.
On the basis of personal contacts, either of the researcher or colleagues, appointments were made with the general managers of the eight hotels selected for inclusion. During the meeting, the objectives of the research were explained and the hotels were asked if they would provide an incentive prize of a weekend’s accommodation to encourage responses from their guests. In return, the researcher agreed to provide a report giving an evaluation of customer perceptions of their hotel. The hotels were advised of the number of completed surveys required. Five hotels completed the data collection process. A description of the hotels completing the data collection process is attached as Appendix 2.

After the briefing and the agreement to participate was concluded an initial five hundred questionnaire packs were provided. Each pack comprised an A5 envelope addressed as Guest Questionnaire and contained a survey form, a prize draw entry form, a postage paid A5 return envelope and a smaller Prize Draw entry envelope. The guest questionnaire was structured as a 12 page A5 booklet printed on 3 sheets of paper, folded and stapled with the cover letter appearing on the front cover in accordance with the recommendations of Dillman (1978, 2000). The hotels each used their own internal distribution system, with some hotels choosing to ask the room attendants to distribute the envelopes to each room, whilst others left the questionnaires with reception and guests were asked to participate either at check-in or on checkout. As a result of the differences in approaches to distribution, or through differences in staff briefings, some hotels were more effective at gaining completed surveys than others. The distribution approach also affected the response rate as, in some hotels with in-room distribution,
non-completed surveys were discarded, whilst in others, the room attendants were advised to leave uncompleted surveys for future guests. In total 693 completed survey responses were collected with an approximately equal number of responses from the two categories of hotels, with there being 371 (53.5 per cent) five star or luxury hotel responses, and 322 (46.5 per cent) four star or first class hotel responses. One of the hotels that completed the data collection process was predominately a business hotel whilst the others were predominately leisure hotels or mixed usage properties. An examination of the responses between the business focused hotel and other comparable hotels indicated there was no overall significant difference in responses.

4.4.6.1 Non Response Bias

Although the data collection process in research is intended to collect data from a sample of the population that is fully reflective of the population as a whole it is unlikely that all the possible respondents will participate in the survey process (De Vaus, 2002; Dillman, 1978; Fink, 2003; Fowler, 2002) and therefore the respondents may not form a true subset of the population (Armstrong & Overton, 1977; Leedy, 1993; Neuman, 2003). The response rates to surveys have declined over recent years due to an increase in the number of surveys and a growth in the number of people refusing to participate in surveys (Chen, 1996; Neuman, 2003).

Even if the sample selected is fully representative of the whole population, the pattern of actual respondents is unlikely to reflect the whole population, as those who do not respond may exhibit different characteristics
in respect of demographics and lifestyle than those who choose to respond (Chen, 1996; Leedy, 1993). Chen (1996) identifies that previous research has found that sex, age, educational level, income, marital status and extent of involvement in social activities affects the response rate. Unless a survey achieves a one hundred per cent response rate, some elements of non-response bias will be implicit in the data set (Chen, 1996). There are many approaches to minimise non-response bias, including response incentives, non-incentive facilitators, including response paid envelopes, follow up letters or phone calls (Chen, 1996; Dillman, 1978; 2000).

In this research, it is hard to estimate the level of non-response as, in some hotels, the room attendants discarded questionnaires, possibly without any guest having seen the survey request. Differing hotels had widely varied response rates, ranging from slightly over 10 per cent, to 19.6 per cent, and it is believed this was partially determined by their chosen distribution method. As a consequence of this it was important to consider non-response bias.

Armstrong and Overton (1977) identify three approaches to minimise the impact of non-response bias. The strategies are to minimise the number of non-respondents, to sample non-respondents and thirdly to estimate the effects of non-response (Armstrong & Overton, 1977).

In order to minimize the level of non-respondents an incentive entry to a prize draw was included for each hotel. The use of an incentive to encourage response is recommended although the effectiveness of entry into a prize draw is reported as being much less effective than the inclusion of a cash incentive with the survey (Dillman, 2000). In this research a prize draw of a weekend accommodation at the hotel was provided as incentive. The
prize draw was an attractive prize, valued at up to A$500, depending on the hotel offering the incentive. However, if potential respondents were not intending to revisit the hotel location the incentive of a weekend’s accommodation would have little value. The option of including a cash incentive within the survey package was discarded due to lack of funding availability. Other recommended methods of reducing non-response levels including postage paid return envelopes and an explanatory cover letter were provided.

It was not possible to adopt the second of the recommended strategies, as the survey was anonymous and distributed by the hotels to guests. This precluded the possibility of reducing the level of non-respondents by using a follow up letter or phone call. It also precluded the option of gaining responses from a sample of non-respondents to identify differences in response patterns.

The third strategy is the estimation of non-response bias and there are three approaches, comparison with known values, subjective estimates and extrapolation (Armstrong & Overton, 1977). The first approach, comparison with known values, entails comparing the dataset with known values in the population. In this research the demographic characteristics of the respondents from each hotel was given to the hotel including age, sex and purpose of trip and the hotels agree that the respondent profile is representative of their general guest population. As hotel populations vary considerably over time this only reflects the hotel perception that the respondents were reflective of the general population. Although this indicates the response set is a reasonable subset of the population it is not valid to
conclude that there is no non-response bias contained in the sample. The second approach involves making subjective comparison of the respondents with the populations as a whole (Armstrong & Overton, 1977) and this approach would not be feasible in this research.

The final approach is extrapolation. In this approach it is assumed that respondents who are late respondents have similar characteristics to non-respondents (Armstrong & Overton, 1977). In this research it was not valid to assume the late responses from a hotel equated to late respondents, as the surveys would have been distributed over a period of time. Therefore it was not possible, in this research, to assess for non-response bias through an examination of late respondents.

On the basis of the hotel confirmation that the respondents were representative of the customer profile the respondent profile is being accepted as reasonably representative of the whole population.

4.4.6.2 Data Cleaning and Missing Value Analysis

After data collection was completed for each hotel and the data entered into SPSS, the data were subject to examination for errors, including those resulting from data entry. The data were examined using SPSS Descriptive Statistics to ensure all data entries fell within the accepted range for that item.

The data were also examined for item non-response, with item non-response for any individual item ranging from 0.3 per cent to 8.2 per cent. There was no generalised pattern of non-response. The range of item non-response fell within the parameters suggested by Craig and McCann (1978), who suggest between 3 per cent and 8 per cent of items on a questionnaire
are left blank by respondents with age, sex and education affecting levels of non-response. The data were examined for patterns of non-response using the pattern and descriptive functions within Missing Values Analysis in SPSS, and the missing values were a random distribution. The overall average of missing items was 2.94 per cent.

Where there are missing values within a dataset there are two approaches to remedy the situation. The first option is that the missing values are deleted from the dataset either by removal of the case or variable. The use of casewise deletion, where each case that has a missing value is deleted can lead to the loss of a substantial amount of data. The alternative approach involves the deletion of a variable if there is evidence that the variable is responsible for a high number of missing values and can be deleted without impinging on the research program (De Vaus, 2002; Hair et al., 1998; Tabachnick & Fidell, 2001). The second option involves the missing values being replaced by imputation from the rest of the available data. There are a number of approaches to the imputation of the missing values including mean substitution and regression (Tabachnick & Fidell, 2001).

In this research the option of a casewise deletion was evaluated but was rejected, as it would result in the deletion of too large a number of cases. It was therefore determined to use an imputation approach and the regression approach was adopted to replace the missing values in the dataset. This approach was selected as it is a more sophisticated approach to missing value imputation than mean substitution as it includes other variables in the development of the regression equation (Hair et al., 1998; Tabachnick & Fidell, 2001).
4.4.6.3 Data Normality

At this stage the data were also examined for normality. Using the output from SPSS of the Kolmogorov-Smirnov statistic with a Lillefors Significance Correction it was identified that none of the variables was normally distributed. It had previously been anticipated that the data would comprise a non-normal distribution as when evaluating organisational performance in quality hotels it is expected that there will be a negative skew. Examination of the non-normality confirmed this for all variables.

A number of data transformations are possible to correct for non-normal distributions including the square root, log and inverse transformations (Hair et al., 1998; Tabachnick & Fidell, 2001). It is not possible to predict the most appropriate method of transformation and it is necessary to test the effect of the different approaches (Tabachnick & Fidell, 2001). After applying transformations the data were examined but were still found to be non-normally distributed. Although normally distributed data is preferred the analytical approaches used are robust to non-normal distributions when sample sizes are medium and large (Ali & Sharma, 1993; Browne, 1984). In this research the sample size is adequate to allow for the non-normal distribution.

4.4.7 Reliability and Validity Assessment

The final stage of the scale development process is the assessment of the reliability and validity of the proposed scale. This stage of the scale development process is included in the next chapter of this thesis as an outcome of the confirmatory factor analysis undertaken of the dimensions.
4.5 Data Analysis

Following the data cleaning and missing value replacement, the data set was subject to a range of analytical techniques to test the hypotheses specified in Chapter 3 of this thesis. The statistical analysis was mainly conducted using SPSS Version 12.0. In SPSS a range of the analysis techniques provided were used including descriptives, frequencies, factor analysis and reliability tests. In addition to analytical techniques available within SPSS itself, an additional computer software package, AMOS Version 5, was used. AMOS is a structural equation modelling software package and was used to undertake confirmatory factor analysis and to test the structural equation model that links loyalty to its antecedents. The standardised regression weights produced in the structural equation model were used to evaluate Hypotheses 2 to 11 inclusive. This section now continues with a discussion on each of the techniques used in this research.

4.5.1 Factor Analysis

An exploratory principal components analysis of the hotel performance in relation to the scales developed was undertaken to identify the items that loaded adequately. As the sample size exceeded 350, a factor loading of 0.40 was deemed acceptable (Hair et al., 1998). Each scale was analysed and items that were complex, that is, loaded strongly onto more than one component, or showed a factor loading below 0.40, were removed. The Cronbach alpha for the resultant scales was calculated to ensure scale reliability. Cronbach alpha is a measure of the internal consistency of a scale and is widely used as a means of assessing the reliability of a scale.
A Cronbach alpha value of 0.70 or above is generally accepted to demonstrate a high level of homogeneity within the scale and to determine that the items do reflect a single dimension (Churchill, 1979; Hair et al., 1998; Hinkin et al., 1997).

In order to identify the naturally occurring dimensions of service quality all 63 items in the final questionnaire were placed into a factor analysis. This approach is recommended in the literature as a means of identifying actual, rather than perceived, factor groupings (Rosen & Surprenant, 1998). The role of factor analysis is to identify the components or factors that derive from a set of variables, that is to identify the subset of correlated variables that form a subset that is reasonably uncorrelated with other subsets (Hair et al., 1998; Tabachnick & Fidell, 2001). An exploratory principal components analysis was used as it incorporates common, specific and error variance and is appropriate when the objective is to identify the minimum number of factors associated with the maximum explanation of variance (Hair et al., 1998). As it was anticipated the factors would show a high level of correlation an oblique rotation (Oblimin) was used. The component correlation matrix was examined to identify the inter component correlations with the oblique rotation being retained as the inter component correlations exceeded 0.32, (Hair et al., 1998).

As it is recommended not to mix cognitive and emotional aspects within an analysis (DeVellis, 2003) the dimensions related to the less cognitive aspects of customer perceptions (Brand, Value, Satisfaction, Loyalty) were not included in this analysis but were analysed separately. The principal
components analysis was examined for items that were complex or showed inadequate loadings on a dimension. Component loadings below 0.40 were deemed inadequate. This reflects a conservative approach to component loadings as, with sample sizes over 350, a component loading of above 0.30 is deemed acceptable (Hair et al., 1998) but also reflects recognition of there being a total of 63 items resulting in only a little over ten respondents per item.

A confirmatory factor analysis, using AMOS, was then undertaken to ensure that the dimensions identified above were robust. The use of a fully disaggregated first order model allows individual items to load only onto their specified dimension, whilst also allowing intercorrelation between dimensions (Shemwell & Yavas, 1999). A number of fit indices were obtained including the chi-square ($\chi^2$), the normed chi-square statistic, the goodness of fit index (GFI), adjusted goodness of fit index (AGFI), root mean square residual (RMR) and the root mean square error of approximation (RMSEA), the normed fit index (NFI) and the comparative fit index (CFI). In addition the standardised root mean square residual (SRMR) is reported and reflects the difference between the sample observed and hypothesised correlation matrices and therefore indicates the average error to which the hypothesised model explains the correlations (Byrne, 2001).

This approach allowed confirmation of the factor structure associated with the measurement of perceived hotel service quality.

4.5.2 Structural Equation Modelling

Structural equation modelling (SEM), also known as latent variable analysis (Baumgartner & Homburg, 1996; Hair et al., 1998), is a development
from multiple regression analysis to combine a series of multiple regression equations within one structural model (Hair et al., 1998). The approach simultaneously runs several multiple regression equations, and has been used in this research to combine the relationships investigated into one broad model that integrates the relationships in the pathway from service performance to behavioural loyalty.

SEM is a confirmatory approach and is used to test theory rather than to develop theory (Byrne, 2001; Tabachnick & Fidell, 2001). SEM has a number of benefits over multiple regression in that it recognises interdependence and allows a dependent variable in one multiple regression to become an independent variable in a subsequent equation (Hair et al., 1998). It also allows for independent variables to act simultaneously on more than one dependent variable, thus identifying both direct and indirect effects on a dependent variable (Hair et al., 1998). In addition the approach enables the inclusion of latent variables within the model. Latent variables are hypothesised but unobserved variables (Byrne, 2001; Hair et al., 1998; Tabachnick & Fidell, 2001). Finally an additional strength of structural equation modelling is the treatment of error variance. In most data it is likely there will be elements of error incorporated into the data and SEM includes estimates of error variance in contrast to other multivariate approaches that ignore error (Byrne, 2001; Hair et al., 1998).

Although SEM provides a number of advantages over other statistical approaches there are also limitations associated with its use. These limitations include a need for a larger sample than may be the case for other statistical tests, sensitivity to non-normality although with large sample sizes
sensitivity to non-normal distributions is reduced (Hu & Bentler, 1998; Lei & Lomax, 2005), and a need to ensure an absence of multicollinearity (Tabachnick & Fidell, 2001). It is important, when using SEM, to ensure the model is correctly specified as SEM is vulnerable to specification error whereby a predictor variable is omitted from a model thus distorting results for the included variables (Hair et al., 1998).

There are a number of indicators that are used to assess the validity of a hypothesised model, that is the fit between the sample and the estimated population covariance matrices (Hair et al., 1998; Tabachnick & Fidell, 2001). Although the chi-square ($\chi^2$) is accepted as the conventional overall test of fit a number of alternative fit indices have been developed to overcome concerns with the chi-square statistic mainly associated with issues of sample size (Hu & Bentler, 1995). Whilst the model fit is important the issue of over-fitting the model is also of consequence with it being necessary to balance the model fit with parsimony (Hair et al., 1998). The fit indicators can be grouped into the categories of absolute fit indices, incremental or comparative fit indices and parsimonious fit indices (Byrne, 2001; Hair et al., 1998).

The absolute fit indices include chi-square ($\chi^2$), goodness of fit index (GFI), adjusted goodness of fit index (AGFI), root mean square residual (RMR) and the root mean square error of approximation (RMSEA). The incremental fit measures include the normed fit index (NFI) and the comparative fit index (CFI). The parsimonious fit indices include the Akaike information criteria (AIC) and the normed chi-square statistic. In addition the standardised root mean square residual (SRMR) can be reported and reflects the difference between the sample observed and hypothesised correlation
matrices and therefore indicates the average error to which the hypothesised model explains the correlations (Byrne, 2001). The SRMR has been found to be more effective in discriminating between models and is not affected by non-normality (Hu & Bentler, 1995).

The chi-square ($\chi^2$) statistic is recognised as the conventional overall test of fit (Hu & Bentler, 1995). However research has shown that the chi-square statistic is not entirely reliable as an indicator of good model fit and can reject an acceptable hypothesised model (Byrne, 2001; Hu & Bentler, 1995). In particular the chi-square statistic is sensitive to sample size with large samples often resulting in high values of chi-square indicating a poor fit whereas alternative measures suggest an acceptable fit. In this research the chi-square statistic is reported as it is accepted as a fundamental measure of fit (Hu & Bentler, 1995).

Absolute fit indices, such as the goodness of fit index (GFI) effectively compare the hypothesised model with the null model and measure the relative level of variance and covariance (Byrne, 2001). Hu and Bentler (1995) detail research by Marsh et al (1988) that reports that the GFI performs better than the other absolute fit indices. Although theoretically a negative result is possible if the hypothesized model is a worse fit than the null model, results for the GFI are normally in the range of zero to one with higher values indicating a better fit (Byrne, 2001). A GFI of above 0.90 is generally accepted as indicative of a good fit (Hair et al., 1998; Hu & Bentler, 1995).

The adjusted goodness of fit index (AGFI) is similar to the GFI but addresses the issue of parsimony by adjusting for the degrees of freedom. As with the GFI the result will normally range between zero and one with higher
values indicating a better fit (Byrne, 2001). As with the GFI values above 0.90
are seen as acceptable (Hair et al., 1998).

The root mean square residual (RMR) represents the average residual
value resulting from a comparison of the variance-covariance matrix of the
hypothesised model with that of the data (Byrne, 2001). The range of values,
for the RMR, range from zero to one with lower values reflecting a better fit.
Values below 0.08 are indicative of a good fit (Hair et al., 1998).

The root mean square error of approximation (RMSEA) is recognised
as “one of the most informative criteria in covariance structure modelling”
(Byrne, 2001 Pg 84). The RMSEA reports the discrepancy, or misfit, in the fit
of the model to the population covariance matrix and is adjusted for the
degrees of freedom (Byrne, 2001). RMSEA is affected by sample size and
there is a tendency to reject acceptable models when the sample size is small
(Byrne, 2001). Values range from zero to one with lower values indicating
better fits. Values between 0.05 and 0.08 are seen as representing well fitted
models, values between 0.08 and 0.10 mediocre fits and above 0.10 a poor fit
(Byrne, 2001; Hair et al., 1998). Although a lower value indicates a better fit a
result of zero would indicate a perfect fit and this is seen as optimistic (Byrne,
2001).

In contrast to the absolute fit indices the incremental or comparative
indices of fit compare the hypothesised model with a baseline model, normally
the null model (Byrne, 2001; Hair et al., 1998). The normed fit index (NFI) is
recognised as the principal incremental fit index but has been criticised for
underestimating fit with small sample sizes. The results for the NFI range
from zero to one with larger results indicating better fit. A result of above 0.90 is indicative of a good fit (Byrne, 2001; Hair et al., 1998).

The comparative fit index (CFI) was developed by Bentler (1990) to reflect the criticisms associated with the NFI. As with the NFI the results for the CFI range from zero to one with larger results indicating better fit. A result of above 0.90 is indicative of a good fit (Byrne, 2001).

The normed chi-square statistic was proposed by Joreskog (Hair et al., 1998) to overcome some of the concerns over the chi-square statistic and is the chi-square statistic divided by the degrees of freedom. The statistic provides a range of acceptable results thus indicating models that are either over or under fitted. An overfitted model is typically represented by a value less than one whilst a model that is not reflective of the data is represented by a value above 3 (Hair et al., 1998) although a more liberal limit of five has been suggested as appropriate (Wheaton, Muthen, Alwin & Summers, 1977).

