The Associations Between Service Quality, Corporate Image, Customer Satisfaction, and Loyalty: Evidence From the Malaysian Hotel Industry

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Accepted author version posted online: 09 Aug 2013. Published online: 25 Feb 2014.
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Hotel operators strive to satisfy the needs of their guests and subsequently retain them by trying to understand the factors that could build up a strong loyal clientele base. Previous studies have found that there are four critical perspectives related to the hotel industry that enable hotel operators to cope with the fierce competition in the industry and boost their profit margin: service quality, customer satisfaction, corporate image, and customer loyalty. This study attempts to evaluate the relationships between these perspectives. Systematic sampling approach was adopted in the study. The data was collected through self-administered questionnaires from 200 respondents. Statistical Package for the Social Sciences (SPSS) was used to test the hypothesized relationships in the research model. The findings reveal that the four variables are significantly related to one another and they are useful for hotel operators to promote long-term business growth and ensure sustainability in the hotel industry in Malaysia.

KEYWORDS service quality, customer loyalty, corporate image, customer satisfaction

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INTRODUCTION

In 2011, international tourism contributed around 6% of world exports of goods and services and 30% of commercial service exports, exceeding US$1 trillion. However, the global economic recovery has faced a new crisis from many European countries (e.g., Greece, Italy) that consequently increased job instability and reduced consumer confidence in 2012.

Despite this, the tourism sector has shown strong growth in Malaysia (Euromonitor, 2012). In 2011, hotels registered a 7% rise in sales to reach US$5 billion. Chain hotels contributed most of this growth, as many were opened in Malaysia in 2011 and 2012. The emergence of new competitors and many aggressive promotions offered by the existing hotel operators resulted in the closure of some of the less competitive hotel outlets.

However, five-star hotels are gradually receiving more demand for two main reasons: (a) the rapid expansion of budget airlines has helped travelers to find cheaper flights, thus enabling them to spend more on their accommodation; and (b) tourists have become more affluent and are willing to spend more for higher quality accommodation (Euromonitor International, 2012). Facilities such as restaurants, bars, and nightclubs are no longer seen as a luxury but rather a necessity, since these facilities can fulfill the different needs among customers. Therefore, hotel managers have to understand the factors that impact the needs of the customers in order to promote the hotel, attract new customers, and retain loyal ones (United Nations World Tourism Organization, 2011).

Studies have found several factors that might give the hotel an advantage over its competitors in the industry, such as service quality, customer satisfaction, customer loyalty, and corporate image (Shahin & Dabestani, 2010; Lee, Cho, & Ahn, 2012). Hence, evaluating service quality and customer satisfaction can be effective strategies to boost the profit margin in the hotel industry. Positive perception toward corporate image is another factor that could boost the profitability of a hotel through the improvement of customer loyalty (Kandampully & Suhartanto, 2000). Service quality projects, corporate image, and customers’ past experiences with the hotel’s services play a vital role in influencing the customer loyalty and, subsequently, make an impact on the outlook of the hotel’s corporate image.

A review of past literature reveals that bountiful research has been conducted on service quality, customer satisfaction, corporate image, and customer loyalty in the hospitality industry. However, academic research on these variables using an integration model is limited, especially in the context of the Malaysian hotel industry. In view of the research deficiency, the aim of this study is to examine the relationship between service quality, customer satisfaction, corporate image, and customer loyalty (Figure 1). The results of this study will be insightful to service marketing scholars and relevant to hotel operators who are interested in benchmarking for better
practices in the concepts of hotel services. Furthermore, the findings will yield valuable information for hotel operators in developing effective service marketing strategies by not only surviving the competition but also boosting their long-term profit margins.

LITERATURE REVIEW

Service Quality

One of the earliest definitions of service quality by Parasuraman, Zeithaml, and Berry (1985) is, “the degree and direction of discrepancy between customers’ service perceptions and expectations.” Liljander and Strandvik (1993) concurred with the definition, by stating that the quality of service is perceived as the result of a comparison between the expectations of a customer prior to the service and the experience after receiving the service. Despite its popularity, the importance of disconfirmation on perceived service quality has received its share of criticism since its development. In general, researchers doubt the validity and reliability of the disconfirmation paradigm and question whether or not customers routinely evaluate service quality in terms of perception and expectation (Wilkins, Merrilees, & Herington, 2009; Nadiri & Hussain, 2005).

