INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

PERCEPTIONS OF SERVICE QUALITY, CORPORATE IMAGE, AND CUSTOMER LOYALTY IN THE HOTEL INDUSTRY OF MALAYSIA

Author : Cham Tat Huei

Student No : I09004862

Supervisor : Yalini Easvaralingam

Ethics Number : IN 277

Submission Date : 15th September 2010

Final Word Count : 16, 182 words

Faculty of Business and Accountancy

Abstract

Keywords : Service Quality, Customer Loyalty, Corporate Image, Quality Certifications, Cultural Differences, Customers' Experiences

Purpose : This study is conducted aimed to discover the factors which will influence the perceived service quality of Malaysian hotels, as well as exploring its relationship with customer loyalty and corporate Image.

Background : The rapid growth of the industry in the first decade of the 21st century forced hotel operators to critically acknowledge the importance of service improvement in order to gain competitive advantage. Therefore, identifying the factors that influence the quality of service for the hotels is critical for the success of the hotels. Moreover, corporate image and customer loyalty should also be emphasized on a timely basis to ensure the sustainability of the hotels in this competitive industry.

Method : Quantitative research method was conducted by distributing 200 questionnaires to the customers' of the selected hotels.

Conclusion : The study revealed that factors such as customers' experiences, hotel's quality certifications and cultural differences will have an influence on customer's perception of service quality. Meanwhile, the study exhibits the relationships among the constructs of perceived service quality, customer loyalty and corporate Image. This study has also revealed that the mediating effect of the hotel Image on the relationship between perceived service quality and customer loyalty.

Acknowledgements

This project has been one of the toughest projects that I have ever done throughout my degree and master studies. There are a great number of people whom I have to express my gratitude for their contribution in completion of this project.

First of all, I would like to thank my supervisor, Ms. Yalini Easvaralingam who has been patiently guiding me throughout the process of completing my MBA project. I am very grateful for her kindness, valuable feedback and support. Without her aid, this research may not have the same outcome as it is today. Besides that, I would like to thank Mr. Shaheen Mansori for his constructive feedbacks towards my research which have directly helped me in improving this study.

Next, I would also like to thank my other lecturers especially Professor Dato' Dr. Ibrahim Ahmad Bajunid as well as friends for their fullest support in aiding me throughout the quest of completing this project. Moreover, special thanks are given to respondents of my project survey who have contributed their time and helping hand in filling up the questionnaires needed for the analysis of my project.

Last but not least, I would also like to say that the reason why I am here doing this project is mainly due to the great support and encouragement given by my parents. They are my inspiration and the great pillar that support me throughout all this year of studies. Hence, I would like to thanks my parents for their morale and financial support that have given to me.

Cham Tat Huei
December, 2010

Declaration

"I hereby declare that this research project is of my own

effort except for those summaries and information of

which the sources are clearly specified"

12th December 2010   Cham Tat Huei

Table of Contents

Chapter V: Conclusions, Recommendations and Personal Reflections

List of Tables

List of Figures

List of Abbreviation

PSQ   :   Perceived Service Quality

CL   :   Customer Loyalty

CI   :   Corporate Image

SPSS :   Statistical Package for Social Science

Chapter I

Introduction

1.0 Introduction

This research attempts to identify the factors that influence perceived service quality and evaluate the influences of service quality on hotel (corporate) image and hotel (customer) loyalty in the hotel industry of Malaysia. Chapter 1 outlines the background of the study, as well as discussion on the problem statement. Moreover, it discusses the research objectives, research questions, significance of the study and the outline of the research.

1.1 Background of Study

In the last few decades, the concept of service quality has become a main area of attention among researchers, practitioners and managers due to its significant impact on business performance, customer satisfaction, lowering of operating cost, profitability and customer loyalty (Seth et al., 2005). According to Atilgan et al. (2003), in the context of the domestic and international markets, the importance of service concept is increasingly recognized corresponding with the increasing standards of living and economic development throughout the world. There is no exception for the hotel industry to this rule (Claver et al., 2006; Soutar, 2001). Evaluation of customers' perception and satisfaction of service quality is widely acknowledged as being a favorable strategy in the hotel industry.