The standardised root mean square residual is an improvement on the RMR as it avoids interpretation problems resulting from the size of residuals being relative to the size of the variances and covariances (Byrne, 2001). SRMR is not dependent on a normal distribution and thus has a superior capability (Hu & Bentler, 1995). The SRMR results range from zero to one with smaller values being indicative of a better model fit with values below 0.05 indicative of a good fit (Byrne, 2001).

In this research structural equation modelling applications were used as a confirmatory technique to validate the component structures identified using exploratory approaches and to test the full research model proposed in Chapter 3.
4.6 Conclusion

This chapter has provided an explanation of the research methods used. The research approach has been based in the literature and reflects accepted guidance on the most appropriate approaches to the individual research problems. The research has incorporated both qualitative and quantitative approaches. The scale development process has been based on Churchill's (1979) methodology, but has also included variations suggested by later authors. A substantial sample of 693 responses was obtained allowing statistical validity to be achieved. The issue of non-response bias has been addressed and discounted.

The statistical approaches used have included factor analysis, both exploratory and confirmatory, and structural equation modelling. The results reported in the next chapter have derived from a rigorous approach to the research. The final research model can be viewed with some confidence as to the validity of the results on the basis of the approaches used.
CHAPTER 5 - RESULTS

5.1 Introduction

This chapter will detail the results of the analysis of the data collected and will be divided into sections that provide coherence to the material contained therein. The chapter will commence with an analysis of the qualitative research that underpinned the research process. Following the qualitative research the chapter will then present the demographics of the respondents to the survey instrument that comprised the quantitative stage of the research. The chapter will then continue with the exploratory factor analysis of dimensions before proceeding to the confirmatory factor analysis undertaken to confirm the structures identified through the exploratory analysis. The chapter will then proceed to address each of the hypotheses identified in Chapter 3 including the results from testing the hypothesised full model.

5.2 Qualitative Research

As stated earlier the data were collected through four focus groups, two of the groups comprised consumers of luxury hotels whilst the other two groups comprised consumers of first class hotels. This process allowed some clear identification of those elements found reflecting similarities in expectation between the groups and those elements found reflecting differences. It is interesting perhaps to note that there are substantially more elements reflecting differences than similarities.
Many of the elements reflecting similarities also reflect elements of difference. For example all participants commented on an expectation that the rooms would be clean and well maintained. However there was also a difference evident in that the first class hotel guests expected this to occur whereas the luxury guests assumed it would occur, as otherwise it would not be a luxury hotel. Also of equal importance to both groups of consumers were a convenient location and a safe and secure environment. Other elements included timesaving services, friendly and courteous employees, handling of mistakes and value for money, special packages, upgrades and added value. When we consider the differences it becomes more viable to group them under a range of headings including status, patrons, product, service, staff and the importance of a loyalty program.

5.2.1 Status

From the data collected it became evident that the sense of being a little special was of considerable significance to many of the respondents, especially those consumer from luxury hotels. Comments such as “It’s about feeling like you’re important” and “Make you feel that you are the only person there and that matters” gave clear evidence of this element and maybe could be summarised through another comment of “You are the focus…you are not one of the average people”. The issue of recognition was important with these guests expecting a personalised service, this is highlighted by the comment “If you are staying in the kind of hotels we are talking about you can be recognized in the lobby…someone will learn your name”. One respondent linked this to power “Power…status is related to power” whilst another commented on indulgence “You want to be spoiled”.

112
It is interesting to contrast this with respondents in the first class properties who seemed more down to earth in their comments. Typical comments included “the owner was really nice and helpful and everything, to do that as we were leaving, I hope we see you again, and those sort of things” and “people are nice to you at checkout”.

5.2.2 Patrons

There was considerable difference between the self-perceptions of the guests in the two standards of hotels, although there were some elements of similarity between the self-perception of the luxury consumers and the perceptions of luxury consumers by the consumers of first class hotels. The participants in the luxury focus groups included comments such as “you meet a nicer sort of person… better class of person” and “the guests are clean, rich and well behaved”. There was a belief that luxury hotel guests have a different set of values and “appreciate what they are paying for and treat it in a corresponding way” and “are unlikely to trash the hotel” and finally there was a belief that either there were no children or they were invisible and well behaved. In contrast the first class consumers reflected a sense of being very normal and were “very natural…unpretentious” people. In support of the beliefs of the luxury hotel group the mid-range consumers said “when you are in a 5 star property there is an aura of people with money” and they are “upper class versus middle”. They believed these consumers were “quality versus value conscious” and looked for hotels that were “out of the ordinary”.
5.2.3 Product

Again in relation to the product there were clear distinctions about expectations. The consumers of the luxury hotels looked for something that was out of the ordinary and this is reflected by comments such as “the grandness that sets the hotel clearly above”, “exclusive, welcoming, first class, plush, gorgeous”, “important that the hotel look grand” and finally “it is usually top of the line”. In contrast the consumers of first class hotels looked for something more homely and commented on the need for ‘comfort’. There is also an expectation that it will not be the same as home as they want to be “leaving the world behind” but as one person commented “it gets down to comfort. In foyers, I really appreciate comfortable chairs to sit and wait for people”.

5.2.4 Service

Again, as may be expected, consumers of luxury hotels saw an expectation of excellence in service. A clear distinction between the groups reflected that first class hotel consumers expected reliability, that is if a room service request, for example for ice, is made then there is an expectation it will be delivered when promised, perhaps in 30 minutes whereas in the luxury hotels, as one respondent commented “if you’re having a scotch and there is no ice in the fridge, you would expect it to be there NOW”. There was also an expectation of promptness of service and that there would be no queuing, not waiting in line with the “rest of the herd” as “it’s important not to be kept waiting”. There was also a general expectation of more flexibility as staff were used to unusual requests and would “do things that are out of the norm” and
would “recognize your needs”. There was an expectation that “no request is too much trouble” and that “the rules will be changed for you”. In relation to the service component there was also an expectation of total reliability reflected in the following comments “there is that total delivery of your expectations and level of satisfaction, knowing what you are going to get and you get it all the time… no surprises” and “because you’ve got that kind of money, they will give you extraordinary service ….nonetheless it’s free”. There was recognition that “you expect an awful lot… you expect service. Things happen smoothly at the time and you are not confronted with the problems that might be going on at the back….that’s the quality that defines the hotel”.

5.2.5 Staff

There was a belief that these exceptional service standards were achieved through these luxury hotels employing better quality staff that had also benefited from more training. This is clearly reflected through comments such as “better trained staff”, the “quality of staff” and “the staff is the expression of the 5 star hotel”. It was noted by one participant that “they are as helpful and caring as if you were being welcomed into their own homes” and “as a consequence you feel very comfortable about asking them to do things”.

5.2.6 Loyalty

Loyalty programs were not seen as relevant to exclusive hotels with loyalty being earned from the provision of quality services. Comments on
loyalty included “more to do with earning loyalty it can’t be bought” and “your loyalty is developed on the basis of getting exactly what you thought or more”. Loyalty was generated by the hotel “exceeding your expectations” and “tailoring to your requirements and (providing) consistent delivery… you know exactly what you are getting so why change”. In contrast consumers of first class hotels had a more mundane approach to loyalty based the concepts of value, convenience and performance. In relation to value consumers expected “discounts and deals” and “getting free upgrades” as well as “loyalty clubs”. Convenience was reflected in comments such as “tradition” and “staying at the same brand of hotel is a shortcut”. Hotel performance was an important contributor to loyalty with one consumer stating ”no loyalty, just know who you wouldn’t go back to”, and in a similar tone another stated “no bad experiences, and it has met all my expectations”. Other comments on performance included, “cleanliness, service and attitude of staff” and “quality of the amenities”.

5.2.7 Hotel Descriptions

In addition to the discursive elements of the focus group participants were asked to use adjectives to describe luxury and first class hotels. In effect the adjectives act as a summary of much of the implications of the content of the focus groups and act as a useful comparative benchmark with the data analysis from the focus groups.

The participants from the luxury hotel focus groups included the following adjectives in their descriptors of luxury hotels:
“Impressive lobby, glitzy, expensive, gorgeous, unique and individually different” and “where you don’t get the plebs”

“Generally you get a better class of person there… there aren’t people slopping around”

In contrast the adjectives used by participants in the first class hotel focus groups reflect more moderate expectations and included the following adjectives in their descriptors of first class hotels:

“Cozy, open, airy and friendly, warm, professional, comfortable, elegant foyer, stylish, cleanliness, smiling staff, matching”

In a similar theme participants were asked to describe the last hotel occupied in terms of a car and the distinctions become very evident. Luxury hotels were described as a Jaguar, a Daimler, a Lexus and a Porsche whereas first class hotels were described as a Toyota Corolla, a Nissan Pulsar, a Commodore and a Honda Prelude with the comment that it was “nice but not a BMW”.

5.2.8 Conclusion about Focus Group Analysis

The principle objective of the focus groups was to identify items relating to hotel performance that could be used in a survey instrument to be distributed to consumers in first class and luxury hotels. From the data collected it was evident there was a definite and clear distinction between the
perceptions of luxury and first class hotel clientele. The first class consumers
saw the hotel as a home away from home, as somewhere that was friendly,
warm and comforting – in a sense where they felt they belonged. They did
not want something that was out of the ordinary as they, implicitly, saw
themselves as normal people and did not want to be placed in an environment
that made them feel socially insecure, inferior or uncomfortable.

In contrast the luxury hotel consumers expected a hotel that was
exclusive, that treated them as special and that had a level of grandness and
opulence. One participant of the luxury hotels focus group, when asked if
comfortable was an effective adjective to describe these hotels actually said
“definitely not comfortable” and, by implication, they are looking for something
out of the ordinary.

These findings were translated into items for inclusion in the survey
instrument. For all dimensions an approximately equivalent mix of items
between first class and luxury hotels was included.

5.3 Demographics

Data measuring a number of demographic variables were collected. In
the following sections a summary of the demographic information will be
supported by a brief commentary that addresses any specific issues. The
hotels have supported the guest profiles identified below as reasonably
representative of their general guest profile.
5.3.1 Gender

In Table 5.1 below, the gender breakdown of the respondents is provided by quality of hotel. The gender balance is reasonably representative of the Australian population as a whole was 49.7% male and 50.3% female in 2003 (ABS, 2003).

Table 5.1: Gender by Hotel Quality Standard

| Sex       | Hotel Category | Luxury | | First Class | | All Hotels |
|-----------|----------------|--------|----------------|--------|----------------|
|           |                | No.    | %              | No.    | %              | No.    | %              |
| Male      | 182             | 49.1   | 171            | 53.1   | 353            | 50.9   |
| Female    | 181             | 48.8   | 130            | 40.4   | 311            | 44.9   |
| Not Reported | 8       | 2.1    | 21             | 6.5    | 29             | 4.2    |
| Total     | 371             | 100.0  | 322            | 100.0  | 693            | 100.0  |

An exploration of the data by purpose of trip shows a dominance of males for business travel with 61.8% of business travel being undertaken by males. For other reasons for purpose of trip there is a broad gender balance.

5.3.2 Age Distribution

As shown in Table 5.2 the age distribution by hotel quality reflects a dominance of people in the 45-59 age grouping for all classes of hotel followed by those in the 30-44 age category. An exploration by purpose of trip reflects a similar pattern with all purpose of trip categories dominated by those in the 45-59 age group followed by those in the 30-44 age group.
Table 5.2: Age Distribution by Hotel Quality Standard

<table>
<thead>
<tr>
<th>Hotel Category</th>
<th>Luxury</th>
<th>First Class</th>
<th>All Hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>18-29</td>
<td>64</td>
<td>17.3</td>
<td>34</td>
</tr>
<tr>
<td>30-44</td>
<td>112</td>
<td>30.2</td>
<td>116</td>
</tr>
<tr>
<td>45-59</td>
<td>145</td>
<td>39.1</td>
<td>125</td>
</tr>
<tr>
<td>60+</td>
<td>47</td>
<td>12.7</td>
<td>38</td>
</tr>
<tr>
<td>Not Reported</td>
<td>3</td>
<td>0.8</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>371</td>
<td>100.0</td>
<td>322</td>
</tr>
</tbody>
</table>

5.3.3 Marital Status

In Table 5.3 the marital status is reported showing the majority of respondents, for all classes of hotel, were married.

Table 5.3: Marital Status by Hotel Quality Standard

<table>
<thead>
<tr>
<th>Hotel Category</th>
<th>Luxury</th>
<th>First Class</th>
<th>All Hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>Single</td>
<td>55</td>
<td>14.8</td>
<td>61</td>
</tr>
<tr>
<td>Defacto</td>
<td>63</td>
<td>17.0</td>
<td>31</td>
</tr>
<tr>
<td>Married</td>
<td>245</td>
<td>66.0</td>
<td>215</td>
</tr>
<tr>
<td>Not Reported</td>
<td>8</td>
<td>2.2</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>371</td>
<td>100.0</td>
<td>322</td>
</tr>
</tbody>
</table>

5.3.4 Purpose of Trip

As shown in Table 5.4 the purpose of trip for luxury hotels is dominated by leisure travel whilst for first class hotels business travel slightly exceeds leisure travel. Also, although a small sample, convention travel is also predominately associated with luxury hotels. No particular pattern to the
purpose of trip being ‘other’ except for a slight emphasis on a special occasion (anniversary, birthday, honeymoon) being 11 in total and slightly dominated by luxury hotel category and the balance being dominated by medical reasons, either receiving treatment or visiting friends or family in hospital (5).

### Table 5.4: Purpose of Trip by Hotel Quality Standard

<table>
<thead>
<tr>
<th>Hotel Category</th>
<th>Luxury</th>
<th>First Class</th>
<th>All Hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>Business</td>
<td>58</td>
<td>15.6</td>
<td>159</td>
</tr>
<tr>
<td>Leisure</td>
<td>256</td>
<td>69.0</td>
<td>134</td>
</tr>
<tr>
<td>Convention</td>
<td>33</td>
<td>8.9</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>15</td>
<td>4.0</td>
<td>9</td>
</tr>
<tr>
<td>Not Reported</td>
<td>9</td>
<td>2.4</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>371</td>
<td>100.0</td>
<td>322</td>
</tr>
</tbody>
</table>

### 5.3.5 Income Distribution

Income distribution as shown in Table 5.5 is, as expected skewed towards higher income levels with 73 per cent of respondents reporting incomes over $50,000. There is little difference in the distribution between the luxury and first class hotels.
Table 5.5: Income Distribution by Hotel Quality Standard

| Hotel Category | Luxury | | | First Class | | | All Hotels | | |
| --- | --- | | | --- | --- | | --- | --- | --- |
| | No. | % | No. | % | No. | % |
| Below $29,000 | 13 | 3.5 | 12 | 3.7 | 25 | 3.6 |
| $30,000-$39,999 | 34 | 9.2 | 13 | 4.0 | 47 | 6.8 |
| $40,000-$49,999 | 38 | 10.2 | 27 | 8.4 | 65 | 9.4 |
| $50,000-$74,999 | 66 | 17.8 | 62 | 19.3 | 128 | 18.5 |
| $75,000-$99,999 | 75 | 20.2 | 58 | 18.0 | 133 | 19.2 |
| Over $100,000 | 120 | 32.3 | 126 | 39.1 | 246 | 35.5 |
| Not Reported | 25 | 6.7 | 24 | 7.5 | 49 | 7.1 |
| Total | 371 | 100.0 | 322 | 100.0 | 693 | 100.0 |

5.3.6 Occupation

As shown in Table 5.6 business owners and those in managerial and professional occupations dominate the occupational profiles for both luxury and first class hotels.

Table 5.6: Occupation by Hotel Quality Standard

| Hotel Category | Luxury | | | First Class | | | All Hotels | | |
| --- | --- | | | --- | --- | | --- | --- | --- |
| | No. | % | No. | % | No. | % |
| Professional | 131 | 35.3 | 144 | 44.7 | 275 | 39.7 |
| Managerial | 57 | 15.4 | 83 | 25.8 | 140 | 20.2 |
| Owner/proprietor | 63 | 17.0 | 32 | 9.9 | 95 | 13.7 |
| White collar | 34 | 9.2 | 14 | 4.3 | 48 | 6.9 |
| Tradesperson, outdoor or blue collar worker | 15 | 4.0 | 3 | 0.9 | 18 | 2.6 |
| Army, navy, police or emergency | 10 | 2.7 | 12 | 3.7 | 22 | 3.2 |
| Student | 10 | 2.7 | 2 | 0.6 | 12 | 1.7 |
| Hospitality or tourism | 16 | 4.3 | 8 | 2.5 | 24 | 3.5 |
| Other | 30 | 8.1 | 13 | 4.0 | 43 | 6.2 |
| Not Reported | 5 | 1.3 | 11 | 3.4 | 16 | 2.3 |
| Total | 371 | 100.0 | 322 | 100.0 | 693 | 100.0 |
The first class hotels show a higher percentage of guests being in managerial and professional occupations whilst the luxury hotels include a larger percentage in the owner/proprietor category.

5.3.7 Educational Qualifications

As shown in Table 5.7 there is a slightly higher level of educational qualifications in the profile of guests in the first class hotel than in the luxury hotel category. The luxury hotel category also shows a higher level of guests whose highest educational level was secondary school.

Table 5.7: Educational Qualifications by Hotel Quality Standard

<table>
<thead>
<tr>
<th>Hotel Category</th>
<th>Luxury</th>
<th>First Class</th>
<th>All Hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>Secondary school</td>
<td>102</td>
<td>27.5</td>
<td>50</td>
</tr>
<tr>
<td>Diploma or trade</td>
<td>84</td>
<td>22.6</td>
<td>85</td>
</tr>
<tr>
<td>qualification</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate degree</td>
<td>76</td>
<td>20.5</td>
<td>76</td>
</tr>
<tr>
<td>Postgraduate degree</td>
<td>101</td>
<td>27.2</td>
<td>100</td>
</tr>
<tr>
<td>Not Reported</td>
<td>8</td>
<td>2.2</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>371</td>
<td>100.0</td>
<td>322</td>
</tr>
</tbody>
</table>

5.3.8 Nationality

As can be seen in Table 5.8 Australian respondees dominate the survey responses. This may be because hotels chose to focus distribution on Australian residents or a lack of effectiveness of the incentive prize, as the incentive prize was further accommodation in the hotel, for non-Australian visitors. The other category was dominated by visitors of Caucasian descent with there being fourteen visitors from North America and in addition one
‘white American’ and one ‘Hispanic American’ whilst there were also eight visitors from the UK who didn’t count themselves European.

Table 5.8: Nationality by Hotel Quality Standard

<table>
<thead>
<tr>
<th></th>
<th>Luxury</th>
<th></th>
<th>First Class</th>
<th></th>
<th>All Hotels</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
</tr>
<tr>
<td>Australian</td>
<td>275</td>
<td>74.1</td>
<td>203</td>
<td>63.0</td>
<td>478</td>
<td>69.0</td>
</tr>
<tr>
<td>Asian</td>
<td>6</td>
<td>1.6</td>
<td>7</td>
<td>2.2</td>
<td>13</td>
<td>1.9</td>
</tr>
<tr>
<td>European</td>
<td>69</td>
<td>18.6</td>
<td>75</td>
<td>23.3</td>
<td>144</td>
<td>20.8</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>4.3</td>
<td>30</td>
<td>9.3</td>
<td>46</td>
<td>6.6</td>
</tr>
<tr>
<td>Not Reported</td>
<td>5</td>
<td>1.3</td>
<td>7</td>
<td>2.2</td>
<td>12</td>
<td>1.7</td>
</tr>
<tr>
<td>Total</td>
<td>371</td>
<td>100.0</td>
<td>322</td>
<td>100.0</td>
<td>693</td>
<td>100.0</td>
</tr>
</tbody>
</table>

5.4 Model Component Validity

In developing the hypothesised model a number of components were developed through exploratory principal components analysis.