The negative empirical findings regarding the measurement of expectation lead to some doubts about its value and has resulted in general agreement that measuring perception on performance alone is sufficient (Malik, Naeem, & Nasir, 2011). Perceived performance refers to the customer’s observation of quality of the hotel’s services (Mohsin & Lockyer, 2010; Kim, 2011).
This performance is regularly found to be strongly and positively associated with the evaluation of perceived service quality (Mohsin & Lockyer, 2010; Wilkins, Merrilees, & Herington, 2007). In addition, service quality has positive influences on customer satisfaction, corporate image, and customer loyalty. Researchers (e.g., Wilkins et al., 2009; Hui, Chern, & Othman, 2011) have found positive impacts of hotel service quality on customer satisfaction and customer loyalty. Kandampully and Suhartanto (2000) suggested that a positive relationship exists between service quality and customer loyalty in the hospitality context and it is determined by whether customers’ perceived service quality has an impact on customer loyalty in the Malaysian context. Gronroos (1983) proposed that service quality is one of the most important factors that influence the image of the service provider. The impact of perceived service quality on corporate image is also supported by prior studies in the hospitality context where findings show that service quality can form an awareness among the customers especially in the context of a hotel’s corporate image (e.g., Kandampully & Suhartanto, 2000; Nguyen, 2006a).

Customer Satisfaction

Customer satisfaction is an important element of marketing activity that links the process of purchasing and consumption with postpurchase phenomena (Ha & Jang, 2009). Various definitions of satisfaction have surfaced parallel with the development of strategies by the service providers to address challenges from competitors.

This study defines satisfaction as the feeling of pleasure that a customer experiences after receiving services that meet or exceed the expectations of the customers. Customer satisfaction is measured as the difference between the expectations of the customer and the experience that the customer receives. According to Song, Li, van der Veen, and Chen (2011), the level of satisfaction pertaining to a product or service is determined by the level of satisfaction or dissatisfaction experienced by the customer.

When investigating the determinants of customer satisfaction, particularly in the hotel industry, it is found that guests consider service quality to be one of the most important factors of customer satisfaction (Abbasi, Khalid, Azam, & Riaz, 2010). On top of that, studies reveal that customer satisfaction also has a direct impact on corporate image and customer loyalty (Nguyen, 2006b; Kandampully & Suhartanto, 2000). This is due to the fact that corporate image influences loyalty, and the prestigious image is more likely to be recognized in the market because it is able to attract both new and repeat customers (Kandampully & Hu, 2007; Andreassen & Lindestad, 1998; Wilkins et al., 2009).

In this study, it will be determined whether the same scenario applies to Malaysia’s hotel industry. Therefore, to test the influences of service quality on customer satisfaction, corporate image and customer loyalty, the following hypotheses are developed:
**H1:** Perceived service quality has a positive direct effect on customer satisfaction.

**H2:** Customer satisfaction has a positive direct effect on customer loyalty.

**H3:** Perceived service quality has a positive direct effect on customer loyalty.

**H4:** Corporate image has a positive direct effect on customer loyalty.

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**Corporate Image**

Corporate image is another important factor in addressing the gap in the integration model of perceived service quality, customer satisfaction and customer loyalty. Corporate image evaluation consists of the company reputation, the customer's perception, the quality of the services, and the kind of services provided by the service firm. Aydin and Özer (2005) claimed that corporate image emerges from the net consumption based on customer’s experiences. However, the relationship between corporate image and perceived service quality is difficult to ascertain, as the services offered by hotels are largely classified under intangible aspects (Wilkins et al., 2009). As a result, many hotel operators have engaged in improving the physical environment and enhancing personal contact in communicating the hotels’ benefits which directly create perceivable and significantly positive images for its customers (Nguyen, 2006b). According to Kandampully (2000), the favorable impression (emotional effect) is translated through the awareness of the hotel’s corporate image. Moreover, many researchers have reported that good corporate image influences customer loyalty in the hotel industry (Kandampully, 2000; Kandampully & Hu, 2007; Kandampully & Suhartanto, 2000, 2003). Their study revealed that corporate image is an important factor in determining customers’ intention to recommend, repurchase, and exhibit loyalty. Hence, Kandampully and Suhartanto (2003) advocated for the inclusion of corporate image in the integration model to measure customer loyalty in the industry. The fifth and sixth hypotheses are:

**H5:** Customer satisfaction has a direct effect on corporate image.

**H6:** Perceived service quality has a direct effect on corporate image.

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**Customer Loyalty**

Customer loyalty is defined as commitment toward preferred products or services. Customer loyalty is established by supporting a particular organization, regularly patronizing a certain provider, and increasing the frequency of purchases (Rowley, 2005; Wilkins et al., 2009; Olorunniwo, Hsu, & Udo, 2006). Loyal customers impact the profitability and overall success of the organization in three distinctive ways: (a) repeat purchases of products or services generate income for the organization, (b) the cost of marketing,
advertising and operations are reduced, and (c) the spreading of favorable news and recommendations of services to others. Based on the importance and benefits of customer loyalty, many service organizations, especially hotels, allocate substantial resources to measure and monitor customer satisfaction, corporate image, and service quality. In addition, customer loyalty also has been viewed as the main tool to retain existing customers; retaining customer loyalty costs substantially less to maintain compared to acquiring new customers (Bowen & Chen, 2001; Walls, Okumus, Wang, & Kwun, 2011). Hence, the recommended approach to measure customer loyalty in hotels is based on the context of repeat purchase intention, price sensitivity and recommendations to friends and relatives (Skogland & Siguaw, 2004).

METHODOLOGY

The questionnaire was pretested on five researchers and five hotel guests, was comprised of the constructs listed in Table 1, and used 7-point Likert scales (7 = strongly agree; 1 = strongly disagree). A total of 200 questionnaires were collected using a self-administration method. Samples were selected from international tourists regardless of their gender at Kuala Lumpur International Airport (KLIA) using a systematic sampling method. Every tenth passenger that checked-in at the departure gate was selected to participate in this research. The main criterion for inclusion was that the respondents, as tourists, had to have stayed for at least 1 night in any hotel in Malaysia.

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>Variables measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct</td>
<td>Measurement</td>
</tr>
<tr>
<td>Perceived service quality (Suhartanto, 2011)</td>
<td>The measures of perceived service quality were adapted from extant research based on four items that comprised overall satisfaction, reasonable pricing, value for money, and quality of service experienced.</td>
</tr>
<tr>
<td>Corporate image (Kandampully &amp; Suhartanto, 2000)</td>
<td>The corporate image constructs will be measured by 10 items: hotel image attributes (six items) and holistic attributes (four items).</td>
</tr>
<tr>
<td>Customer loyalty (Skogland &amp; Siguaw, 2004)</td>
<td>The customer loyalty construct contains a battery of seven items on price insensitivity (two items), repeat-patronage intention (three items), and propensity to spread positive word-of-mouth (two items).</td>
</tr>
<tr>
<td>Customer satisfaction (Olorunniwo et al., 2006)</td>
<td>The customer satisfaction measurement was drawn from extant service literature and used measures of four items, which included the overall satisfaction, comparison of expectation, whether they had a positive attitude towards the hotel, and positive experience stay with the hotel.</td>
</tr>
</tbody>
</table>
RESEARCH FINDINGS

Correlation and single/multiple regression analyses were run to examine hypotheses. The findings reveal that there is a positive correlation between the key constructs (see Table 2). The first regression model was conducted to test the relationship between the perceived service quality and customer satisfaction. The first regression model produced $R^2 = .256$, $F = 64.087$, $p < .001$. As can be seen in Table 3, the perceive service quality has significant positive regression weights, indicating higher perceive service quality can lead to higher level of customer satisfaction ($\beta = .506$, $p < .05$).

The second regression model was conducted to examine the relationship between customer satisfactions, perceive service quality, corporate image, and customer loyalty. The results, as shown in Table 3, indicate that the proposed model for these hypotheses is fit, as $R^2 = .688$ and $p < .001$. The results for Hypothesis 2 indicate that customer satisfaction significantly influenced the level of customer loyalty directly and positively ($\beta = .206$, $p < .05$). Moreover, Table 3 shows that perceived service quality has a significant and positive direct relationship with customer loyalty ($\beta = .483$, $p < .05$). The results indicate that perceived service quality has the highest influence on customer loyalty. A one-unit increment in perceived service quality increases the level of loyalty by approximately $.5$ ($\beta = .483$). In addition, Table 3 reveals that corporate image is another factor that influences customer loyalty. The results indicate that a one-unit increment in perceived corporate image increases the level of loyalty by $.3$ units ($\beta = .316$, $p < .05$).