For this reason, the hotel industry has started to show concern for product and service quality since 1980s (e.g. Schall, 2003; Oberoi, 1989). The concern towards the service quality of hotels continued into the changing global environment in 1990's, as various firms were experiencing rising of competition level that forces them to seek efficiency, creating profitable business model and competitive edge in order to differentiate themselves from their rivals (Mei et al., 1999). The rapid growth of the industry in the first decade of the 21st century forced hotel operators to critically acknowledge the importance of service improvement in order to gain competitive advantage. Consequently, hotel operators are now directing their efforts to gain an understanding on how guests perceive the quality of services, and more importantly how these perceptions can be translated into customer loyalty and improving hotel (corporate) image (Ekinci, 2008; Kandampully & Hu, 2007).

According to Parasuraman et al. (1988), the evaluations on the quality of service are usually performed by comparing customers' expectation with their perception. In this case, customer satisfaction is formed when the services provided by the hotels are able to meet or surpass customer's anticipation (Reid & Bojanic, 2001). Pittsburgh and Salomon (1994) have also foreseen that a hotel which failed to meet customers' service requirements and customers' expectations would be out of business between six (6) to eight (8) years. Therefore, in order to stay sustainable and relevant to the industry, a hotel is required to develop an appropriate service standard with regard to customers' desires and wishes (Min et al., 2002). More importantly, being able to successfully judge customers' perceptions and meet their satisfaction would provide hotel operators with great advantages over their competitors; particularly in terms of product differentiation, increasing tourist retention, encouraging repeat and new customers, positive word-of-mouth (WOM) and promotion as well (Kandampully & Suhartanto, 2000).

In the perspective of Malaysia, the rise of the competition level with 2,373 players (Malaysian Association of Hotels, 2010) would force hotel operators to face intense competition in the industry. One of the greatest solutions to gain competitive advantage is to continuously enhance the quality of hotel services (Asubonteng et al., 1996). Moreover, corporate image and customer loyalty should also be emphasized on a timely basis to ensure the sustainability of the business in this competitive industry. Thus, it is vital for the hotels to recognize the guests' perceived quality of services and evaluate it on a constant basis. This shows that the perceived service quality should not be omitted and there is a significant need to understand it based on the different dimensions such as understanding the factors that influence hotel's service quality.

Further to the above discussion, Pulman (2002) also argued that it costs an organization 7 to16 times more to attract new customers instead of retaining the current one. Hence, the idea of customer loyalty has always been a topic of discussion in the hospitality industry as it is the ultimate goal of businesses to achieve. This is because of the intense competition among the players in the industry which has made customer loyalty to be more important for hotel operators. In addition to that, Kandampully and Suhartanto (2000) argued that the customer satisfaction itself is not a guarantee to the business that a satisfied customer will come back for the services again in the future. Therefore, this is the reason why the hotel industry has to invest large amounts of money annually in order to increase customer loyalty (Schall, 2003) as well as improving their corporate image (Keaveney & Hunt, 1992). For instance, Skogland and Siguaw (2004) noted that Hyatt spent about twenty five million dollars on its loyalty program in 1996 whereas Marriot spent about fifty six million dollars for its Honoured Guest program (HGP) in the same year. This scenario directly shows that the hotel industry needs to innovatively develop customer loyalty so that their products or services are not easily duplicated by competitors (Bowen & Shoemaker, 1998), they can increase their profits (Kandampully & Suhartanto, 2000) and at the same time they can improve their

market share (Tepeci, 1999). Therefore, this study will also look into the corporate image and customer loyalty and determine the relationship between those variables in the hotel context.