5.4.1 Analysis of Hotel Performance

As an outcome of the literature review and the qualitative research 63 items relating to aspects of the hotel experience consumers found important and to the hotel performance in relation to these items were included in the survey. For ease of survey completion these were grouped within seven dimensions, with each dimension containing between eight and ten items. The evaluation of these items in relation to hotel performance collectively measure perceived service quality.

In order to identify the naturally occurring dimensions of service quality all 63 items were placed into a factor analysis. This approach is recommended in the literature as a means of identifying actual, rather than
perceived, factor groupings (Rosen & Surprenant, 1998). The role of factor analysis is to identify the components or factors that derive from a set of variables, that is to identify the subset of correlated variables that form a subset that is reasonably uncorrelated with other subsets (Hair et al., 1998; Tabachnick & Fidell, 2001). An exploratory principal components analysis was used as it incorporates common, specific and error variance and is appropriate when the objective is to identify the minimum number of factors associated with the maximum explanation of variance (Hair et al., 1998). As it was anticipated the factors would show a high level of correlation an oblique rotation (Oblimin) was used. An oblique rotation is recommended when the correlations between components exceed 0.32 (Hair et al., 1998). In this research the component correlation matrix was examined and as inter component correlations exceeded 0.32 the oblique rotation was retained.

As it is recommended not to mix cognitive and emotional aspects within an analysis (DeVellis, 2003) the dimensions related to the less cognitive aspects of customer perceptions (Brand, Value, Satisfaction, Loyalty) were not included in this analysis but were analysed separately. A complete list of the cognitive and emotional items are contained in Appendix 3. The principal components analysis was examined for items that were complex or showed inadequate loadings on a dimension. Component loadings below 0.40 were deemed inadequate. This reflects a conservative approach to component loadings as, with sample sizes over 350, a component loading of above 0.30 is deemed acceptable (Hair et al., 1998) but also reflects recognition of there being a total of 63 items resulting in only a little over ten respondents per item.
The principal component analysis identified seven components with an Eigenvalue greater than one that together explained over 67 percent of the variance. An examination of the scree plot also indicated that seven components was an appropriate solution. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.952 and the Bartlett Test of Sphericity was significant (p<0.001) with a Chi Square value of 18958.94 with 780 degrees of freedom. These measures provide support for the factorisation.

Following the identification of components the items contained within each component were examined and the components named. In Table 5.9 the details of each component are provided including the component name, the items contained within the component, the component loadings for those items, the communality value and the Cronbach alpha value for the resultant component.

The first component was named *Stylish Comfort* as the items in this dimension reflected quality with items such ‘the hotel lobby is grand’ and ‘the hotel is first class’ whilst also including items that reflected relaxation and comfort. The second dimension was named *Quality Staff* as the items contained in this dimension all related to well trained and respectful staff, for example ‘high quality staff who are well trained’. The third dimension was named *Personalisation* as the items reflected a desire to be recognised and remembered, the essence on being a personal customer rather than one of a number. The fourth dimension was named *Quality Dining* as the items contained reflected the quality aspects of the food and beverage provision in the hotel, such as ‘exquisite food presentation’ and ‘provision of a fine dining.
### Table 5.9: Factor Loadings - Service Quality Components

<table>
<thead>
<tr>
<th>Item</th>
<th>Dimension</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hotel lobby is comfortable</td>
<td>Stylish</td>
<td>0.839</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.677</td>
</tr>
<tr>
<td>The hotel atmosphere is stylish</td>
<td>Comfort</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.776</td>
</tr>
<tr>
<td>The ambience of the hotel is relaxing</td>
<td>Quality</td>
<td>0.758</td>
<td>0.677</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.653</td>
</tr>
<tr>
<td>The hotel is first class</td>
<td>Staff</td>
<td>0.676</td>
<td></td>
<td>0.662</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The hotel lobby is grand</td>
<td>Personalisation</td>
<td>0.723</td>
<td>0.662</td>
<td></td>
<td>0.604</td>
<td></td>
<td></td>
<td></td>
<td>0.597</td>
</tr>
<tr>
<td>The mood is restful</td>
<td>Dining</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.591</td>
<td></td>
</tr>
<tr>
<td>The hotel is exclusive</td>
<td>Speedy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.653</td>
<td>0.550</td>
</tr>
<tr>
<td>The artefacts and paintings added to the image of the hotel</td>
<td>Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The presentation of the hotel is professional</td>
<td>Room</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Respectful and polite staff</td>
<td>Quality</td>
<td>0.848</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.766</td>
</tr>
<tr>
<td>Smiling and friendly staff</td>
<td>Added</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.763</td>
</tr>
<tr>
<td>Staff who put you at ease</td>
<td>Extras</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.795</td>
</tr>
<tr>
<td>Staff who are quick to respond to requests</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.750</td>
</tr>
<tr>
<td>Staff who have a sense of pride in their work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.733</td>
</tr>
<tr>
<td>High quality staff who are well trained</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.719</td>
</tr>
<tr>
<td>People are nice to you at checkout</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.604</td>
</tr>
<tr>
<td>Unobtrusive staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.547</td>
</tr>
<tr>
<td>The staff remember your name</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.884</td>
<td>0.785</td>
</tr>
<tr>
<td>Being recognised in the lobby</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.874</td>
<td>0.798</td>
</tr>
<tr>
<td>VIP treatment, being the focus of attention</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.811</td>
<td>0.789</td>
</tr>
<tr>
<td>Staff remembering your requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.707</td>
<td>0.725</td>
</tr>
</tbody>
</table>

127
<table>
<thead>
<tr>
<th>Item</th>
<th>Dimension</th>
<th>Stylish Comfort</th>
<th>Quality Dining</th>
<th>Personalisation</th>
<th>Speedy Service</th>
<th>Room Quality</th>
<th>Added Extras</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of fine dining restaurant</td>
<td>1</td>
<td>0.700</td>
<td></td>
<td>0.650</td>
<td>0.658</td>
<td>0.681</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exquisite food presentation</td>
<td>2</td>
<td>0.697</td>
<td></td>
<td>0.657</td>
<td>0.653</td>
<td></td>
<td>0.756</td>
<td></td>
</tr>
<tr>
<td>Provision of a sumptuous buffet breakfast</td>
<td>3</td>
<td>0.657</td>
<td>0.932</td>
<td>0.930</td>
<td>0.907</td>
<td></td>
<td></td>
<td>0.562</td>
</tr>
<tr>
<td>Good range of bars to buy a drink</td>
<td>4</td>
<td>0.653</td>
<td></td>
<td>0.932</td>
<td>0.877</td>
<td>0.851</td>
<td></td>
<td>0.654</td>
</tr>
<tr>
<td>Not being kept waiting for more than a minute</td>
<td>5</td>
<td>0.932</td>
<td></td>
<td>0.930</td>
<td>0.907</td>
<td>0.877</td>
<td>0.851</td>
<td>0.800</td>
</tr>
<tr>
<td>Immediate service</td>
<td>6</td>
<td>0.930</td>
<td></td>
<td>0.930</td>
<td>0.877</td>
<td>0.877</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not having to queue for more than 1 minute</td>
<td>7</td>
<td>0.907</td>
<td></td>
<td>0.907</td>
<td>0.907</td>
<td>0.877</td>
<td>0.800</td>
<td></td>
</tr>
<tr>
<td>Every need is anticipated</td>
<td></td>
<td></td>
<td>0.588</td>
<td>0.932</td>
<td>0.907</td>
<td></td>
<td></td>
<td>0.671</td>
</tr>
<tr>
<td>Lots of large fluffy towels</td>
<td></td>
<td></td>
<td></td>
<td>0.588</td>
<td>0.932</td>
<td></td>
<td></td>
<td>0.702</td>
</tr>
<tr>
<td>Range of toiletries available in the bathroom</td>
<td></td>
<td></td>
<td>-0.811</td>
<td>0.932</td>
<td>0.930</td>
<td></td>
<td></td>
<td>0.705</td>
</tr>
<tr>
<td>Luxurious branded toiletries</td>
<td></td>
<td></td>
<td></td>
<td>-0.811</td>
<td>0.932</td>
<td></td>
<td></td>
<td>0.685</td>
</tr>
<tr>
<td>Spacious bathrooms</td>
<td></td>
<td></td>
<td>-0.703</td>
<td>0.932</td>
<td>0.930</td>
<td></td>
<td></td>
<td>0.575</td>
</tr>
<tr>
<td>Large, comfortable beds</td>
<td></td>
<td></td>
<td>-0.703</td>
<td>0.932</td>
<td>0.930</td>
<td></td>
<td></td>
<td>0.451</td>
</tr>
<tr>
<td>Deluxe appliances</td>
<td></td>
<td></td>
<td>-0.599</td>
<td>0.932</td>
<td>0.930</td>
<td></td>
<td></td>
<td>0.566</td>
</tr>
<tr>
<td>Provision of stationery in the room</td>
<td></td>
<td></td>
<td>0.599</td>
<td>0.932</td>
<td>0.930</td>
<td></td>
<td></td>
<td>0.451</td>
</tr>
<tr>
<td>Floor concierge</td>
<td></td>
<td></td>
<td>0.555</td>
<td>0.932</td>
<td>0.930</td>
<td></td>
<td></td>
<td>0.528</td>
</tr>
<tr>
<td>Timesaving services such as valet parking</td>
<td></td>
<td></td>
<td>0.555</td>
<td>0.932</td>
<td>0.930</td>
<td></td>
<td></td>
<td>0.528</td>
</tr>
<tr>
<td>Regular shuttle buses to the airport</td>
<td></td>
<td></td>
<td>0.555</td>
<td>0.932</td>
<td>0.930</td>
<td></td>
<td></td>
<td>0.528</td>
</tr>
<tr>
<td>Shops within the hotel</td>
<td></td>
<td></td>
<td>0.555</td>
<td>0.932</td>
<td>0.930</td>
<td></td>
<td></td>
<td>0.528</td>
</tr>
<tr>
<td>Provision of gym and other recreational facilities</td>
<td></td>
<td></td>
<td>0.555</td>
<td>0.932</td>
<td>0.930</td>
<td></td>
<td></td>
<td>0.528</td>
</tr>
</tbody>
</table>

Factor loadings below 0.30 were suppressed.

All factors had an Eigenvalue greater than 1.0.
restaurant’. The fifth dimension was named *Speedy Service* as the items reflected an unwillingness to be kept waiting, for example ‘not being kept waiting for more than a minute’. The sixth dimension was named *Room Quality* as the items reflected the quality aspects of the hotel bedroom. The seventh dimension was titled *Added Extras* as it contained a range of value adding items such as ‘timesaving services such as valet parking’ and ‘shops within the hotel’. Satisfactory internal reliability for all dimensions was also found.

### 5.5 Confirmatory Factor Analysis – Service Quality Dimensions

A confirmatory factor analysis of each dimension was then undertaken.

#### 5.5.1 Stylish Comfort

The stylish comfort dimension identified through the exploratory factor analysis contained nine items. The results of the confirmatory factor analysis for this dimension are shown in Table 5.10.

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>526.44</td>
<td>19.50</td>
<td>27</td>
<td>0.000</td>
<td>0.856</td>
<td>0.761</td>
<td>0.870</td>
<td>0.876</td>
<td>0.203</td>
<td>0.163</td>
<td>0.0586</td>
</tr>
</tbody>
</table>

The initial fit indices indicate a poor level of fit. The absolute fit indices of the GFI (0.856), the AGFI (0.761), the RMR (0.203) and the RMSEA (0.163) are all outside the recommended tolerances. The incremental or
comparative fit indices also indicate a poor fit with both the NFI and CFI being below the recommended value of 0.90. The normed chi-square (19.50) is above the recommended range from one to three. The SRMR (0.0586) is above the recommended range of below 0.05.

An examination of the output, including factor weights and recommended modification indices, identified a number of components that contributed to the poor fit. These components were removed from the model and a five-item factor resulted.

The fit indices indicate a good level of fit. The absolute fit indices of the GFI (0.991), the AGFI (0.973), the RMR (0.057) and the RMSEA (0.055) are all within the recommended tolerances. The incremental or comparative fit indices also indicate a good fit with both the NFI and CFI being below the recommended value of 0.90. The SRMR value of 0.0163 is clearly within the recommended range. Although the normed chi-square (3.08) is marginally above the recommended range from one to three it does fall within the broader parameters of one to five recommended by Joreskog (Hair et al., 1998). The other fit indices indicate a high level of fit and the revised factor structure is accepted. The five–item factor also showed good reliability with a Cronbach alpha of 0.883. The fit indices for the revised factor structure are shown in Table 5.11.

### Table 5.11: Stylish Comfort - Revised Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15.43</td>
<td>3.08</td>
<td>5</td>
<td>0.009</td>
<td>0.991</td>
<td>0.973</td>
<td>0.992</td>
<td>0.994</td>
<td>0.057</td>
<td>0.055</td>
<td>0.0163</td>
</tr>
</tbody>
</table>

130
The five-factor solution is detailed in Table 5.12.

### Table 5.12: Stylish Comfort - Retained Items and Factor Loadings

<table>
<thead>
<tr>
<th>Item</th>
<th>Standardised Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>The hotel atmosphere is stylish</td>
<td>0.870</td>
</tr>
<tr>
<td>The hotel is first class</td>
<td>0.860</td>
</tr>
<tr>
<td>The hotel lobby is grand</td>
<td>0.764</td>
</tr>
<tr>
<td>The artefacts and paintings added to the image of the hotel</td>
<td>0.750</td>
</tr>
<tr>
<td>The ambience of the hotel is relaxing</td>
<td>0.647</td>
</tr>
</tbody>
</table>

#### 5.5.2 Quality Staff

The quality staff dimension contained eight items. The results of the confirmatory factor analysis are shown in Table 5.13.

### Table 5.13: Quality Staff – Exploratory Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>155.88</td>
<td>7.79</td>
<td>20</td>
<td>0.000</td>
<td>0.947</td>
<td>0.905</td>
<td>0.964</td>
<td>0.969</td>
<td>0.064</td>
<td>0.099</td>
<td>0.025</td>
</tr>
</tbody>
</table>

The fit indices indicate mixed results. The absolute fit indices of the GFI (0.947), the AGFI (0.905) and RMR (0.064) all indicate a good level of fit. However the other absolute fit index of the RMSEA (0.099) is above the recommended value of 0.08. The incremental or comparative fit indices NFI (0.964) and the CFI (0.969) also indicate a good level of fit being above the recommended value of 0.90. The SRMR (0.025) is also within the
recommended range of below 0.08. However the normed chi-square (7.79) is above the recommended range from one to three. On the basis of the poor fit indices of the RMSEA and the normed chi-square the factor structure was re-examined to identify a better fitting model.

An examination of the AMOS output, including factor weights and recommended modification indices, identified three components that contributed to the poor fit. These components were removed from the model and a five-item factor resulted.

The fit indices for the revised factor structure as shown Table 5.14 provide improved fit. The absolute fit indices of GFI (0.994) and AGFI (0.981) are above the recommended lower value of 0.90 and the RMR (0.027) and RMSEA (0.040) are below the recommended higher value of 0.08. The incremental indices are also a good fit with the NFI (0.994) and CFI (0.997) being above the recommended value of 0.90. Finally the normed chi-square value has been reduced to 2.13 and is within the recommended range from one to three and the SRMR is below the recommended value of 0.05. The revised five-item factor structure has a Cronbach alpha of 0.886.

On the basis of the improved fit indices and satisfactory reliability the revised factor dimension is accepted.

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.67</td>
<td>2.13</td>
<td>5</td>
<td>0.058</td>
<td>0.994</td>
<td>0.981</td>
<td>0.994</td>
<td>0.997</td>
<td>0.027</td>
<td>0.040</td>
<td>0.012</td>
</tr>
</tbody>
</table>
The five-factor solution, including retained items and standardised factor loadings, is detailed in Table 5.15.

**Table 5.15: Quality Staff - Retained Items and Factor Loadings**

<table>
<thead>
<tr>
<th>Item</th>
<th>Standardised Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respectful and polite staff</td>
<td>0.857</td>
</tr>
<tr>
<td>Staff who are quick to respond to requests</td>
<td>0.833</td>
</tr>
<tr>
<td>High quality staff who are well trained</td>
<td>0.826</td>
</tr>
<tr>
<td>People are nice to you at checkout</td>
<td>0.687</td>
</tr>
<tr>
<td>Unobtrusive staff</td>
<td>0.687</td>
</tr>
</tbody>
</table>

5.5.3 Personalisation

This dimension contained four items. The initial analysis indicated mixed results with the normed chi-square being above the recommended range from one to three although it falls within the higher range recommended by Wheaton et al (1977). The other fit indices are all within the recommended range. These results are reported in Table 5.16. The Cronbach alpha for this dimension is 0.902.

**Table 5.16: Personalisation – Exploratory Structure**

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8.65</td>
<td>4.33</td>
<td>2</td>
<td>0.013</td>
<td>0.994</td>
<td>0.969</td>
<td>0.995</td>
<td>0.996</td>
<td>0.074</td>
<td>0.069</td>
<td>0.011</td>
</tr>
</tbody>
</table>

An examination of the recommended modification indices identified a residual covariance between two items. This covariance is explicable as both items reflected hotel staff remembering either your name or requirements. The
addition of an error co-variance improved the fit results and these are shown in Table 5.17.

**Table 5.17: Personalisation – Revised Structure**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Norm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\chi^2$</td>
</tr>
<tr>
<td>VIP treatment, being the focus of attention</td>
<td>1.84</td>
</tr>
<tr>
<td>The staff remember your name</td>
<td></td>
</tr>
<tr>
<td>Being recognised in the lobby</td>
<td></td>
</tr>
<tr>
<td>Staff remembering your requirements</td>
<td></td>
</tr>
</tbody>
</table>

The fit indices reflect a very high level of fit. The absolute fit indices of the GFI (0.999), the AGFI (0.987), the RMR (0.035) and the RMSEA (0.035) are all within the recommended tolerances and confirm the factor structure. The incremental or comparative fit indices also indicate a hypothesised model that reflects the data with the NFI having a value of 0.999 and the CFI a value of 1.000 both above the recommended value of 0.90. The normed chi-square (1.84) falls within the recommended range from one to three and the SRMR (0.005) is also within the recommended range. These fit indices confirm the factor structure identified through exploratory factor analysis.

The revised solution, including retained items and standardised factor loadings, is detailed in Table 5.18.

**Table 5.18: Personalisation - Retained Items and Factor Loadings**

<table>
<thead>
<tr>
<th>Item</th>
<th>Standardised Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIP treatment, being the focus of attention</td>
<td>0.859</td>
</tr>
<tr>
<td>The staff remember your name</td>
<td>0.852</td>
</tr>
<tr>
<td>Being recognised in the lobby</td>
<td>0.842</td>
</tr>
<tr>
<td>Staff remembering your requirements</td>
<td>0.808</td>
</tr>
</tbody>
</table>
5.5.4 Room Quality

This dimension contained seven items and the results for this dimension are shown in Table 5.19.