The third regression model analyses the relationships between corporate image, perceived service quality and customer satisfaction. The results show that the proposed model is fit $R^2 = .38$ and $p < .001$. This model shows that the $38\%$ variance of corporate image can be explained by perceived service quality and customer satisfaction as independent variables. This result also indicates that perceived service quality has a direct positive relationship with corporate image ($\beta = .18$, $p < .05$). In addition, this model shows that higher customer satisfaction can create higher corporate image, as the $p$-value of the model is less than the threshold ($\beta = .506$, $p < .05$).

### TABLE 2 Results of the Pearson correlation

<table>
<thead>
<tr>
<th></th>
<th>PSQ</th>
<th>CS</th>
<th>CI</th>
<th>CL</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSQ</td>
<td>1</td>
<td>0.567*</td>
<td>0.436*</td>
<td>0.725*</td>
</tr>
<tr>
<td>CS</td>
<td>0.567*</td>
<td>1</td>
<td>0.597*</td>
<td>0.640*</td>
</tr>
<tr>
<td>CI</td>
<td>0.436*</td>
<td>0.597*</td>
<td>1</td>
<td>0.650*</td>
</tr>
<tr>
<td>CL</td>
<td>0.725*</td>
<td>0.640*</td>
<td>0.650*</td>
<td>1</td>
</tr>
</tbody>
</table>

*Note. PSQ = perceived service quality; CI = corporate image; CL = customer loyalty; CS = customer satisfaction.

*Correlation is significant at the .01 level (two-tailed).
**TABLE 3** Results of the regression analysis

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Independent variable</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>F</th>
<th>Beta</th>
<th>t-value</th>
<th>p-value</th>
<th>VIF</th>
<th>Tolerance</th>
<th>Hypothesis</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>CS</td>
<td>PSQ</td>
<td>0.256</td>
<td>0.252</td>
<td>64.087</td>
<td>0.506</td>
<td>8.005</td>
<td>0.001</td>
<td>1.00</td>
<td>1.00</td>
<td>H1</td>
<td>Yes</td>
</tr>
<tr>
<td>CL</td>
<td>CS</td>
<td>0.688</td>
<td>0.683</td>
<td>135.32</td>
<td>0.206</td>
<td>3.783</td>
<td>0.001</td>
<td>0.569</td>
<td>1.76</td>
<td>H2</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>PSQ</td>
<td>0.483</td>
<td>9.927</td>
<td>0.001</td>
<td>0.716</td>
<td>1.39</td>
<td>0.001</td>
<td>0.62</td>
<td>1.62</td>
<td>H3</td>
<td>Yes</td>
</tr>
<tr>
<td>CI</td>
<td>PSQ</td>
<td>0.316</td>
<td>6.05</td>
<td>0.001</td>
<td>0.62</td>
<td>1.62</td>
<td>0.001</td>
<td>0.74</td>
<td>1.34</td>
<td>H4</td>
<td>Yes</td>
</tr>
<tr>
<td>CI</td>
<td>CS</td>
<td>0.38</td>
<td>0.373</td>
<td>56.709</td>
<td>0.180</td>
<td>2.682</td>
<td>0.008</td>
<td>0.745</td>
<td>1.4</td>
<td>H5</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Note.* PSQ = perceived service quality; CI = corporate image; CL = customer loyalty; CS = customer satisfaction.
Subsequently, a path analysis investigates the direct and indirect impacts of the independent variables such as perceived service quality, corporate image and customer loyalty on the ultimate dependent variable, customer loyalty. The initial path coefficients are taken based on the standardized beta coefficient from the regression analysis. The results of direct, indirect and total effects of each independent variable are summarized in Table 4.

The indirect effect approach uses the method suggested by Asher (1983). Its value is obtained by multiplying the weight or sequential standardized beta coefficient along any given path in the theoretical model study. The results from this statistical analysis method show that the indirect effects of perceived service quality are mediated by both customer satisfaction and corporate image. The research discovers that perceived service quality has an indirect effect on customer loyalty through customer satisfaction (indirect effect = 0.104) and corporate image (indirect effect = 0.057). Furthermore, the result of the path analysis indicates that customer satisfaction has the largest overall effect (direct and indirect) on customer loyalty.