1.2 Problem Statement

It is obvious that the hotel operators are facing stiff competition within the industry, and like any other service industry that offer their services in a competitive market, competing for the disposable income of consumers. Hotel operators have tried to encounter this problem by engaging in all kinds of defensive strategies. One of the most effective strategies for hotels is to increase the level of service quality and improve the issues of hotel (customer) loyalty (Sidin et al., 2001). Moreover, Kandampully and Suhartanto (2000) noted that one of the strategies that are usually engaged by hotel managers is to obtain competitive advantage through price discounting approach (low-cost leadership), however, this strategy may have a negative impact on the hotel's medium and long term plan and profitability. Therefore, it is quality of service provided rather than price that has turn out to be the "buzzword" to stay competitive (Kandampully, 2000; Sidin et al., 2001). With this, this research will also look into the context of relationship between customer loyalty and corporate image with perceived service quality.

Due to the constant transformation in the service industry over the past decades, the importance of quality culture within the organization has become part of the mission and core values of various organizations (Perez et al., 2003). Although most of the service providers strive to provide quality services and products, developing customer relationships and creating loyalty appears to be a momentous challenge; especially in the hospitality industry. As customer demands steadily increase and new players in the industry continue to raise the bar, the need of a quality approach to service and products intensifies. More

importantly, as global competition and market saturation changes the growing service industry, quality plays an increasingly critical role in both retaining and attracting service customers (Jenson & Markland, 1996). Due to the increasing complexity of customer's requirement, the concept of service quality has been well acknowledged by all the players in the service industries. Therefore, based on the significance in quality of services in the hospitality platform, this study will look into the perception of hotel guests' towards the hotel services in Malaysia.

In addition to that, although review of the literature reveal that service quality of hotel based on customer perceptions has been conducted widely (e.g. Alexandris & Markata, 2002; Claver et al., 2006; Eccles & Durand, 1997; Heung, 2000; Lau et al., 2005; Min et al., 2002; Presbury et al., 2005; Robledo, 2001; Sidin et al., 2001; Tsang & Qu, 2000 etc.), only few studies have been conducted to examine the combined effect of factors such as customer experiences (Brady and Cronin 2001; Edvardsson, 2005; Fiore & Kim, 2007; Holbrook & Hirschman, 1982; Tam, 2005) and cultural differences (Chon, 1995; Poon & Low, 2005; Tsang & Ap, 2007) that have an influences on perceived service quality of the hotel industry in Malaysia. With this, this study will attempt to measure the influence of customer experiences (Tam, 2005) and type of customers (Poon & Low, 2005) on perceived service quality by hotel guests.

1.3 Research Questions

In responding to the research problems, this research attempts to examine the factors that affect perceived service quality and its relationship on hotel loyalty and hotel image in the Malaysian hotel industry. As such, research questions which are presented as follows are phrased for this research in the Malaysian context:

i. Do customers' experiences and cultural differences (Asian/ Western) have an influence on perceived service quality of hotels in Malaysia?

ii. Is there any relationship between the overall guests' perceived service quality and their loyalty towards the hotels in Malaysia?

iii. Is there any relationship between the overall guests' perceived service quality and hotel (corporate) image in Malaysia?

iv. Is there any relationship between the hotel (corporate) image and hotel (customer) loyalty in Malaysia?

v. Is there any mediating effect of hotel (corporate) Image on the relationship between perceived service quality and customer loyalty?

1.4 Research Aim and Objectives

With the identified problem statement and research questions in mind, this research aims to determine the factors that influence perceived service quality dimensions in the Malaysian hotel industry, and to explore the relationship between hotel guests' perceived service quality, customer loyalty and corporate image. In order to achieve the aim, a number of research objectives have been designed. These objectives are stated as below:

similar to not need to have both

i. To assess the perception of service quality for hotels in Malaysia.

ii. To examine whether factors such as customer experiences and cultural differences (Asian/ Western) have an influence on perceived quality of a hotels in Malaysia.

iii. To evaluate the relationship between the overall guests' perceived service quality and their loyalty towards the hotels in Malaysia.

iv. To evaluate the relationship between the overall guests' perceived service quality and hotel (corporate) image towards the hotels in Malaysia.

v.   To examine the relationship between corporate image and customer loyalty towards the hotels in Malaysia.

vi.   To explore the mediating effect of hotel (corporate) image on the relationships between hotel guests' perceived service quality and their loyalty to the hotels.