Table 5.19: Room Quality – Exploratory Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>χ²</th>
<th>χ²</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>81.01</td>
<td>5.79</td>
<td>14</td>
<td>0.000</td>
<td>0.968</td>
<td>0.937</td>
<td>0.962</td>
<td>0.968</td>
<td>0.133</td>
<td>0.083</td>
<td>0.031</td>
</tr>
</tbody>
</table>

The fit indices indicate a mixed result with the normed chi-square (5.79), RMR (0.133) and RMSEA (0.083) being above the recommended ranges whilst the other fit indices indicate a good level of fit. On the basis of the above the AMOS output was examined to identify a better fitting model.

An examination of the output, including factor weights and recommended modification indices, identified a number of components that contributed to the poor fit. These components were removed from the model and a four-item factor resulted. The revised fit indices are identified in Table 5.20.

Table 5.20: Room Quality – Revised Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>χ²</th>
<th>χ²</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.36</td>
<td>1.68</td>
<td>2</td>
<td>0.187</td>
<td>0.998</td>
<td>0.988</td>
<td>0.997</td>
<td>0.999</td>
<td>0.040</td>
<td>0.031</td>
<td>0.010</td>
</tr>
</tbody>
</table>

The results of testing the modified solution indicate a very high level of fit. The absolute fit indices of the GFI (0.998), the AGFI (0.988), the RMR
(0.040) and the RMSEA (0.031) are all within the recommended tolerances. The incremental or comparative fit indices of the NFI (0.997) and CFI (0.999) are also within the recommended range. The normed chi-square (1.68) falls within the recommended range from one to three and the SRMR (0.010) is also within the recommended range. These fit indices indicate the revised factor structure should be accepted. The revised factor structure had a Cronbach alpha of 0.842 indicating a high level of reliability.

The revised solution, including retained items and standardised factor loadings, is detailed in Table 5.21.

Table 5.21: Room Quality - Retained Items and Factor Loadings

<table>
<thead>
<tr>
<th>Item</th>
<th>Standardised Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range of toiletries available in the bathroom</td>
<td>0.824</td>
</tr>
<tr>
<td>Luxurious branded toiletries</td>
<td>0.802</td>
</tr>
<tr>
<td>Lots of large fluffy towels</td>
<td>0.767</td>
</tr>
<tr>
<td>Deluxe appliances</td>
<td>0.652</td>
</tr>
</tbody>
</table>

5.5.5 Speedy Service

This dimension contained four items. The initial confirmatory factor analysis indicated a poor fitting model. The results are shown in Table 5.22. Although the GFI (0.979) indicates a good fit, the other absolute fit indices indicate a poor fit with AGFI (0.897) being below the recommended lower value of 0.90 and the RMR (0.103) and RMSEA (0.146) being above the upper recommended value.
### Table 5.22: Speedy Service – Exploratory Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31.74</td>
<td>15.74</td>
<td>2</td>
<td>0.000</td>
<td>0.979</td>
<td>0.897</td>
<td>0.984</td>
<td>0.985</td>
<td>0.103</td>
<td>0.146</td>
<td>0.022</td>
</tr>
</tbody>
</table>

An examination of the modification indices identified an error covariance between two items and the addition of this error covariance improved the model fit substantially. The error covariance is justified as there is a conceptual overlap in meaning between the items. The results for the revised model for this dimension are shown in Table 5.23. The Cronbach alpha for this factor structure is 0.901.

The fit indices, with the inclusion of the error covariance, reflect a very high level of fit. The absolute fit indices of the GFI (0.998), the AGFI (0.979), the RMR (0.036) and the RMSEA (0.052) are all within the recommended tolerances. The incremental or comparative fit indices also indicate a hypothesised model that reflects the data with both the NFI and the CFI having a value of 0.999 both above the recommended value of 0.90. The normed chi-square (2.85) falls within the recommended range from one to three and the SRMR (0.008) is also within the recommended range. These fit indices confirm the factor structure identified through exploratory factor analysis.

### Table 5.23: Speedy Service – Revised Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.85</td>
<td>2.85</td>
<td>1</td>
<td>0.091</td>
<td>0.998</td>
<td>0.979</td>
<td>0.999</td>
<td>0.999</td>
<td>0.036</td>
<td>0.052</td>
<td>0.008</td>
</tr>
</tbody>
</table>
The revised solution, including retained items and standardised factor loadings, is detailed in Table 5.24.

### Table 5.24: Speedy Service - Retained Items and Factor Loadings

<table>
<thead>
<tr>
<th>Item</th>
<th>Standardised Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not being kept waiting for more than a minute</td>
<td>0.923</td>
</tr>
<tr>
<td>Immediate service</td>
<td>0.923</td>
</tr>
<tr>
<td>Not having to queue for more than 1 minute</td>
<td>0.879</td>
</tr>
<tr>
<td>Every need is anticipated</td>
<td>0.707</td>
</tr>
</tbody>
</table>

5.5.6 Added Extras

This dimension contained five items and the results for this dimension are shown in Table 5.25.

### Table 5.25: Added Extras – Exploratory Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>62.84</td>
<td>12.57</td>
<td>5</td>
<td>0.000</td>
<td>0.966</td>
<td>0.897</td>
<td>0.929</td>
<td>0.934</td>
<td>0.239</td>
<td>0.129</td>
<td>0.045</td>
</tr>
</tbody>
</table>

The fit indices indicate a poorly fitted model. Although the GFI (0.966), NFI (0.929) and the CFI (0.934) indicate an acceptable fit the other indices are all outside the recommended ranges. An examination of the AMOS output, including factor weights and recommended modification indices, output led to the removal of one item and this resulted in a good fitting model. The revised fit indices are reported in Table 5.26.
Table 5.26: Added Extras – Revised Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.73</td>
<td>2.36</td>
<td>2</td>
<td>0.094</td>
<td>0.997</td>
<td>0.984</td>
<td>0.992</td>
<td>0.995</td>
<td>0.079</td>
<td>0.044</td>
<td>0.016</td>
</tr>
</tbody>
</table>

The fit indices reflect a high level of fit. The absolute fit indices of the GFI (0.997), the AGFI (0.984), the RMR (0.079) and the RMSEA (0.044) are all within the recommended tolerances. The incremental or comparative fit indices also indicate a good fit with the NFI (0.992) and the CFI (0.995) being above the recommended minimum value of 0.90. The normed chi-square (2.36) falls within the recommended range from one to three and the SRMR (0.016) is also within the recommended range. These fit indices indicate the revised factor structure is improved. The revised factor structure has a Cronbach alpha of 0.724.

The revised solution, including retained items and standardised factor loadings, is detailed in Table 5.27.

Table 5.27: Added Extras - Retained Items and Factor Loadings

<table>
<thead>
<tr>
<th>Item</th>
<th>Standardised Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor concierge</td>
<td>0.834</td>
</tr>
<tr>
<td>Timesaving services such as valet parking</td>
<td>0.694</td>
</tr>
<tr>
<td>Regular shuttle buses to the airport</td>
<td>0.524</td>
</tr>
<tr>
<td>Provision of gym and other recreational facilities</td>
<td>0.473</td>
</tr>
</tbody>
</table>
5.5.7 Quality Dining

This dimension contained four items. The results for this dimension are shown in Table 5.28. The factor structure has a Cronbach alpha of 0.835.

Table 5.28: Quality Dining

<table>
<thead>
<tr>
<th>Construct</th>
<th>Norm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\chi^2$</td>
</tr>
<tr>
<td></td>
<td>5.79</td>
</tr>
</tbody>
</table>

The fit indices reflect a high level of fit. The absolute fit indices of the GFI (0.996), the AGFI (0.979), the RMR (0.048) and the RMSEA (0.052) are all within the recommended tolerances. The incremental or comparative fit indices also indicate a good fit with the NFI (0.995) and the CFI (0.997) being above the recommended minimum value of 0.90. The normed chi-square (2.90) falls within the recommended range from one to three and the SRMR (0.013) is also within the recommended range. These fit indices confirm the factor structure identified through exploratory factor analysis.

The solution, including retained items and standardised factor loadings, is detailed in Table 5.29.

Table 5.29: Quality Dining - Retained Items and Factor Loadings

<table>
<thead>
<tr>
<th>Item</th>
<th>Standardised Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exquisite food presentation</td>
<td>0.869</td>
</tr>
<tr>
<td>Provision of fine dining restaurant</td>
<td>0.764</td>
</tr>
<tr>
<td>Good range of bars to buy a drink</td>
<td>0.712</td>
</tr>
<tr>
<td>Provision of a sumptuous buffet breakfast</td>
<td>0.658</td>
</tr>
</tbody>
</table>
5.6 Confirmatory Factor Analysis of Other Dimensions

5.6.1 Customer Satisfaction

A four-item scale measured customer satisfaction. The fit indices generally indicate a good fitting model although the normed chi-square is above the recommended range, as is the RMSEA. The results are shown in Table 5.30.

Table 5.30: Customer Satisfaction – Exploratory Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13.31</td>
<td>6.65</td>
<td>2</td>
<td>0.001</td>
<td>0.990</td>
<td>0.952</td>
<td>0.995</td>
<td>0.996</td>
<td>0.005</td>
<td>0.090</td>
<td>0.009</td>
</tr>
</tbody>
</table>

An examination of the AMOS output, including factor weights and recommended modification indices, identified an error covariance between items 1 and 2. The addition of this produced the results shown in Table 5.31. The error covariance is justifiable as the items reflected a high level of similarity. This factor has a Cronbach alpha of 0.942.

Table 5.31: Customer Satisfaction – Revised Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.83</td>
<td>2.83</td>
<td>1</td>
<td>0.093</td>
<td>0.998</td>
<td>0.980</td>
<td>0.999</td>
<td>0.999</td>
<td>0.002</td>
<td>0.051</td>
<td>0.004</td>
</tr>
</tbody>
</table>

The fit indices reflect a high level of fit. The absolute fit indices of the GFI (0.998), the AGFI (0.980), the RMR (0.002) and the RMSEA (0.051) are
all within the recommended tolerances. The incremental or comparative fit indices also indicate a good fit with both the NFI and the CFI having a result of 0.999 and being above the recommended minimum value of 0.90. The normed chi-square (2.83) falls within the recommended range from one to three and the SRMR (0.004) is also within the recommended range. These fit indices confirm the factor structure.

The revised solution, including retained items and standardised factor loadings, is detailed in Table 5.32.

Table 5.32:  Customer Satisfaction - Retained Items and Factor Loadings

<table>
<thead>
<tr>
<th>Item</th>
<th>Standardised Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>I made the right decision to use this hotel</td>
<td>0.904</td>
</tr>
<tr>
<td>I am happy with the hotel</td>
<td>0.902</td>
</tr>
<tr>
<td>I am very satisfied with this hotel</td>
<td>0.893</td>
</tr>
<tr>
<td>This hotel satisfies my needs</td>
<td>0.891</td>
</tr>
</tbody>
</table>

5.6.2 Perceived Value

A ten-item scale measured perceived value. The results are shown in Table 5.33.

Table 5.33: Perceived Value – Exploratory Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>415.72</td>
<td>11.88</td>
<td>35</td>
<td>0.000</td>
<td>0.888</td>
<td>0.823</td>
<td>0.868</td>
<td>0.878</td>
<td>0.224</td>
<td>0.125</td>
<td>0.057</td>
</tr>
</tbody>
</table>
The fit indices indicate a poor fitting model with all indices being outside the recommended ranges. An examination of the AMOS output, including factor weights and recommended modification indices, identified a number of components that contributed to the poor fit. These components were removed from the model and a five-item factor resulted. The results for this scale are shown in Table 5.34.

<table>
<thead>
<tr>
<th>Table 5.34: Perceived Value – Revised Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norm</td>
</tr>
<tr>
<td>( \chi^2 ) ( \chi^2 ) DF P GFI AGFI NFI CFI RMR RMSEA SRMR</td>
</tr>
<tr>
<td>13.71 2.74 5 0.018 0.992 0.976 0.987 0.992 0.076 0.050 0.020</td>
</tr>
</tbody>
</table>

The fit indices reflect a high level of fit. The absolute fit indices of the GFI (0.992), the AGFI (0.976), the RMR (0.076) and the RMSEA (0.050) are all within the recommended tolerances. The incremental or comparative fit indices also indicate a good fit with both the NFI (0.987) and CFI (0.992) being above the recommended minimum value of 0.90. The normed chi-square (2.74) falls within the recommended range from one to three and the SRMR (0.020) is also within the recommended range of below 0.05. These fit indices confirm the revised factor structure. The revised factor has a Cronbach alpha of 0.807.

The revised solution, including retained items and standardised factor loadings, is detailed in Table 5.35.
Table 5.35: Perceived Value - Retained Items and Factor Loadings

<table>
<thead>
<tr>
<th>Item</th>
<th>Standardised Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>I expect superb service because I am prepared to pay more</td>
<td>0.808</td>
</tr>
<tr>
<td>The quality of the hotel is more important than the price you pay</td>
<td>0.730</td>
</tr>
<tr>
<td>The hotel provides a discount on extra nights stay</td>
<td>0.648</td>
</tr>
<tr>
<td>The quality of the hotel is reflected in the price you pay</td>
<td>0.646</td>
</tr>
<tr>
<td>I expect the hotel to provide free gym and recreational facilities</td>
<td>0.559</td>
</tr>
</tbody>
</table>

5.6.3 Brand Trust

A five-item scale measured brand trust. The results of the confirmatory factor analysis of these five items are shown in Table 5.36

Table 5.36: Brand Trust – Exploratory Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>χ²</th>
<th>χ²</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>93.41</td>
<td>18.68</td>
<td>5</td>
<td>0.000</td>
<td>0.946</td>
<td>0.839</td>
<td>0.968</td>
<td>0.970</td>
<td>0.120</td>
<td>0.160</td>
<td>0.031</td>
</tr>
</tbody>
</table>

The results indicate a poor fitting model with most indices falling outside the recommended range. An examination of the AMOS results indicated one item should be removed. The results for this revised dimension are shown in Table 5.37.
The fit indices generally reflect a high level of fit. The absolute fit indices of the GFI (0.994), the AGFI (0.970), the RMR (0.034) and the RMSEA (0.069) are all within the recommended tolerances. The incremental or comparative fit indices also indicate a good fit with the NFI (0.996) and the CFI (0.997) being above the recommended minimum value of 0.90. The SRMR (0.010) is also within the recommended range of below 0.05. The normed chi-square (4.26) falls outside the recommended range from one to three but is within the range recommended by Wheaton et al (1977). The good fit characteristics shown by the other measures together with the acceptable result for the normed chi-square indicate this model should be accepted. The revised factor structure has a Cronbach alpha of 0.928.

The revised solution, including retained items and standardised factor loadings, is detailed in Table 5.38.
5.6.4 Brand Attitude

A five-item scale measured brand attitude and the results of the confirmatory analysis of these five items are shown in Table 5.39.

Although the GFI (0.950), NFI (0.972), CFI (0.974) and SRMR (0.023) indicate an acceptable fit the other measures are all outside the recommended ranges and, in particular, the normed chi-square (17.16), RMR (0.101) and RMSEA (0.153) all indicate a poor fitting model.

Table 5.39: Brand Attitude – Exploratory Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>( \chi^2 )</th>
<th>( \chi^2 )</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>85.80</td>
<td>17.16</td>
<td>5</td>
<td>0.000</td>
<td>0.950</td>
<td>0.850</td>
<td>0.972</td>
<td>0.974</td>
<td>0.101</td>
<td>0.153</td>
<td>0.023</td>
</tr>
</tbody>
</table>

An examination of the AMOS output, including factor weights and modification indices, indicated an improved model is achieved through the removal of two items. These results are given in Table 5.40.

Table 5.40: Brand Attitude – Revised Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>( \chi^2 )</th>
<th>( \chi^2 )</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.19</td>
<td>3.19</td>
<td>1</td>
<td>0.074</td>
<td>0.997</td>
<td>0.982</td>
<td>0.998</td>
<td>0.999</td>
<td>0.105</td>
<td>0.056</td>
<td>0.005</td>
</tr>
</tbody>
</table>

The fit indices reflect a good level of fit. The absolute fit indices of the GFI (0.997), the AGFI (0.982) and the RMSEA (0.056) are all within the recommended ranges although the RMR (0.105) is above the recommended level. The incremental or comparative fit indices also indicate a good fit with
both the NFI (0.998) and the CFI (0.999) being above the recommended minimum value of 0.90. Although the normed chi-square (3.19) falls slightly outside the recommended range from one to three it is within the higher range recommended by Wheaton et al (1977). The SRMR (0.005) is within the recommended range. These fit indices confirm the factor structure. The revised factor has a Cronbach alpha of 0.919.

The revised solution, including retained items and standardised factor loadings, is detailed in Table 5.41.

Table 5.41: Brand Attitude- Retained Items and Factor Loadings

<table>
<thead>
<tr>
<th>Item</th>
<th>Standardised Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>This hotel is exceptional</td>
<td>0.911</td>
</tr>
<tr>
<td>There is something special about this hotel</td>
<td>0.883</td>
</tr>
<tr>
<td>This hotel has a great reputation</td>
<td>0.877</td>
</tr>
</tbody>
</table>

5.6.5 Loyalty

A five-item scale measured loyalty and the results of the confirmatory analysis of these five items are shown in Table 5.42.

Table 5.42: Loyalty – Exploratory Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td>77.07</td>
<td>15.41</td>
<td>5</td>
<td>0.000</td>
<td>0.962</td>
<td>0.885</td>
<td>0.969</td>
<td>0.971</td>
<td>0.032</td>
<td>0.144</td>
<td>0.036</td>
<td></td>
</tr>
</tbody>
</table>
Although the GFI (0.962), NFI (0.969), CFI (0.971), RMR (0.032) and SRMR (0.0359) indicate an acceptable fit the other measures are all outside the recommended ranges and, in particular, the normed chi-square (15.41), and RMSEA (0.144) all indicate a poor fitting model. An examination of the AMOS output results indicated an improved model is achieved through the removal of one item. These results for the reduced factor structure are given in Table 5.43.

**Table 5.43: Loyalty – Revised Structure**

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$ DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13.11</td>
<td>6.56</td>
<td>2</td>
<td>0.001</td>
<td>0.991</td>
<td>0.954</td>
<td>0.993</td>
<td>0.994</td>
<td>0.013</td>
<td>0.090</td>
</tr>
</tbody>
</table>

The fit indices generally reflect a good level of fit. The absolute fit indices of the GFI (0.991), the AGFI (0.954) and the RMR (0.013) are all within the recommended tolerances although the RMSEA (0.090) is marginally outside the recommended range. The incremental or comparative fit indices also indicate a good fit with both the NFI (0.993) and the CFI (0.994) are above the recommended minimum value of 0.90. Although the normed chi-square (6.56) falls outside the recommended range from one to five the SRMR (0.017) is within the recommended range. The revised factor structure has a Cronbach alpha of 0.885. On this basis the factor structure is confirmed as a four-item factor.