### DISCUSSION AND IMPLICATION OF THE STUDY

Researchers have concluded that there are strong relationships between the four key perspectives of the service sector, particularly in the hotel industry. Several findings denote a negation between attributes, but in general strong positive relationships exist between service quality, customer satisfaction, customer loyalty, and corporate image. Consistent with most of the findings in the previous research (e.g., Kandampully & Suhartanto, 2000, 2003; Olorunniwo et al., 2006), the findings of this study indicate strong relationships between the variables. As such, with the knowledge of how one perspective influences another, hotel operators could take the necessary action to increase their profit by improving the quality of service, the level of customer satisfaction, customer loyalty, and the hotel’s image. They could focus on customer needs and demands, integrate the hotel services that affect customer satisfaction, and promote long-term business growth by creating positive corporate image and building up their clientele base.
The findings of this study support the previous studies (e.g., Kandampully & Suhartanto, 2000, 2003; Wilkins et al., 2009) that have also found that customer satisfaction has a significant impact on hotel corporate image and customer loyalty. By realizing that customer satisfaction plays a significant role in corporate image and that satisfied customers will have future intentions of visiting on a long-term basis, hotel operators should understand the needs of the customer in order to reinforce the customers’ satisfaction. In seeking out the most effective resolution, the hotel operators should implement effective systems to monitor the customers’ needs and perceptions on service quality. Such systems will impress hotel guests and will possibly help to raise their satisfaction level. High levels of customer satisfaction will subsequently translate into a more favorable perception of the hotel’s corporate image, and the building up of a strong clientele base in order to stay ahead of their competitors.

Corporate image is envisaged to have a significant influence on customer loyalty (Kandampully & Hu, 2007). Studies have shown that customer satisfaction and the factors of projected image such as housekeeping, food and beverage, reception, and the price of the accommodation influence customer loyalty. Hence, hotel operators should recognize the significance of these factors and improve on the delivery and quality of these factors. Substantial resources should be channeled towards the improvement of corporate image in creating distinguished hotel service elements. Superior and unique service elements will impress hotel guests, and are espoused to have more significant and direct impacts on their favorable perceptions on the hotel’s corporate image.

It is crucial to ensure that the service standards are consistent in the hotel chain. It must be noted however, that customers value personalized services as much as they appreciate consistency. Therefore, the ideal services for customers are the provision of consistent, excellent, and outstanding services, complemented by the personalized services of trained hotel personnel who aim to ensure and enhance customer satisfaction. Satisfied guests who favor a hotel’s corporate image will possibly end up as loyal customers.

LIMITATION AND FUTURE STUDY

One of the limitations encountered by the researchers during this study is the validity issues due to the proximity of the hypotheses. Researchers have difficulty in assessing the customers’ experience and their perception of the hotel due to the subjectivity of the constructs. Improved measures on satisfaction, image and loyalty could enhance the accuracy of the data.

Studies on the relationship between the attributes that can give a hotel an edge over its competitors are limited. Previous research has been conducted in particular regions or counties, focusing on specific behaviors
regarding locality aspects, and the results of this study could also be affected by the economy and culture. Therefore, future studies should be carried out in compact areas with consideration to the economic and culture in order to ensure more comprehensive findings.

This study focuses on the hotel industry as a whole, but it does not investigate the effect of the different hotel ratings (one to five stars) on the guests. Favoritism may emerge because guests could have had different perceptions and expectations towards the diverse categories of accommodations. To achieve accurate findings, future studies should therefore address the variances in these categories

A number of determinants on customer satisfaction were omitted due to the scope of this study. As such, some relevant factors might not be included in the models. Omission of these determinants could contribute to the incomplete knowledge base of determining factors. Therefore, future research needs to include a wider range of factors in order to capture a larger number of customer satisfaction determinants. These factors can range from consequences, antecedents, or issues that influence the relationships between customer satisfaction, service quality, and customer loyalty.

Thus, future studies in this particular area and related topic should be more specific in order to overcome these limitations and come up with more in depth findings. It is also hoped that this study can contribute to the hotel industry’s future development, consequently enabling the hotel operators to provide better services for their customers.

REFERENCES