1.5 The Significance of the Study

In general, the Malaysia's hospitality industry seems to have contributed enormously to the growth of the Malaysia tourism industry (Tourism Malaysia, 2009). As a result of the progress in tourism development, the hotel industry in Malaysia has also been continuously developing to serve for more tourists and provides better services. Hence, this research will determine the aspects of hotel services which are important to customers, and to propose ways to enhance the hotel service quality, hotel (corporate) image and hotel (customer) loyalty. At the same time, to address practical implications by recommending effective and relevant managerial strategies for the hotel industry in Malaysia.

With regard to this, the literature on service quality and previous research are not sufficient to provide a sound conceptual foundation for investigating the subject of perceived service quality of hotel operators especially in the Malaysian context. In view of this, this research seeks to further develop this construct (with the introduction of factors such as customer experiences and cultural differences), in order to contribute to the service quality body of knowledge by providing insights into the hotel guests' perceptions of service quality.

In addition, travel and tourism being a relatively new industry in Malaysia lacks strong lobbying efforts as well as research backing (Mahpar, 2003). According to Mr. Peter Semone [the vice-president, Pacific Asia Travel Association

INTI International University (2010)

(PATA)], it was probably only in the last five to ten years that people had started to take tourism in Malaysia seriously as an academic discipline. Mr. Peter Semone added that "without the academic and research supports, it is very difficult to argue on behalf of tourism to say that tourism is important, because in most cases senior government officials or senior business people would say 'show me the facts, show me why it is so important'" (quoted in Mahpar, 2003, p. 28). As a result, it can be difficult for the Ministry of Culture, Arts and Tourism to justify the budget the department needs in order to promote tourism (Mahpar, 2003). Therefore, the outcomes of this research are important to provide more empirical evidence on the importance of the hotel operators in the tourism industry and to identify the effective ways to improve the quality of services provided by the local hotel operators.

The importance of the above contributions will further enhance the development of marketing management theory and the service quality strategies in the Malaysian hotel industry. At the same time, the intended outcomes of this research would also benefit tourism marketers and DMOs (Destination Marketing Organizations) especially Tourism Malaysia in marketing and developing the tourism industry in Malaysia. With the understanding of how these factors (customers' experiences and cultural differences) affect perceived service quality, this can assist the hotel in Malaysia to operate in a competitive and relevant pace. This initiative will certainly encourage hotels to customize their services in accordance with the rising sophisticated needs from the customers and involve collectively in the Malaysia Tourism programs. With these approaches, this will support the Malaysia hotels to be at the same platform with others hotel entities that are established in the developed countries. Moreover, this move can also assists hotels in reducing their operational overhead especially in the context of marketing through the distinctive development of hotel image and customer loyalty. Moreover, in terms of an academic focus, the intended outcomes of this research would minimize the literature gap in the knowledge of the hotel operators regarding their own

perception of what the customer (hotel guest) wants, as well as what the customer actually perceived on the service quality they received or expect to receive; and how the perceived hotel service quality could lead to improvement of hotel image and hotel loyalty.

1.6 Limitations

For this research, there are a few major limitations associated with this research that should be highlighted. Ideally, the lack of previous literature in supporting the factors of customers' experiences and cultural differences could be a great limitation for this research as there were little comparable materials to evaluate the findings of this research. Next, the sample of Western respondents that were taken for this research should include travelers who stayed at other hotels as different rankings of hotels generally provide diverse levels service quality. Finally, the methodological limitations related to the length of questionnaire could be a significant limitation for this research. This is because a long questionnaire can make it unacceptable and increase the cost of the study (Lovelock, 1976).

1.7 Outline of the Research

This study consists of five chapters. Chapter I provide an overview and background of the research. This chapter also identifies the research problems by delineating the gap found in the literatures of service quality, customer satisfaction and customer loyalty in the hotel industry. The aim of the research and its objectives together with the significance of the study are also discussed in this chapter.

Chapter II presents an overview of concepts in service quality, corporate image and customer loyalty, as well as their relationships in the hotel industry based on the relevant literatures. In addition, this chapter provides the theoretical foundation, and empirical studies to support this study.