The revised solution, including retained items and standardised factor loadings, is detailed in Table 5.44.
Table 5.44: Loyalty - Retained Items and Factor Loadings

<table>
<thead>
<tr>
<th>Item</th>
<th>Standardised Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>My intention is to re-book with this hotel in the future</td>
<td>0.929</td>
</tr>
<tr>
<td>I am likely to come back to this hotel</td>
<td>0.920</td>
</tr>
<tr>
<td>I am looking forward to returning to this hotel</td>
<td>0.865</td>
</tr>
<tr>
<td>It is convenient to return to this hotel</td>
<td>0.551</td>
</tr>
</tbody>
</table>

5.7 Hotel Performance

In section 5.5 the structure of the factors identified through exploratory analysis were confirmed. These seven dimensions reflect the aspects of hotel performance that determine service quality.

It was necessary to group the identified factors for the analysis of hypothesis 1 and for evaluation of the full structural proposed as hypothesis 12. Hypothesis 1 posits that service quality is a higher order construct and is a separate dimension from the antecedent aspects of business and hypothesis 12 contains the full structural model and posits that the dimensions of hotel performance, perceived service quality, perceived value, customer satisfaction, brand trust and brand attitude will have, direct or indirect, impact on behavioural loyalty. This grouping was necessary for hypothesis 1 as it is hypothesised that service quality is a higher order construct from the underlying dimensions. The grouping is necessary for hypothesis 12 as when a dimension includes five or more items a full disaggregation is unlikely to achieve a satisfactory fit and the use of total disaggregation may result in the need for correlation between residuals to achieve an acceptable solution (Bagozzi & Heatherton, 1994). As there are seven dimensions identified the
grouping into composite dimensions was necessary. The dimensions were disaggregated through the formation of composites with there being two composites formed as recommended when there are less than eight dimensions (Bagozzi & Heatherton, 1994).

On the basis of the literature and conceptual understanding of hotel operations each composite was formed from items comprising like themes. On these conceptual grounds the food and beverage components were separated from the other dimensions. It also seemed valid that the three dimensions related to the service element of the hotel operation form one composite. These dimensions had been named Quality Staff, Personalisation and Speedy Service and were grouped into a higher order dimension named Service Experience. On a similar basis the dimensions concerned with the tangible aspects of the hotel product were grouped together. This dimension contained the dimensions of Stylish Comfort, Room Quality and Added Extras and this higher order dimension was named Physical Product.

Subsequent to the formation of composites a correlation matrix of the revised dimensions was examined to ensure discriminant validity. There were no excessive correlations between composite items indicating the original dimensions identified through the exploratory analysis were supported. No inter dimension correlations exceeded a value of 0.6. The correlation matrix is provided as Appendix 4.

These dimensions were then subject to an exploratory principal components analysis. This analysis identified a single factor that would indicate service quality is a higher order composite factor. When a two-factor solution was specified the dimensions contained the same elements as
identified on conceptual grounds. In Table 5.45 the factor loadings and scale reliability are provided.

Table 5.45: Service Quality Composite Dimensions

<table>
<thead>
<tr>
<th></th>
<th>Physical Product Factor Loadings</th>
<th>Service Experience Factor Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stylish Comfort</td>
<td>0.834</td>
<td></td>
</tr>
<tr>
<td>Room Quality</td>
<td>0.824</td>
<td></td>
</tr>
<tr>
<td>Added Extras</td>
<td>0.825</td>
<td></td>
</tr>
<tr>
<td>Quality Staff</td>
<td></td>
<td>0.774</td>
</tr>
<tr>
<td>Personalisation</td>
<td></td>
<td>0.637</td>
</tr>
<tr>
<td>Speedy Service</td>
<td></td>
<td>0.965</td>
</tr>
<tr>
<td>Cronbach $\alpha$</td>
<td>0.786</td>
<td>0.730</td>
</tr>
</tbody>
</table>

Following the determination of the composite dimension confirmatory factor analysis was undertaken to ensure the robustness of the dimensions. A fully disaggregated approach was adopted. The results for the Physical Product dimension are shown in Table 5.46.

Table 5.46: Physical Product

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>150.70</td>
<td>2.43</td>
<td>62</td>
<td>0.000</td>
<td>0.67</td>
<td>0.952</td>
<td>0.965</td>
<td>0.979</td>
<td>0.166</td>
<td>0.045</td>
<td>0.039</td>
</tr>
</tbody>
</table>

The fit indices, with the exception of the RMR, reflect a high level of fit. The absolute fit indices of the GFI (0.967), the AGFI (0.952) and the RMSEA (0.045) are all within the recommended tolerances. The incremental or comparative fit indices also indicate a good fit with the NFI (0.965) and the CFI (0.979) being above the recommended minimum value of 0.90. The
normed chi-square (2.43) falls within the recommended range from one to three and the SRMR (0.039) is also within the recommended range. As SRMR is recognised to provide a better interpretation of results (Byrne, 2001) the SRMR overturns the poor RMR result. On this basis the fit indices are seen to confirm the factor structure identified through an examination of the between factor correlations.

The results for the Service Experience dimension are shown in Table 5.47.

### Table 5.47 Service Experience – Exploratory Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>(\chi^2)</th>
<th>(\chi^2)</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>344.69</td>
<td>5.56</td>
<td>62</td>
<td>0.000</td>
<td>0.932</td>
<td>0.901</td>
<td>0.946</td>
<td>0.955</td>
<td>0.327</td>
<td>0.081</td>
<td>0.0598</td>
</tr>
</tbody>
</table>

Although generally acceptable the fit indices do indicate a mixed result. The fit indices of GFI (0.932), AGFI (0.901), NFI (0.946) and CFI (0.955) are within recommended tolerances. However the RMSEA (0.081), SRMR (0.0598) and normed chi-square (5.56) are marginally outside recommended levels and the RMR (0.327) is unacceptable. An examination of the AMOS output, including factor loadings and modification indices, indicated the removal of an item from the speedy service and personalisation dimensions would improve the model fit. In both cases these items were the items that were subject to error covariance’s in the individual confirmatory analyses of the dimensions. In the individual analyses the removal of the item produced
an overfitted model. The revised results with the removal of these items are provided in Table 5.48.

Table 5.48: Service Experience – Revised Structure

<table>
<thead>
<tr>
<th>Norm</th>
<th>$\chi^2$</th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>86.65</td>
<td>2.11</td>
<td>41</td>
<td>0.000</td>
<td>0.979</td>
<td>0.966</td>
<td>0.983</td>
<td>0.991</td>
<td>0.102</td>
<td>0.040</td>
<td>0.027</td>
</tr>
</tbody>
</table>

The fit indices reflect a good level of fit with the exception of RMR that indicates a marginal result. The absolute fit indices of the GFI (0.979), the AGFI (0.966), and the RMSEA (0.040) are all within the recommended tolerances. The RMR result of 0.102 is a high value but there is no specified tolerance value (Hair et al., 1998) and the scale of the variables affects the size of the residuals and can make interpretation difficult (Tabachnick & Fidell, 2001). The incremental or comparative fit indices indicate a good fit with the NFI (0.983) and the CFI (0.991) being above the recommended minimum value of 0.90. The normed chi-square (2.11) falls within the recommended range from one to three and the SRMR (0.0209) is within the recommended range. Although the RMR results indicate a marginal fit the other indices indicate a good level of fit and thus overall the factor structure is confirmed.

The final set comprised the quality-dining dimension with the fit characteristics as shown in Table 5.28.
5.8 Hypothesis Testing

All of the hypotheses identified in the thesis were tested using structural equation modelling using AMOS Version 5. The first hypothesis, that service quality is a higher order construct was tested to compare the fit of four proposed alternative models. The approach used is described within section 5.8.1. As Hypotheses 2 to 11 related to individual pathways contained within the full-hypothesised model these hypotheses are considered subsequent to Hypothesis 12 that contains this model. Hypothesis 12 comprised the full-hypothesised model and this was tested using structural equation modelling to identify the relationship between the constructs contained in the model. Subsequent to this, Hypotheses 2 to 11 are examined using the regression weights provided in the output from the structural equation model of the overall hypothesised model.

5.8.1 Service Quality

It was hypothesised from the literature that service quality is a higher order construct and is a derivative from the components of the hotel physical service and food and beverage product (Coyne, 1989; Parasuraman et al., 1985; 1988).

\[ H1 \text{ Service quality is a higher order construct and is a separate dimension from the antecedent aspects of business. } \]

In order to test this approach a range of plausible alternative models were developed and tested, using structural equation modelling, to identify the
model that provided the best fit characteristics (Doll, Xia & Torkzadeh, 1994; Herington, 2004). The models tested are shown in Figure 5.1.

In Model 1 it is hypothesised that a single first order factor exists with the varying aspects of hotel performance directly affecting perceived service quality. In this model it is assumed there are high levels of correlation between all the items as they are measuring the same construct (Herington, 2004).

In Model 2 it is hypothesised that the three components of product, service and food and beverage are separate first order factors and that the constructs have no correlation. This is based on the literature that suggests the constructs are separate aspects of the consumption process and that service quality does not exist as an overarching higher order construct.

Model 3 hypothesises that the constructs are correlated but that no second order factor exists. This model has credibility as some previous research has suggested performance forms a direct relationship with customer satisfaction. Again in this model service quality is assumed not to be present as a higher order construct.

Finally in Model 4 it is proposed that the three first order factors load onto a second order factor called perceived service quality. This model reflects the literature in suggesting that a higher order construct links the correlated first order factors. This model reflects the hypothesised structure.

The results from these models are shown in Table 5.49.
Table 5.49 Fit Statistics for Proposed Service Quality Models

<table>
<thead>
<tr>
<th>Description</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Single first</td>
<td>Three</td>
<td>Three</td>
<td>Three first</td>
</tr>
<tr>
<td></td>
<td>order factor</td>
<td>uncorrelated</td>
<td>correlated</td>
<td>order factors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>first order</td>
<td>first order</td>
<td>and one</td>
</tr>
<tr>
<td></td>
<td></td>
<td>factors</td>
<td>factors</td>
<td>second order</td>
</tr>
<tr>
<td>( \chi^2 )</td>
<td>314.39</td>
<td>772.49</td>
<td>141.46</td>
<td>65.97</td>
</tr>
<tr>
<td>( \chi^2/DF )</td>
<td>15.72</td>
<td>36.78</td>
<td>7.07</td>
<td>3.88</td>
</tr>
<tr>
<td>DF</td>
<td>20</td>
<td>21</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>P</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>GFI</td>
<td>0.893</td>
<td>0.782</td>
<td>0.952</td>
<td>0.977</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.808</td>
<td>0.626</td>
<td>0.913</td>
<td>0.951</td>
</tr>
<tr>
<td>NFI</td>
<td>0.864</td>
<td>0.667</td>
<td>0.933</td>
<td>0.972</td>
</tr>
<tr>
<td>CFI</td>
<td>0.871</td>
<td>0.672</td>
<td>0.941</td>
<td>0.973</td>
</tr>
<tr>
<td>RMR</td>
<td>0.198</td>
<td>0.961</td>
<td>0.242</td>
<td>0.140</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.146</td>
<td>0.227</td>
<td>0.094</td>
<td>0.065</td>
</tr>
<tr>
<td>SRMR</td>
<td>0.064</td>
<td>0.324</td>
<td>0.056</td>
<td>0.039</td>
</tr>
<tr>
<td>AIC</td>
<td>346.39</td>
<td>802.49</td>
<td>173.46</td>
<td>103.97</td>
</tr>
</tbody>
</table>

The results for Model 1, a single first order factor, demonstrate a range of fit characteristics that fall outside the acceptable levels. None of the absolute fit indices of the GFI (0.893), the AGFI (0.808), the RMR (0.198) and the RMSEA (0.146) fall within the recommended tolerances. In addition the incremental or comparative fit indices also indicate an unacceptable level of fit with the NFI (0.864) and the CFI (0.871) being below the recommended minimum value. The normed chi-square (15.72) is also outside the recommended range as is the SRMR (0.064). On the basis of a poor fit Model 1 was rejected.
Figure 5.1 Alternative Models of Hotel Performance-Perceived Service Quality Relationship

Model 1

The results for Model 2, three uncorrelated first order factors also reflect a range of fit results that fall outside the acceptable ranges. The absolute fit indices of GFI (0.782), AGFI (0.626), RMR (0.961) and the RMSEA (0.227) all fall outside the recommended tolerances. The incremental or comparative fit indices also indicate an unacceptable level of fit with the NFI (0.667) and the CFI (0.672) being below the recommended minimum value. The normed chi-square (36.78) is also outside the recommended range as is the SRMR (0.324). On the basis of a poor fit Model 2 was rejected.

The results for Model 3, three correlated first order factors, indicate mixed results with some indices indicating a good fit whilst others indicate a poor fit. The absolute fit indices of GFI (0.952), AGFI (0.913) indicate an acceptable fit and are above the recommended threshold of 0.90. In contrast the RMR (0.242) and RMSEA (0.094) are outside the recommended tolerances as they are above the recommended level of 0.08. The incremental or comparative fit indices indicate an acceptable level of fit with the NFI (0.933) and the CFI (0.941) being above the recommended minimum value. The normed chi-square (7.07) is also outside the recommended range as is the SRMR (0.056). The results would indicate that Model 3 is unacceptable or, at least, marginal.

The results for Model 4, three first order factors and a second order factor, indicate an acceptable level of fit. The absolute fit indices of GFI (0.977), AGFI (0.951) and RMSEA (0.065) are all within the recommended tolerances. The RMR (0.140) is outside the recommended range although, in contrast, the SRMR (0.039) is within the recommended tolerances and as SRMR is recognised as superior to RMR (Byrne, 2001) this statistic is seen to
overturn the poor RMR result. The incremental or comparative fit indices also indicate an acceptable level of fit with the NFI (0.972) and the CFI (0.973) being above the recommended minimum value. The normed chi-square (3.88) is also within the broader recommended range. The Akaike Information Criterion (AIC) is a comparative measure between models with lower values indicating better fitting models (Hair et al., 1998). In this research the AIC supports Model 4 (103.97) is the best fitting model.

The results indicate that Model 4 is a good fitting model and is acceptable. Therefore it is concluded that the hypothesis is supported.

5.8.2 Hypothesis 12

The overall model as presented in Chapter 3 forms Hypothesis 12. This hypothesis incorporates all the hypothesised relationships to demonstrate a direct relationship between hotel performance, service quality and behavioural loyalty with moderating impacts derived from perceived value, brand trust and brand attitude. The hypothesis posits

The dimensions of hotel performance, perceived service quality, perceived value, customer satisfaction, brand trust and brand attitude will have, direct or indirect, impact on behavioural loyalty.

This overall model is examined using structural equation modelling. Structural equation modelling has a number of advantages over other multivariate techniques (Anderson & Gerbing, 1988; Byrne, 2001; Mackenzie, 2001). In particular it can incorporate entire systems of hypothesised relationships to enable the modelling of a complex series of relationships that
are more representational of complex environments (Mackenzie, 2001). As such, it is possible that relationships supported by regression analysis may not be supported through the more stringent structural equation model testing, given the impact of other associated relationships.

For the full research model a partial disaggregation was adopted. When a dimension includes five or more items it is suggested a full disaggregation is unlikely to achieve a satisfactory fit and the use of total disaggregation may result in the need for correlation between residuals to achieve an acceptable solution (Bagozzi & Heatherton, 1994). In this research each dimension was represented by two composite variables.

The results of the structural equation modelling of the research model proposed in Chapter 3 are reported in Table 5.50. The structural model showing all standardised paths is presented as Figure 5.2.

Table 5.50: SEM Results for Hypothesis 12

<table>
<thead>
<tr>
<th>Norm</th>
<th>( \chi^2 )</th>
<th>( \chi^2 ) DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>258.10</td>
<td>2.84</td>
<td>91</td>
<td>0.000</td>
<td>0.953</td>
<td>0.930</td>
<td>0.973</td>
<td>0.982</td>
<td>0.061</td>
<td>0.052</td>
</tr>
</tbody>
</table>

An examination of the hypothesised model results identifies a chi-square value that is high with a non-significant probability. However the chi-square value, as discussed earlier, is affected by a several factors and should not lead, necessarily, to a rejection of the hypothesised model. In this case the normed chi-square at a value of 2.84 falls within the recommended range from one to three. The other fit indices also indicate a high level of fit between the data and the hypothesised model. The GFI has a value of 0.953 that is
above the recommended value of 0.90 and is also above the more conservative and higher recommended value identified by Byrne (2001) of 0.950. The AGFI (0.930), NFI (0.973) and CFI (0.982) are also higher than the recommended value of 0.90 thus indicating a good fit of the data to the hypothesised model. In addition the RMR and RMSEA at values of 0.061 and 0.052 respectively also indicate a high level of fit. Finally the SRMR with a result of 0.030 is well within the recommended value of below 0.50 and thus also indicates a high level of fit.

An examination of the regression weights provided within the AMOS results however identifies two hypothesised paths that are not significant at the 0.01 level. The relationship between value and customer satisfaction was not significant (p = 0.308) and therefore this relationship was removed from the model. As the value construct was hypothesised to act as a moderating variable between service quality and customer satisfaction the non-significance of the pathway between value and customer satisfaction necessitated removal of the construct. The pathway between customer satisfaction and brand attitude also was not significant (p = 0.058) and this path was removed. The revised model was examined and the results are provided in Table 5.51.

The fit indices reflect a high level of fit. The absolute fit indices of the GFI (0.960), the AGFI (0.938), the RMR (0.064) and the RMSEA (0.053) are all within the recommended tolerances and indicate a hypothesised model that fits the data.
Figure 5.2: Full Hypothesised Model – Hypothesis 12

Product

Service

Food & Beverage

Value

Service Quality

Customer Satisfaction

Brand Trust

Brand Attitude

Behavioural Loyalty

0.85
0.83
-0.10
0.79
0.74
0.69
0.49
0.19
0.65
0.07
0.18
0.77
0.41
0.79
0.74
Table 5.51: SEM Results for Hypothesised Model after Removal of non Significant Constructs

<table>
<thead>
<tr>
<th></th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
<th>SRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2$</td>
<td>195.85</td>
<td>2.92</td>
<td>67</td>
<td>0.000</td>
<td>0.960</td>
<td>0.938</td>
<td>0.978</td>
</tr>
</tbody>
</table>

The incremental or comparative fit indices also indicate a hypothesised model that reflects the data with the NFI having a value of 0.978 and the CFI a value of 0.985 both above the recommended value of 0.90. The normed chi-square (2.92) falls within the recommended range from one to three and the SRMR (0.038) is also within the recommended range of below 0.05 (Tabachnick & Fidell, 2001).

The standardised regression weights for each pathway are provided in Table 5.52. The total effect of service quality on behavioural loyalty is 0.396.

Table 5.52: Standardised Regression Weights for Relationships.

<table>
<thead>
<tr>
<th>Construct Relationship</th>
<th>Standardised Regression Weight</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product – Service Quality</td>
<td>0.920</td>
<td>0.000</td>
</tr>
<tr>
<td>Service – Service Quality</td>
<td>0.849</td>
<td>0.000</td>
</tr>
<tr>
<td>Food and Beverage – Service Quality</td>
<td>0.779</td>
<td>0.000</td>
</tr>
<tr>
<td>Service Quality – Customer Satisfaction</td>
<td>0.627</td>
<td>0.000</td>
</tr>
<tr>
<td>Service Quality – Brand Trust</td>
<td>0.744</td>
<td>0.000</td>
</tr>
<tr>
<td>Service Quality – Brand Attitude</td>
<td>0.531</td>
<td>0.000</td>
</tr>
<tr>
<td>Customer Satisfaction – Brand Trust</td>
<td>0.162</td>
<td>0.000</td>
</tr>
<tr>
<td>Customer Satisfaction – Behavioural Loyalty</td>
<td>0.627</td>
<td>0.000</td>
</tr>
<tr>
<td>Brand Trust – Brand Attitude</td>
<td>0.392</td>
<td>0.000</td>
</tr>
<tr>
<td>Brand Attitude – Behavioural Loyalty</td>
<td>0.215</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The resultant modified hypothesised model is shown in Figure 5.3.
Figure 5.3: Final Research Model

- Product
- Service
- Food & Beverage
- Service Quality
- Customer Satisfaction
- Behavioural Loyalty
- Brand Trust
- Brand Attitude

Connections and Correlation Coefficients:
- Product → Service: 0.92
- Service → Product: 0.85
- Service → Service Quality: 0.78
- Food & Beverage → Service Quality: 0.74
- Service Quality → Customer Satisfaction: 0.63
- Customer Satisfaction → Behavioural Loyalty: 0.63
- Brand Trust → Customer Satisfaction: 0.39
- Behavioural Loyalty → Brand Trust: 0.22
5.8.3 Hypotheses 2

Previous research has suggested that there is a relationship between service quality and customer satisfaction (Buttle, 1996; Caruana, 2002; Cronin et al., 2000; Oh, 1999; Parasuraman et al., 1985; 1988). On the basis of the literature the second hypothesis stated that service quality would influence the levels of customer satisfaction and posits:

*Perceived service quality will have a significant positive effect on customer satisfaction.*

The results are shown in Table 5.53. The pathway from service quality to customer satisfaction is significant (p<0.01). The standardised regression weight is 0.695. Therefore the hypothesis that service quality influences the level of customer satisfaction is supported.

5.8.4 Hypothesis 3

The third hypothesis related to the relationship between service quality and brand trust and is

*Perceived service quality will have a significant positive effect on brand trust.*

The results are shown in Table 5.53. The results indicate that the pathway from service quality to brand trust is significant (p<0.01) with a standardised regression weight of 0.735. Therefore the hypothesis that
perceived service quality affects the level of brand trust is supported

5.8.5 Hypothesis 4

The fourth hypothesis related to the relationship between service quality and brand attitude.

*Perceived service quality will have a significant positive effect on brand attitude.*

The results are shown in Table 5.53. The results indicate that the pathway from service quality to brand attitude is significant (p<0.01) with a standardised regression weight of 0.486. Therefore the hypothesis that perceived service quality affects the level of brand attitude is supported.

5.8.6 Hypothesis 5

The fifth hypothesis was that value would act as a moderating variable between service quality and customer satisfaction.

*Perceived value will act as a moderating variable between service quality and customer satisfaction.*

The results are shown in Table 5.53. The results indicate that the pathway from service quality to perceived value is significant (p<0.01) with a standardised regression weight of 0.841. However the subsequent path from perceived value to customer satisfaction is not significant (p>0.05). Therefore
the hypothesis that perceived value acts as a moderating variable between service quality and customer satisfaction is not supported

5.8.7 Hypothesis 6

The sixth hypothesis focused on the central path and related to the relationship between customer satisfaction and behavioural loyalty.

Customer satisfaction will have a significant positive effect on behavioural loyalty.

The results are shown in Table 5.53. The results indicate that the pathway from customer satisfaction to behavioural loyalty is significant (p<0.01) with a standardised regression weight of 0.653. Therefore the hypothesis that the level of customer satisfaction affects the level of behavioural loyalty is supported

5.8.8 Hypothesis 7

The seventh hypothesis related to the relationship between the three central constructs, service quality, customer satisfaction and behavioural loyalty.

Customer satisfaction acts a moderator between perceived service quality and behavioural loyalty.
The results are shown in Table 5.53. The pathways from service quality to customer satisfaction and from customer satisfaction to loyalty are both significant ($p<0.01$). The standardised regression weights are 0.695 and 0.653 respectively. Therefore the hypothesis that customer satisfaction acts as a moderating variable between service quality and behavioural loyalty is supported.

### 5.8.9 Hypothesis 8

The eighth hypothesis related to the relationship between customer satisfaction and brand trust.

Perceived value will act as a moderating variable between service quality and customer satisfaction.

The results are shown in Table 5.53. The results indicate that the pathway from customer satisfaction to brand trust is significant ($p<0.01$) with a standardised regression weight of 0.188. Therefore the hypothesis that the level of customer satisfaction affects the level of brand trust is supported.

### 5.8.10 Hypothesis 9

The ninth hypothesis continues from the previous hypothesis and relates to the relationship between customer satisfaction and brand attitude.

Customer satisfaction will have a significant positive effect on brand attitude.
The results are shown in Table 5.53. The results indicate that the pathway from customer satisfaction to brand attitude is not significant (p>0.05). Therefore the hypothesis that the level of customer satisfaction affects the level of brand attitude is not supported.

5.8.11 Hypothesis 10

In the tenth hypothesis the relationship between the two components of brand trust and brand attitude is considered.

*Brand trust will have a significant positive effect on brand attitude.*

The results are shown in Table 5.53. The results indicate that the pathway from brand trust to brand attitude is significant (p<0.001) with a standardised regression weight of 0.397. Therefore the hypothesis that the level of brand trust affects the level of brand attitude is supported.

5.8.12 Hypothesis 11

The eleventh hypothesis relates to the impact of brand attitude on behavioural loyalty.

*Brand attitude will have a significant positive effect on behavioural loyalty.*

The results are shown in Table 5.53. The results indicate that the pathway from brand attitude to behavioural loyalty is significant (p<0.001) with a
standardised regression weight of 0.179. Therefore the hypothesis that the level of brand attitude affects the level of behavioural loyalty is supported.

Table 5.53: Results for Hypotheses 2-11

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Description</th>
<th>Standardised Regression Weight</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>H2</td>
<td>Perceived service quality will have a significant positive effect on customer satisfaction</td>
<td>0.627</td>
<td>0.000</td>
</tr>
<tr>
<td>H3</td>
<td>Perceived service quality will have a significant positive effect on brand trust.</td>
<td>0.744</td>
<td>0.000</td>
</tr>
<tr>
<td>H4</td>
<td>Perceived service quality will have a significant positive effect on brand attitude.</td>
<td>0.531</td>
<td>0.000</td>
</tr>
<tr>
<td>H5</td>
<td>The consumer perception of value will act as a moderating variable between service quality and customer satisfaction.</td>
<td>SQ - Value</td>
<td>0.841</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Value - CS</td>
<td>-0.099</td>
</tr>
<tr>
<td>H6</td>
<td>Customer satisfaction will have a significant positive effect on behavioural loyalty.</td>
<td>0.627</td>
<td>0.000</td>
</tr>
<tr>
<td>H7</td>
<td>Customer satisfaction acts a moderator between perceived service quality and anticipated behavioural loyalty.</td>
<td>SQ - CS</td>
<td>0.627</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CS - Loyalty</td>
<td>0.627</td>
</tr>
<tr>
<td>H8</td>
<td>Customer satisfaction will have a significant positive effect on brand trust.</td>
<td>0.162</td>
<td>0.000</td>
</tr>
<tr>
<td>H9</td>
<td>Customer satisfaction will have a significant positive effect on brand attitude.</td>
<td>0.065</td>
<td>0.058</td>
</tr>
<tr>
<td>H10</td>
<td>Brand trust will have a significant positive effect on brand attitude.</td>
<td>0.392</td>
<td>0.000</td>
</tr>
<tr>
<td>H11</td>
<td>Brand attitude will have a significant positive effect on behavioural loyalty.</td>
<td>0.215</td>
<td>0.000</td>
</tr>
</tbody>
</table>

5.9 Conclusion

Twelve hypotheses were posited in Chapter 3 of this thesis. Hypotheses 5 and 9 were not supported by the research results articulated in this chapter. The relationship of value as a moderating variable between service quality and customer satisfaction was not supported due to a non-significant path between value and customer satisfaction. In addition the posited relationship between customer satisfaction and brand attitude was not supported. The other hypotheses were all supported. In particular the overall research model proposed in Hypothesis 12 was supported after modification.
through the removal of the two hypotheses found non-significant as described above. The detail of the hypotheses and their results are provided below in Table 5.54.

Table 5.54: Results for Hypotheses

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Service Quality is a higher order construct and is a separate dimension from the aspects of business performance that contributes to it.</td>
<td>Yes</td>
</tr>
<tr>
<td>H2 Perceived service quality as measured by hotel performance will have a direct influence on customer satisfaction.</td>
<td>Yes</td>
</tr>
<tr>
<td>H3 Perceived service quality as measured by hotel performance will have a direct influence on the brand attitude.</td>
<td>Yes</td>
</tr>
<tr>
<td>H4 Perceived service quality as measured by hotel performance will have a direct influence on the brand attitude.</td>
<td>Yes</td>
</tr>
<tr>
<td>H5 Perceived value will act as a moderating variable between service quality and customer satisfaction.</td>
<td>No</td>
</tr>
<tr>
<td>H6 Customer satisfaction will have a significant positive effect on behavioural loyalty.</td>
<td>Yes</td>
</tr>
<tr>
<td>H7 Customer satisfaction acts a moderator between perceived service quality and behavioural loyalty.</td>
<td>Yes</td>
</tr>
<tr>
<td>H8 Customer satisfaction will have a significant positive effect on brand trust.</td>
<td>Yes</td>
</tr>
<tr>
<td>H9 Customer satisfaction will have a significant positive effect on brand attitude.</td>
<td>No</td>
</tr>
<tr>
<td>H10 Brand trust will be antecedent to brand attitude with higher levels of brand trust having a positive impact on the level of brand attitude.</td>
<td>Yes</td>
</tr>
<tr>
<td>H11 Brand attitude will be antecedent to behavioural loyalty with higher levels of brand attitude having a positive impact on the level of behavioural loyalty.</td>
<td>Yes</td>
</tr>
<tr>
<td>H12 Behavioural loyalty will be related to, and influenced by, directly or indirectly, the dimensions of hotel performance, perceived service quality, perceived value, customer satisfaction, brand trust and brand attitude.</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The data results as provided above are discussed in Chapter 6. The discussion revolves around the impact of the results on existing literature, the addition to the body of knowledge provided by previously unresearched aspects of the work and the impact on management in the hotel industry.
6.1 Introduction

In the previous chapters the research project, the literature relating to the previous research and the research process has been outlined together with the results of the data analysis. This chapter builds on these previous chapters by evaluating the research results and will discuss the contribution of this research both to academic theory and managerial practice and understanding. The section on the contribution to academic theory will review the impact of these results on the existing body of knowledge and will discuss how this research relates to, and builds on, previous research. The contribution to the understanding of consumer behaviour in the context of hotel industry, the service sector and marketing will be discussed. This chapter will then continue by evaluating the managerial and industry impact of the research. The final section will address the limitations and recommend further research.

6.2 Contribution to Academic Theory

There are a number of contributions to academic theory that derive from this research. These range from the full structural equation model that incorporates a range of variables that has not been previously tested either within the hotel sector or the broader service industry context to the re-examination of the antecedents of service quality within the hotel context.

This section will continue by addressing the contribution to theory in the services marketing context before focusing on the contribution to research in the hotel industry.
The overall research question that underpinned this research is

*How do consumers perceive and relate to luxury and first class hotel brands?*

This research has provided an answer to this question through identifying the antecedents and consequences of brand trust and brand attitude within the first class and luxury Australian hotel sectors. As discussed in detail later in this chapter the research has provided interesting results that, for hotels, show that service quality is more important than customer satisfaction as an antecedent to brand trust and brand attitude. The research also shows that the consumer brand attitudes impact on behavioural loyalty.

### 6.2.1 Contribution to Services Marketing Theory

There are a number of contributions to the knowledge base within the services marketing context. These include the demonstration that service quality is a higher order construct and the examination of the relationships between service quality, customer satisfaction, brand trust, brand attitude and behavioural loyalty within a services context. This section will continue by addressing each of the contributions.

#### 6.2.1.1 Service Quality as a Higher Order Construct

In previous work on service quality it has been assumed that service quality is a higher order construct and derives from a number of indicator items that are antecedent. In their original and subsequent work
Parasuraman, Zeithaml and Berry (1985) postulated that perceived service quality derived from a number of antecedent factors. Although their work has been criticised by a number of authors (Babakus & Boller, 1992; Buttle, 1996; Cronin & Taylor, 1992; Cronin & Taylor, 1994; Teas, 1993; Teas, 1994) for the approach to measurement and transference to different contexts, the assumption that service quality is a higher order construct has not been challenged or tested.

This research has tested this assumption. As described in Chapter 5 Section 5.8.1 four contrasting possibilities were subjected to confirmatory factor analysis with the hypothesis that service quality is a higher order construct being supported. In this research the indicators of service quality had been derived from 63 items relating to hotel performance. Using exploratory factor analysis these had been reduced to three factors, product, service and food and beverage, with these dimensions being ratified by confirmatory factor analysis. Four possible structures were considered; a single first order factor; three uncorrelated first order factors; three correlated first order factors; three first order factors and a second order factor. This research supported the final of these structures that service quality is a higher order factor and therefore has confirmed the assumptions held previously that service quality is a separate construct and represented by the antecedent dimensions. In this research the service quality dimension comprises three first order factors and a second order factor.
6.2.1.2 Relationship of Service Quality and Customer Satisfaction with Brand Trust and Brand Attitude

Although there has been considerable research on the consequences of service quality and customer satisfaction (Buttle, 1996; Caruana, 2002; Cronin et al., 2000; Oh, 1999; Parasuraman et al., 1985; 1988) most research has focused on links to repeat purchase behaviour or loyalty and little research has investigated the linkages with aspects of the brand.

Selnes (1993) found that quality impacts on both satisfaction and brand reputation, with satisfaction also influencing brand reputation, and both satisfaction and brand reputation affecting loyalty for some products. Other research (Merrilees & Fry, 2002; Taylor & Hunter, 2003) has found brand attitude, brand trust and satisfaction antecedent to loyalty within the e-CRM and e-retailing industries.

This research extends our understanding of the relationships between the constructs within the service industry context. In particular this research provides new understanding of the effect of customer satisfaction and service quality on brand trust and of service quality on brand attitude. The relationship is particularly strong between service quality and both brand trust ($\beta = 0.74$) and brand attitude ($\beta = 0.53$). The relationship of customer satisfaction to brand trust is much weaker ($\beta = 0.16$). These results suggest that it is the organisational performance, in this case the hotel, which creates brand trust and brand attitude rather than the level of satisfaction. This result is of importance as it clearly differentiates between the constructs of service quality and customer satisfaction in their impact as antecedents of both brand trust and brand attitude. There are some considerable implications of this
finding as no previous research has been found that addresses the differential impacts of service quality and customer satisfaction on brand trust and brand attitude. The stronger relationship between service quality and the brand components may be a characteristic of the hotel industry.

6.2.1.3 Effect of Brand Trust and Brand Attitude on Behavioural Loyalty

Although there has been considerable research into aspects of the brand there has been limited research that has addressed the role of the brand within a service industry context and even less within the hotel industry. No previous research into the particular aspects of the brand investigated within this research, brand trust and brand attitude, has been found within the context of services. The lack of research on brand trust has been criticised as significant, given the centrality of trust to the consumer-brand relationship (Delgado-Ballester et al., 2003).

Other research (Merrilees & Fry, 2002; Taylor & Hunter, 2003) has found brand attitude, brand trust and satisfaction antecedent to loyalty within the e-CRM and e-retailing industries.

This research provides the first research that evaluates the impact of brand trust and brand attitude on behavioural loyalty in hotels. The research supports the previous work of Merrilees and Fry (2002) in the e-retailing industry in finding that brand trust is antecedent to brand attitude and has only an indirect effect on behavioural loyalty. This research identified that brand attitude is a reasonable component of future purchase intentions ($\beta = 0.22$) although much weaker than customer satisfaction ($\beta = 0.63$). However
although the brand is a strong influence on behavioural loyalty the strength of the relationship is much lower than has been found in other research. In this research the brand attitude to behavioural loyalty relationship ($\beta = 0.22$) is much weaker than that found in the e-retailing industry ($\beta = 0.76$) (Merrilees & Fry, 2002). The difference is substantial and may reflect the variability of hotels within a brand. The weak relationship may also give support to the approaches used by many hotel companies in using reward schemes as a means of generating loyalty.

6.2.1.4 Structural Model of Antecedents to Behavioural Loyalty

This research provides a new evaluation of the linkages between organisational performance and service quality with customer satisfaction and behavioural loyalty. In particular the impact of brand trust and brand attitude is added to the model and provides new understanding on the interactions between the constructs within a service sector context. Although there has been increased attention, there has still been comparatively little research on loyalty within a service context (Javalgi & Moberg, 1997).

The linkage between customer satisfaction and behavioural loyalty has generally been well established (Bloemer & Kasper, 1995; Buttle, 1996; Caruana, 2002; Chiou, 2004; McDougall & Levesque, 2000; Oliver, 1980) although some researchers have found contradictory results (Skogland & Siguaw, 2004). For example, Sélness (1993) found that the relationship between satisfaction and repeat purchase intentions is dependent on the ability of customers to evaluate the product or service whilst others have
found that satisfaction does not generate loyalty in the insurance industry (Hellier et al., 2003) or the hotel industry (Skogland & Siguaw, 2004).

This research contradicts the findings of Skogland and Siguaw (2004), who found only a weak connection between customer satisfaction and loyalty within the hotel industry, in that the central pathway from service quality through customer satisfaction to behavioural loyalty was strongly supported. The $\beta$ coefficient from service quality to customer satisfaction was 0.63 and from customer satisfaction to behavioural loyalty 0.63.

Previous research has also suggested perceived value will impact on the relationship between service quality and customer satisfaction (Bojanic, 1996; Cronin et al., 2000; Day, 2002; Oh, 1999; Zeithaml, 1988). In this research, however, although it was originally hypothesised that perceived value would be a moderating variable between the constructs this was not supported. Although the relationship between service quality and perceived value was supported the relationship of perceived value and customer satisfaction was found to be not significant.

As discussed previously it is the addition of the relationships between service quality, customer satisfaction, brand trust and brand attitude that extend our understanding of the factors that affect behavioural loyalty. Although the central pathway from service quality to behavioural loyalty through customer satisfaction provides the strongest linkage, the moderating path through brand trust and brand attitude also has a $\beta$ coefficient of 0.22 thus indicating that brand trust and brand attitude have a strong influence on behavioural loyalty. In addition the non-significance of perceived value within the model is also important. This contrasts with previous research (Hellier et
al., 2003) that found perceived value the strongest component of customer satisfaction. A possible explanation may be in the differing industries. The data used by Hellier et al (2003) were collected from consumers of superannuation and comprehensive car insurance, a product range and characteristics that will differ extensively from those of first class and luxury hotels.

6.2.2 Contribution to Hotel Management and Marketing Theory

6.2.2.1 Antecedents of Service Quality in Hotels

Although there has been substantial previous research that has investigated the aspects of hotel performance consumers’ rate as important in the hotel purchase decision there has been limited research that has addressed the service quality dimension in hotels. This research is the first research within the Australasian region and the only recent research that has focused on the higher priced sectors of the hotel industry. Most research that has addressed service quality has applied the SERVQUAL dimensions (Saleh & Ryan, 1991; Tsang & Qu, 2000) or developed a revision to SERVQUAL (Getty & Thompson, 1994). This research provides new understanding of service quality within the hotel industry both in an Australasian context and within the higher priced sectors of the industry.

A rigorous approach to scale development was incorporated in this research and included focus groups, expert opinion and an exploratory study. The scale development process resulted in 63 items that were grouped, for ease of comprehension by respondents, within seven scales comprising between eight and ten items. The scales were robust with high reliability.
The qualitative data collected provides new insights into the comparative expectations of first class and luxury hotel consumers. The data identifies clear distinctions in expectations. This is especially evident in relation to service standards with luxury consumers expecting an immediate provision of service in contrast to the first class consumers who expected prompt, rather than immediate, service. Similar distinctions were identified in relation to the product characteristics with luxury consumers looking for a level of opulence in contrast to the first class consumers looking for comfort.

Following the quantitative data collection an exploratory factor analysis was undertaken that identified seven dimensions. These dimensions would appear to reflect that the data were collected in four and five star hotels with there being considerable emphasis on aspects of the physical and service product associated with high levels of quality. Of note was the absence of items found important in earlier research that focused on aspects of the core product such as cleanliness and soundproof rooms and it may be that these features are assumed to exist in the higher quality segments of the hotel industry. Further evaluation grouped these seven dimensions into three composite dimensions of product, service and food and beverage with these dimensions being validated by confirmatory factor analysis. These dimensions provide new understanding of the aspects of the hotel experience consumers find important within the consumption experience.
6.2.2.2 Impact of Brand Trust and Brand Attitude on Behavioural Loyalty in Hotels

Despite the recognition in the literature of the importance of the brand (Dibb & Simkin, 1993) and behavioural loyalty (Bowen & Shoemaker, 1998; Tepeci, 1999) within the hotel consumption context no previous research has been found that empirically measures the relationship between brand trust, brand attitude and behavioural loyalty. Previous research has largely focused on transactional aspects of loyalty such as frequent guest programs (Barsky & Nash, 2003; Bowen & Shoemaker, 1998; Palmer et al., 2000; Skogland & Siguaw, 2004). This research, therefore, makes a significant contribution to our understanding of the dynamics of the antecedents to behavioural loyalty in luxury and first class hotels.

The role of brand trust and brand attitude in hotels is important. As discussed earlier in this thesis the more concentrated sectors of the industry, such as the luxury and first class sectors, are dominated by large groups that rely on the strength of the brand for market share retention. Given this reliance on the brand for marketing the lack of research in this area is surprising. This research addresses this gap in relation to the roles of brand trust and brand attitude on future purchase intentions within the context of first class and luxury hotels in Australia. The direct impact of brand attitude and indirect effect of brand trust provide a strong influence (β=0.22) on behavioural loyalty.
6.2.2.3 Relationship of Service Quality and Customer Satisfaction with Brand Trust and Brand Attitude in Hotels

As discussed earlier in this chapter under the heading of contribution within services marketing there has been no previous research identified either within the hotel sector or within the broader service sector that has empirically addressed the relationships between service quality, customer satisfaction and brand trust and brand attitude. Given the centrality of trust to the consumer-brand relationship (Delgado-Ballester et al., 2003) this is an important construct. The issue may be of particular importance in context of hotel chains where the consumer knows each hotel will be different and thus the role of trust in the brand is likely to assume greater importance.

6.2.2.4 Structural Model of Antecedents to Behavioural Loyalty in Hotels

The full structural model contained in this thesis provides new understandings of the relationships between the constructs. Although there has been some considerable research on the selection criteria used for hotel selection (Ananth et al., 1992; Callan, 1998; Callan & Bowman, 2000; Knutson, 1988; Lockyer, 2002; McCleary et al., 1993; McCleary et al., 1994; Weaver & Oh, 1993; Wei et al., 1999) there has been less research that has followed this through to customer satisfaction in hotels (Barsky & Labagh, 1992; Cadotte & Turgeon, 1988; Choi & Chu, 2000; Gunderson et al., 1996) and there is little specific research on consumer choice and loyalty in the hospitality context (Clark & Wood, 1998).
The importance of customer loyalty is recognised as high for the hotel industry, with most segments being mature and highly competitive (Bowen & Shoemaker, 1998; Tepeci, 1999) and this research is timely in an industry that is rapidly changing.

The final research model provides empirical support for relationships that had been previously conceptually posited, and also brings into question other aspects that had been previously supported. There has been limited previous measurement of the central relationship between service quality, customer satisfaction and behavioural loyalty within hotels, and none within the luxury and first class sectors within Australia. This central relationship is strong with $\beta$ values of 0.63 between service quality and customer satisfaction and between customer satisfaction and behavioural loyalty. The addition of the relationships between service quality, customer satisfaction, brand trust and brand attitude further strengthens the explanation of the antecedents of behavioural loyalty.

6.3 Contribution to Hotel Management Practice

As discussed earlier in this thesis the hotel industry is large and complex (Olsen, 1996). There are high levels of competition resulting from increasing levels of concentration (Go & Pine, 1995; Littlejohn, 2003; Olsen, 1996) with competition most intense within the most highly concentrated sections of the industry (Jones, 2002). The first class and luxury sectors are highly competitive sectors. In addition there is a lack of differentiation between hotels within a quality classification (Bowen & Shoemaker, 1998; Kandampully & Suhartanto, 2000; Lewis et al., 1995).
In this competitive environment, research that clarifies, and provides empirical evidence to explain the relationships that exist between constructs that affect behavioural loyalty is highly valuable to hotel managers. Whilst the relationship between service quality, customer satisfaction and behavioural loyalty has been examined in a number of industries there has been limited empirical research that has investigated this within the hotel industry. Although managers would be fully aware of these linkages the provision of quantifiable relationships specific to the first class and luxury hotel sectors offers valuable support to predict customer behaviour. This research allows managers to predict the impact differing levels of service quality will have on customer satisfaction and repeat purchase behaviour.

The inclusion in this research of brand trust and brand attitude support the approaches that have been used by hotel groups from an intuitive perspective and based on research outside the hotel industry. Hotel groups have relied on the trust generated by previous hotel consumption to be a key factor in future purchase behaviour in other locations, that is the brand value will transfer from one hotel to other hotels within that brand. However the brand within the hotel industry is somewhat unusual in that each unit of the brand will differ from other units within the brand. This research provides greater understanding of the significance of the brand for hotels. In particular although the brand is a strong influence on behavioural loyalty, the strength of the relationship is much lower than has been found in other research. In this research the brand attitude to behavioural loyalty relationship has a $\beta$ value of 0.22 in contrast to the findings by Merrilees and Fry (2002) that found a relationship between brand and brand loyalty to have a $\beta$ value of 0.76 in the
e-retailing industry. The difference is significant and may reflect the variability of hotels within a brand. The weak relationship may also give support to the approaches used by many hotel companies in using reward schemes as a means of generating loyalty.

However, notwithstanding the strength of the relationship, the addition of the brand into the research provides much needed evidence for hotel managers that the brand plays an important role in determining behavioural loyalty.

Also of importance for managers is the understanding provided by this research of the relationship between service quality, customer satisfaction, brand trust, brand attitude and behavioural loyalty. The research identifies that the majority of behavioural loyalty is derived from customer satisfaction ($\beta = 0.63$), with the level of satisfaction being heavily influenced by perceived service quality ($\beta = 0.63$). In addition service quality also indirectly influences behavioural loyalty through a strong influence on the level of brand trust ($\beta = 0.74$) and brand attitude ($\beta = 0.53$). This research thus provides the hotel manager with a clear indication that service quality is the main influence on the level of behavioural loyalty. On the basis of this research hotel managers should 'stick to the knitting' and focus efforts on maximising the quality of the core consumer experience in hotels. The total effect of service quality on behavioural loyalty is 0.396.

Finally the research also provides new information on the antecedents of service quality. The research process included the development of a new scale, comprising 63 items, that measures perceived service quality in first class and luxury hotels. In contrast to much of the previous research aspects
of the hotel associated with core performance, such as cleanliness, soundproof rooms and comfortable beds, was not found to be important in this research. It is believed this reflects the quality of the hotels involved in the data collection process with the basic product being assumed. The 63 items comprising the scale were compressed, using factor analysis, into seven dimensions. These dimensions were named in accordance with the items that formed them. The dimensions were named stylish comfort; room quality; quality staff; personalisation; speedy service; added extras; quality dining; food and beverage value. Some of these dimensions are expected given the survey was based within the higher priced segments the market, for example stylish comfort. But it is important to note two of the service dimensions that may be specific to these higher priced segments, personalisation and speedy service. These segments reflected two desires from customers, to be recognised and to be served promptly. The issue of queuing in these segments is seen as unacceptable with it also being important that these customers be individually treated and recognised as guests.

6.4 Limitations

There are a number of limitations recognised within this research. The limitations relate to the data sample and the range of variables contained within the research model.

The research gained a substantial respondent sample (n = 693) within the Australian first class and luxury hotel sectors. The data were gathered from eight hotels located within Queensland. The limitations of this research related to the data collection approach whereby the hotels are of a limited
number, are all located within one state of Australia and are within a limited range of hotel standards.

In addition to the limited sampling framework a further limitation is associated with the use of self-completion survey methods. Although survey research is the most widely used approach in the world (Neuman, 2003) there are a number of problems associated. The lack of researcher control in a self-completion process necessitates that the resultant data sample will not be fully representative of the population as valid respondents may choose not to complete the survey. There are also limitations associated with survey completion with respondents sometimes giving expected answers or pattern responses to questions.

The third area of limitations relates to the variables contained within the research model. Although the research model contains the dimensions that are central to the research question around which this thesis has been constructed there are a number of possible other dimensions that could also affect the relationships that flow between hotel performance and customer loyalty. The loyalty construct measured in this research reflects, in the main, behavioural loyalty and the research model would benefit from extending the loyalty construct to include fully the attitudinal component. Equally the value construct in this research has focused on the concept of value in relation to price and other research (Bojanic, 1996; Cronin et al., 2000; Jayanti & Ghosh, 1996; Oh, 1999; Rosen & Surprenant, 1998) has identified other dimensions of value that may influence the findings. There are also a number of other dimensions that could have been contained within the model such as product congruity, other dimensions of the brand such as brand image, preference,
affect, or reputation, the impact of collectivist and individualist cultural backgrounds and other possible antecedents of behavioural loyalty. The inclusion of questions related to respondents frequency and experience of hotel consumption would have enabled evaluation of the impact of these on the variables.

A further area of limitations relates to the constraints adopted of studying first class and luxury hotels together. Although these sections of the hotel industry exhibit a number of similarities that encourage their combined study, the sectors are distinct. The distinctions were evident in aspects of the qualitative research, in which some noticeable differences of expectations were evident between first class and luxury consumers. This research was unable to fully explore these distinctions, as they were extraneous to the research question.

6.5 Further Research

There are a number of opportunities for future research that reflects the limitations recognised above.

Firstly the limitations recognised in relation to the data collection provide opportunities for future research. The research could be replicated in other geographic locations. Extending this research into the European, Asian and American contexts would provide opportunity to address the impact of cultural background, including the effect of collectivism and individualism, on the research model. Equally the luxury and first class hotel sectors are only a two of the recognised hotel standards and replication of this research within the economy and mid-price sectors would be valuable. The application of
the final survey instrument in other countries would allow the robustness of the developed scales to be ascertained.

Secondly, as recognised above there are a number of other dimensions that could be included in the research model and it is recommended that the research be replicated with the addition of further dimensions to further the understanding of the relationships that affect hotel loyalty.

Thirdly, an opportunity for future research lies in the study of the difference in expectations between consumers of first class and luxury hotels identified from the qualitative study. The distinctions identified between expectations of first class and luxury consumers present a number of research opportunities relating to comparative satisfaction of these different consumer groups with their hotel experience. The differences between the first class and luxury sectors also need further research in relation to the other constructs included in this research.

Fourthly, the difference in the impact of brand attitude and brand trust on behavioural loyalty between industries needs further research. The research by Merrilees and Fry (2002) identified the effect of brand attitude on behavioural loyalty in the e-retailing industry as $\beta = 0.76$, much higher the findings in this research ($\beta = 0.22$) in the hotel industry. The differential impact of brand attitude across industries needs further research. In addition this research investigated brand trust and brand attitude related to the individual property, there should be future research that investigates the relationship of these constructs to loyalty for hotel chains.

Finally the research identifies a number of aspects that may be applicable within the wider service sector and these aspects need to be tested
in other industries. For example this research has confirmed that service quality is a higher order construct with the first class and luxury sectors of the hotel industry but there would be benefits from replicating this in other service industries. Other relationships identified in this research also need to be tested in a range of other service industries.

6.6 Conclusion

This research provides a valuable contribution to understanding the relationships that exist between the dimensions evaluated. The hotel industry is becoming progressively more competitive as the context of travel becomes more global and the industry structure changes. The research has value, not only in an academic context, but also for hotel managers at the unit and group level. Whilst several elements of the overall research model have been evaluated previously the overall model has not been examined.

The advantage of SEM, in this context, is that it enables the inclusion of multiple relationships within one model. This allows the impact of individual relationships to be contextualised within a broader parameter. In this research, as an example of this, although the value construct was valid as a moderating variable between service quality and customer satisfaction in a regression model, when put into the broader context of the full hypothesised model the relationship was no longer significant. Whilst not detracting from previous research this research has implications for both academics and managers in understanding the importance of individual dimensions within a broader context.
REFERENCES


APPENDIX 1

SURVEY INSTRUMENT
Hotel Consumption Questionnaire

The (Hotel Name Deleted) Hotel and the School of Tourism and Hotel Management at Griffith University are jointly working together to study consumer expectations of hotels and specifically how this hotel meets your expectations.

As an incentive to complete the questionnaire there will be a draw for a prize of a short break (two nights accommodation) at the (Hotel Name Deleted) Hotel generously donated by them. Please complete your name and contact phone number on the enclosed Prize Draw form and seal inside the envelope marked “Prize Draw”. Both the Prize Draw form and the envelope are contained in the envelope in which this questionnaire arrived.

I would like to emphasize that this survey is anonymous. You do not need to write your name or any other information which can identify you on the survey. The prize draw entry will be separated from the questionnaire upon return and will only be accessed to identify the winner of the draw.

Once you have completed the questionnaire could you please return it using the reply paid envelope provided within 10 days of your stay. If you have any questions or suggestions, please feel free to contact me (Hugh Wilkins) on telephone (07) 555 28011 or by email on H.Wilkins@mailbox.gu.edu.au

Thank you, now please continue by completing the questionnaire.

Yours truly,
Section 1 - These questions deal with your expectations and opinions of the (Hotel Name Deleted) hotel. Please rate the extent to which you think the hotel possessed or should have possessed the features described by each statement.

Column 1 Importance
Please rate how important it is to you that the hotel possess the characteristics of each item described below. Please write a score in this column from 1 to 10:

<table>
<thead>
<tr>
<th>Importance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderately important</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely Important</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Column 2 Performance
Please rate how effective the hotel was in delivering each item described below. Please write a score in this column from 1 to 10:

<table>
<thead>
<tr>
<th>Performance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Poor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderately effective</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very Good</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Presentation of Hotel</th>
<th>Importance to me of each item in relation to hotel choice</th>
<th>Performance of hotel in relation to each item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The presentation of the hotel is professional</td>
<td>1 to 10</td>
<td>1 to 10</td>
</tr>
<tr>
<td>2. The hotel is exclusive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. The hotel lobby is grand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. The hotel lobby is comfortable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. The ambience of the hotel is relaxing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. The mood is restful</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. The presentation of the hotel is friendly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. The hotel atmosphere is stylish</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. The hotel is first class</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. The artifacts and paintings added to the image of the hotel</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To what extent did the ‘overall presentation’ of the hotel compare with the expectations you held prior to arriving at the hotel?  1 2 3 4 5
### Overall Hotel

<table>
<thead>
<tr>
<th>Importance to me of each item in relation to hotel choice</th>
<th>Performance of hotel in relation to each item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 10</td>
<td>1 to 10</td>
</tr>
</tbody>
</table>

1. Fabulous views from the hotel room
2. Timesaving services such as valet parking
3. Floor concierge
4. Regular shuttle buses to the airport
5. Shops within the hotel
6. High level of security
7. Provision of gym and other recreational facilities
8. Comfortable chairs in the lobby

To what extent did the above mentioned features of the 'overall hotel' compare with the expectations you held prior to arriving at the hotel?

<table>
<thead>
<tr>
<th>Significantly below my expectations</th>
<th>Moderately below my expectations</th>
<th>Met my expectations</th>
<th>Moderately above my expectations</th>
<th>Significantly above my expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

### Room Product

<table>
<thead>
<tr>
<th>Importance to me of each item in relation to hotel choice</th>
<th>Performance of hotel in relation to each item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 10</td>
<td>1 to 10</td>
</tr>
</tbody>
</table>

1. Large, comfortable beds
2. Luxurious branded toiletries
3. Lots of large fluffy towels
4. Range of toiletries available in the bathroom
5. Provision of stationery in the room
6. Having the bed turned down
7. Deluxe appliances
8. Soundproof rooms
9. Spacious bathrooms

To what extent did the overall 'room product' compare with the expectations you held prior to arriving at the hotel?

<table>
<thead>
<tr>
<th>Significantly below my expectations</th>
<th>Moderately below my expectations</th>
<th>Met my expectations</th>
<th>Moderately above my expectations</th>
<th>Significantly above my expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
### Food & Beverage Product

<table>
<thead>
<tr>
<th>Importance to me of each item in relation to hotel choice 1 to 10</th>
<th>Performance of hotel in relation to each item 1 to 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Provision of a sumptuous buffet breakfast</td>
<td></td>
</tr>
<tr>
<td>2. Good range of bars to buy a drink</td>
<td></td>
</tr>
<tr>
<td>3. Exquisite food presentation</td>
<td></td>
</tr>
<tr>
<td>4. Availability of casual dining</td>
<td></td>
</tr>
<tr>
<td>5. Provision of fine dining restaurant</td>
<td></td>
</tr>
<tr>
<td>6. Affordability of items in the minibar</td>
<td></td>
</tr>
<tr>
<td>7. Fairly priced food and beverage</td>
<td></td>
</tr>
<tr>
<td>8. Economical items available for room service</td>
<td></td>
</tr>
</tbody>
</table>

To what extent did the overall 'food and beverage product' compare with the expectations you held prior to arriving at the hotel?

<table>
<thead>
<tr>
<th>Significantly below my expectations</th>
<th>Moderately below my expectations</th>
<th>Met my expectations</th>
<th>Moderately above my expectations</th>
<th>Significantly above my expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

### Personalised Service

<table>
<thead>
<tr>
<th>Importance to me of each item in relation to hotel choice 1 to 10</th>
<th>Performance of hotel in relation to each item 1 to 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. People are nice to you at checkout</td>
<td></td>
</tr>
<tr>
<td>2. To be acknowledged rather than to be treated as just another customer</td>
<td></td>
</tr>
<tr>
<td>3. To be made to feel special</td>
<td></td>
</tr>
<tr>
<td>4. Customers get individual attention</td>
<td></td>
</tr>
<tr>
<td>5. The staff remember your name</td>
<td></td>
</tr>
<tr>
<td>6. VIP treatment, being the focus of attention</td>
<td></td>
</tr>
<tr>
<td>7. Staff remembering your requirements</td>
<td></td>
</tr>
<tr>
<td>8. Being recognised in the lobby</td>
<td></td>
</tr>
</tbody>
</table>

To what extent did the 'personalised service' aspect compare with the expectations you held prior to arriving at the hotel?

<table>
<thead>
<tr>
<th>Significantly below my expectations</th>
<th>Moderately below my expectations</th>
<th>Met my expectations</th>
<th>Moderately above my expectations</th>
<th>Significantly above my expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

221
### Service in General

<table>
<thead>
<tr>
<th>Importance to me of each item in relation to hotel choice</th>
<th>Performance of hotel in relation to each item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Not being kept waiting for more than a minute</td>
<td>1 to 10</td>
</tr>
<tr>
<td>2. Immediate service</td>
<td>1 to 10</td>
</tr>
<tr>
<td>3. Every need is anticipated</td>
<td>1 to 10</td>
</tr>
<tr>
<td>4. Not having to queue for more than 1 minute</td>
<td>1 to 10</td>
</tr>
<tr>
<td>5. Professional service</td>
<td>1 to 10</td>
</tr>
<tr>
<td>6. The provision of evening activities for those who want them</td>
<td>1 to 10</td>
</tr>
<tr>
<td>7. Precise attention to detail</td>
<td>1 to 10</td>
</tr>
<tr>
<td>8. Family oriented service</td>
<td>1 to 10</td>
</tr>
<tr>
<td>9. Prompt service</td>
<td>1 to 10</td>
</tr>
<tr>
<td>10. Servicing rooms whilst guests are having breakfast in the restaurant</td>
<td>1 to 10</td>
</tr>
</tbody>
</table>

To what extent did the overall service performance compare with the expectations you held prior to arriving at the hotel?  
1. Significantly below my expectations  
2. Moderately below my expectations  
3. Met my expectations  
4. Moderately above my expectations  
5. Significantly above my expectations

### Hotel Staff

<table>
<thead>
<tr>
<th>Importance to me of each item in relation to hotel choice</th>
<th>Performance of hotel in relation to each item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Staff who understand and meet unusual requests</td>
<td>1 to 10</td>
</tr>
<tr>
<td>2. High quality staff who are well trained</td>
<td>1 to 10</td>
</tr>
<tr>
<td>3. Smiling and friendly staff</td>
<td>1 to 10</td>
</tr>
<tr>
<td>4. Staff who anticipate your needs</td>
<td>1 to 10</td>
</tr>
<tr>
<td>5. Staff who have a sense of pride in their work</td>
<td>1 to 10</td>
</tr>
<tr>
<td>6. Staff who are quick to respond to requests</td>
<td>1 to 10</td>
</tr>
<tr>
<td>7. Staff who put you at ease</td>
<td>1 to 10</td>
</tr>
<tr>
<td>8. Respectful and polite staff</td>
<td>1 to 10</td>
</tr>
<tr>
<td>9. Staff who understand classy patrons</td>
<td>1 to 10</td>
</tr>
<tr>
<td>10. Unobtrusive staff</td>
<td>1 to 10</td>
</tr>
</tbody>
</table>

To what extent did the ‘hotel staff’ compare with the expectations you held prior to arriving at the hotel?  
1. Significantly below my expectations  
2. Moderately below my expectations  
3. Met my expectations  
4. Moderately above my expectations  
5. Significantly above my expectations
<table>
<thead>
<tr>
<th>Value Issues</th>
<th>Importance to me of each item in relation to hotel choice 1 to 10</th>
<th>Performance of hotel in relation to each item 1 to 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I am willing to pay more for a hotel in order to get value for money</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. The quality of the hotel is reflected in the price you pay</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Loyal customers get free upgrades</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Getting a special deal or package is important</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. I like to shop around to get the best room price</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. The hotel provides a discount on extra nights stay</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. I expect superb service because I am prepared to pay more</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. I like to get the cheapest rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. The quality of the hotel is more important than the price you pay</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. I expect the hotel to provide free gym and recreational facilities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To what extent did the (Hotel Name Deleted) Hotel give you value compared with the expectations you held prior to arriving at the hotel?

<table>
<thead>
<tr>
<th>Significantly below my expectations</th>
<th>Moderately below my expectations</th>
<th>Met my expectations</th>
<th>Moderately above my expectations</th>
<th>Significantly above my expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
### Brand Issues

<table>
<thead>
<tr>
<th>Importance to me of each item in relation to hotel choice</th>
<th>Performance of hotel in relation to each item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 10</td>
<td>1 to 10</td>
</tr>
</tbody>
</table>

1. I greatly admire this hotel
2. There is something special about this hotel
3. This hotel has a great reputation
4. This hotel is exceptional
5. This hotel is consistently good
6. You can trust this hotel
7. This hotel has credibility
8. The hotel values me as a consumer
9. The hotel meets its promises
10. This hotel is a great brand

To what extent did the overall brand of the hotel compare with the expectations you held prior to arriving at the hotel?

<table>
<thead>
<tr>
<th>Significantly below my expectations</th>
<th>Moderately below my expectations</th>
<th>Met my expectations</th>
<th>Moderately above my expectations</th>
<th>Significantly above my expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
**Section 2**: These questions deal with your overall feelings about the (Hotel Name Deleted) Hotel.

In relation to your stay at the hotel, please rate the extent to which you **agree or disagree** with each statement.

### Guest Profile

<table>
<thead>
<tr>
<th>Number</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Many guests are family groups with children</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>Most guests are non standard, exceptional people</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>The people who stay in the hotel are well behaved</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.</td>
<td>The hotel guests are everyday people</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.</td>
<td>Guests are casually dressed</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>Most of the hotel guests are rich</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7.</td>
<td>Guests are well groomed</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8.</td>
<td>The guest profile reflects a wide cross section of the population</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

### Satisfaction Issues

<table>
<thead>
<tr>
<th>Number</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>I am very satisfied with this hotel</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>I am happy with the hotel</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>I made the right decision to use this hotel</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.</td>
<td>This hotel satisfies my needs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

### Loyalty Issues

<table>
<thead>
<tr>
<th>Number</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>I am looking forward to returning to this hotel</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>I am likely to come back to this hotel</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>My intention is to re-book with this hotel in the future</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.</td>
<td>I have a feeling of loyalty to this hotel</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.</td>
<td>It is convenient to return to this hotel</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
Section 3: Still thinking about the (Hotel Name Deleted) Hotel, please describe this hotel as a car. That is, please identify the car brand and model that you feel most closely resembles the hotel. For example previous research has identified that people liken David Jones to a BMW or a Mercedes.

Car Make ..........................
Car Model ..........................

Now please write below the make and model of the car you normally drive

Car Make ..........................
Car Model ..........................

Finally please write the make and model of the car you would like to drive if you were not constrained by finances or family needs.

Car Make ..........................
Car Model ..........................

Section 4: Please think about your family home.

1. Please mark the box that best reflects your estimate of the market value of your family home

   - Under $300,000 □
   - $300,000 - $600,000 □
   - $600,000 - $1 million □
   - Over $1 million □

2. Which of the following types of suburb best describes the location of your family home

   - Exclusive suburb □
   - High quality residential area □
   - Family home residential area □
   - Poorer quality or developing area □

Section 5: Please think of one or more critical incidents that affected your enjoyment (either positively or negatively) of the hotel stay. Please give a brief description of the incident and outcomes.
**Section 6:** Take a moment to think about the (Hotel Name Deleted) Hotel. Think about the kind of person who typically stays at this hotel. Imagine this person in your mind and then describe this person using several personal adjectives such as, stylish, classy, masculine, sexy, old, athletic or whatever personal adjectives you can use to describe the typical user of this hotel.

Personal Adjectives:

Once you’ve done this, indicate your agreement or disagreement to the following statements by circling the appropriate number:

This type of hotel is consistent with how I see myself

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

This type of hotel is consistent with how I like to see myself

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

This type of hotel is consistent with how I believe others see me

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

This type of hotel is consistent with how I would like others to see me

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
Section 7: Please read each item carefully. After reading each item please evaluate the extent to which the item is descriptive of each of the columns.

For both columns 1 and 2 please score the extent to which the item is descriptive of the column heading. Please score the item as follows:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all descriptive</td>
<td>Somewhat Undescriptive</td>
<td>Neutral</td>
<td>Somewhat Descriptive</td>
<td>Very Descriptive</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>My Ideal Hotel</td>
<td>(Hotel Name Deleted) Hotel</td>
</tr>
</tbody>
</table>

1. Exclusive
2. Welcoming
3. Competent
4. Upper class
5. Reliable
6. Grand
7. Relaxing
8. Refined
9. Privileged
10. Friendly
11. Special
12. Up-to-date
13. Prosperous
14. Glamorous
15. High status
16. Hospitable
17. Sophisticated
18. Professional
19. Approachable
20. Classy
Section 8 - We have some questions about yourself that will be used for classification purposes only.

1. I am:  □ Male □ Female

2. My age:  □ 18-29 □ 30-44 □ 45-59 □ 60+

3. Marital status:  □ Single □ Living with partner □ Married

4. Purpose of trip  □ Business □ Leisure □ Convention □ Other (please specify)

-----------------------------------------------

5. Which annual gross income category best describes your household (income levels in Australian dollars)? Please note that this question relates to household income:

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $29,999</td>
<td>1</td>
</tr>
<tr>
<td>$30,000 - $39,999</td>
<td>2</td>
</tr>
<tr>
<td>$40,000 - $49,999</td>
<td>3</td>
</tr>
<tr>
<td>$50,000 - $74,999</td>
<td>4</td>
</tr>
<tr>
<td>$75,000 - $99,999</td>
<td>5</td>
</tr>
<tr>
<td>Over $100,000</td>
<td>6</td>
</tr>
</tbody>
</table>

6. Which of the following best describes your main or most recent occupation? (Please circle only one)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td>1</td>
</tr>
<tr>
<td>Managerial</td>
<td>2</td>
</tr>
<tr>
<td>Business Owner/Proprietor</td>
<td>3</td>
</tr>
<tr>
<td>Other white collar (e.g. sales, clerk, secretary)</td>
<td>4</td>
</tr>
<tr>
<td>Tradesperson/Blue collar/Outdoor</td>
<td>5</td>
</tr>
<tr>
<td>Army/Navy/Police/Emergency</td>
<td>6</td>
</tr>
<tr>
<td>Student</td>
<td>7</td>
</tr>
<tr>
<td>Hospitality/Tourism</td>
<td>8</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>9</td>
</tr>
</tbody>
</table>

7. What is your highest level of education? (Please circle one only)

<table>
<thead>
<tr>
<th>Education</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary school</td>
<td>1</td>
</tr>
<tr>
<td>Undergraduate degree</td>
<td>2</td>
</tr>
<tr>
<td>Diploma or Trade qualification</td>
<td>3</td>
</tr>
<tr>
<td>Postgraduate degree</td>
<td>4</td>
</tr>
</tbody>
</table>

8. Which of the following best describes your ethnic background? (Please circle one only)

<table>
<thead>
<tr>
<th>Ethnic Background</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian</td>
<td>1</td>
</tr>
<tr>
<td>Asian</td>
<td>2</td>
</tr>
<tr>
<td>European</td>
<td>3</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>4</td>
</tr>
</tbody>
</table>

~Thank you for taking the time to fill out this survey ~
APPENDIX 2

Descriptors of Participating Hotels
Appendix 2

Descriptors of Participating Hotels

**Hotel 1:** This hotel is a five star hotel with 594 rooms and is located on the Gold Coast. It has a casino integral to the property and is adjacent to the convention centre. The demographics of the respondents indicate that 47.6 per cent were female and 50.8 per cent were male. The respondents were predominately leisure travellers (71 per cent) with the rest being mainly business travellers (9.7 per cent) and convention visitors (10.5 per cent). The majority of respondents were in the 45-59 age group (46.3 per cent), followed by the 60+ group (26.8 per cent) and the 30-44 grouping (20.3 per cent).

**Hotel 2:** This hotel is a five star hotel with 404 rooms and is located on the Gold Coast. It has recently been re-branded and the star rating has been reduced to four and a half stars. The demographics of the respondents indicate that 48.0 per cent were female and 52.0 per cent were male. The respondents were predominately leisure travellers (72.8 per cent) with the rest being mainly business travellers (13.6 per cent) and convention visitors (11.2 per cent). The majority of respondents were in the 45-59 age group (41.3 per cent), followed by the 30-44 grouping (33.3 per cent) and the 18 – 29 group (19.8 per cent). Only 5.6 per cent were aged in 60+ group.
Hotel 3: This hotel is a five star hotel with 296 rooms and is located on the Gold Coast. The demographics of the respondents indicate that 43.0 per cent were female and 46.2 per cent were male. The respondents were predominately leisure travellers (65.8 per cent) with the rest being mainly business travellers (24.8 per cent) and convention visitors (5.1 per cent). The majority of respondents were in the 45-59 age group (30.7 per cent), followed by the 30-44 grouping (27.2 per cent) and the 18 – 29 group (26.1 per cent). Only 5.9 per cent were aged in 60+ group.

Hotel 4: This hotel is a four star hotel with 242 rooms and is located in Cairns. The demographics of the respondents indicate that 46.4 per cent were female and 53.6 per cent were male. The respondents were predominately business travellers (46.8 per cent) with the rest being mainly leisure travellers (46.3 per cent) and convention visitors (4.3 per cent). The majority of respondents were in the 30-44 age group (42.1 per cent), followed by the 45-59 grouping (36.8 per cent), the 60+ group (11.1 per cent) and the 18 – 29 group (10.0 per cent).

Hotel 5: This hotel is a four star hotel with 180 rooms and is located in Brisbane. The demographics of the respondents indicate that 37.8 per cent were female and 61.3 per cent were male. The respondents were predominately business travellers (57.3 per cent) with the rest being mainly leisure travellers (37.9 per cent). The majority of respondents were in the 45-59 age group (44.7 per cent), followed by the 30-44 grouping (29.3 per cent), the 60+ group (13.8 per cent) and the 18 – 29 group (12.2 per cent).
APPENDIX 3

LIST OF EMOTIVE AND COGNITIVE ITEMS
List of Cognitive and Emotive Items

Emotive Items

Presentational of Hotel
- The presentation of the hotel is professional
- The hotel is exclusive
- The hotel lobby is grand
- The hotel lobby is comfortable
- The ambience of the hotel is relaxing
- The mood is restful
- The presentation of the hotel is friendly
- The hotel atmosphere is stylish
- The hotel is first class
- The artifacts and paintings added to the image of the hotel

Overall Hotel
- Fabulous views from the hotel room
- Timesaving services such as valet parking
- Floor concierge
- Regular shuttle buses to the airport
- Shops within the hotel
- High level of security
- Provision of gym and other recreational facilities
- Comfortable chairs in the lobby

Room Product
- Large, comfortable beds
- Luxurious branded toiletries
- Lots of large fluffy towels
- Range of toiletries available in the bathroom
- Provision of stationery in the room
- Having the bed turned down
- Deluxe appliances
- Soundproof rooms
- Spacious bathrooms

Food & Beverage Product
- Provision of a sumptuous buffet breakfast
- Good range of bars to buy a drink
Exquisite food presentation
Availability of casual dining
Provision of fine dining restaurant
Affordability of items in the minibar
Fairly priced food and beverage
Economical items available for room service

**Personalised Service**
People are nice to you at checkout
To be acknowledged rather than to be treated as just another customer
To be made to feel special
Customers get individual attention
The staff remember your name
VIP treatment, being the focus of attention
Staff remembering your requirements
Being recognised in the lobby

**Service in General**
Not being kept waiting for more than a minute
Immediate service
Every need is anticipated
Not having to queue for more than 1 minute
Professional service
The provision of evening activities for those who want them
Precise attention to detail
Family oriented service
Prompt service
Servicing rooms whilst guests are having breakfast in the restaurant

**Hotel Staff**
Staff who understand and meet unusual requests
High quality staff who are well trained
Smiling and friendly staff
Staff who anticipate your needs
Staff who have a sense of pride in their work
Staff who are quick to respond to requests
Staff who put you at ease
Respectful and polite staff
Staff who understand classy patrons
Unobtrusive staff

Cognitive Items

Value Issues
I am willing to pay more for a hotel in order to get value for money
The quality of the hotel is reflected in the price you pay
Loyal customers get free upgrades
Getting a special deal or package is important
I like to shop around to get the best room price
The hotel provides a discount on extra nights stay
I expect superb service because I am prepared to pay more
I like to get the cheapest rate
The quality of the hotel is more important than the price you pay
I expect the hotel to provide free gym and recreational facilities

Brand Issues
I greatly admire this hotel
There is something special about this hotel
This hotel has a great reputation
This hotel is exceptional
This hotel is consistently good
You can trust this hotel
This hotel has credibility
The hotel values me as a consumer
The hotel meets its promises
This hotel is a great brand

Satisfaction Issues
I am very satisfied with this hotel
I am happy with the hotel
I made the right decision to use this hotel
This hotel satisfies my needs

Loyalty Issues
I am looking forward to returning to this hotel
I am likely to come back to this hotel
My intention is to re-book with this hotel in the future
I have a feeling of loyalty to this hotel
It is convenient to return to this hotel
APPENDIX 4

CORRELATIONS OF COMPOSITE SERVICE QUALITY DIMENSIONS
## Correlations of Composite Service Quality Dimensions

<table>
<thead>
<tr>
<th></th>
<th>SCRedCom</th>
<th>RQRedCom</th>
<th>AERedCom</th>
<th>QSRedCom</th>
<th>PERedCom</th>
<th>SSRedCom</th>
<th>FBQRedCom</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stylish Comfort</strong></td>
<td>Pearson</td>
<td>.589(**)</td>
<td>.548(**)</td>
<td>.490(**)</td>
<td>.406(**)</td>
<td>.306(**)</td>
<td>.545(**)</td>
</tr>
<tr>
<td>Correlation</td>
<td>1</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
</tr>
<tr>
<td><strong>Room Quality</strong></td>
<td>Pearson</td>
<td>.589(**)</td>
<td>.517(**)</td>
<td>.447(**)</td>
<td>.395(**)</td>
<td>.319(**)</td>
<td>.563(**)</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
</tr>
<tr>
<td><strong>Added Extras</strong></td>
<td>Pearson</td>
<td>.548(**)</td>
<td>.517(**)</td>
<td>.441(**)</td>
<td>.387(**)</td>
<td>.291(**)</td>
<td>.519(**)</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
</tr>
<tr>
<td><strong>Quality Staff</strong></td>
<td>Pearson</td>
<td>.490(**)</td>
<td>.447(**)</td>
<td>.441(**)</td>
<td>.432(**)</td>
<td>.578(**)</td>
<td>.530(**)</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
</tr>
<tr>
<td><strong>Personalisation</strong></td>
<td>Pearson</td>
<td>.406(**)</td>
<td>.395(**)</td>
<td>.387(**)</td>
<td>.432(**)</td>
<td>.360(**)</td>
<td>.356(**)</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
</tr>
<tr>
<td><strong>Speedy Service</strong></td>
<td>Pearson</td>
<td>.306(**)</td>
<td>.319(**)</td>
<td>.291(**)</td>
<td>.578(**)</td>
<td>.360(**)</td>
<td>1</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
</tr>
<tr>
<td><strong>Quality Dining</strong></td>
<td>Pearson</td>
<td>.545(**)</td>
<td>.563(**)</td>
<td>.519(**)</td>
<td>.530(**)</td>
<td>.356(**)</td>
<td>.312(**)</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
<td>693</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).