Chapter III illustrates the research methodology of the research. A few areas of methodologies are discussed in this chapter, including research design, data collection and data analysis methods. Furthermore, description on how hotel guests' are selected for participation in the study, and definitions of operationalizations and measurements of variables are also discussed in this chapter.

Chapter IV of this research will present the findings of the study based on the results that are obtained from the statistical tests. The findings will also be accompanied with discussions based on the findings from the priors' research.

The last chapter for this study, Chapter V, will conclude the whole research with summary from the findings and some recommendations will be presented. The recommendations will include the proposal for the platform of managerial and future research. Finally, personal reflection will also be included.

Chapter II

Review of Literature

2.0 Introduction

The objective of this chapter is to review the theoretical and empirical literature related to the concepts of service quality, customer experiences and cultural differences, corporate image and customer loyalty that support the constructs outlined in this study.

2.1 The concept of Service Quality

Due to the constant transformation in the service industry over the past decades, the importance of quality culture within the organization has become part of the mission and core values of various organizations (Namasivayam & Hinkin, 2003). Efforts to understand and identify service quality have grown into popularity since its inception in the late 1970s (Antony et al., 2004). Lovelock (2001) suggested that the rationalization for defining and determining levels of quality in service corresponds with the ever-changing customer perception and expectations and how well the organization can accomplish service quality standards. Therefore, service quality has always been given a main priority by the service providers as it is the determinant factor for the success of one's firm.

Principally, service quality incorporates the concept of meeting and exceeding the expectations of the customers and has become a frequently studied topic in

the service marketing literature. Asubonteng et al. (1996) defined service quality as "the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service perceived". However, the preset definition as above will not be used for this study due to some limitations that it posed. This is because the reliability and validity of the disparity between performance and expectations has been persistently questioned and several researchers have strongly suggested that perception scores alone propose a better indication of service quality (Cronin & Taylor, 1992; Teas, 1993; Strandvik, 1994). Based on this constructive argument, the perception scores of service quality will be engaged for the purpose of this study.

2.1.1 SERVQUAL Model

Due to the rising importance of service quality, many of the scholars have tried to develop a framework and scales to measure the perception of service quality. One of the most well known models was known as SERVQUAL model which has been developed by A. Parasumaran in 1985. Parasumaran were the first to introduce a formal service quality model which revealed that the criteria used by consumers in assessing service quality fit ten potentially overlapping dimensions: tangibles, responsiveness, communication, credibility, security, competence, courtesy, understanding and knowing the customer, and access. Later on, these ten components were further categorized into five dimensions, called GAP 5, consisting of tangibles, reliability, responsiveness, assurance and empathy. Tangibles represent the equipment, appearance of personnel and physical facilities. Tangibles can create an atmosphere and allow potential service patrons to know and evaluate in advance of participation. Next, Reliability refers to the ability of a firm to exercise the promised service dependably and accurately. Promises made to an organization's promotional efforts can contribute to participant expectations and consistency of

performance is important to reliability. Besides that, Responsiveness is the willingness to assist participants and provide prompt attention. This is because customers expect their requests to be handled accurately and quickly. Assurance indicates courteous and knowledgeable employees who convey trust and confidence. With this, assurance encloses elements of the organization's competence security, and credibility. Lastly, empathy dimension includes caring and individual attention to users. This can be explained with the understanding of service providers towards participants' needs. The five service quality dimensions finally constitute the basis for global measurement of service quality, namely *SERVQUAL*.

In addition to that, SERVQUAL model has identified 22 items of Likert-type scales which have been consistently designed to measure the customers' perception on the quality of services. According to Parasuraman, et al. (1988), service firms can utilize SERVQUAL instrument to determine the importance of the five dimensions (one dimension focuses on tangibles of the service and the four dimensions focus on the human aspects of service delivery) in managing the effectiveness of service management, help in marketing segmentation strategy based on the level of perceived quality and improve services. However, the application of SERVQUAL instrument may only be limited to past or current customers of any service providers because the customers ought to have some interaction or experience with the service providers prior to the survey.

Since then, according to Shahin (2005), SERVQUAL has been thought to be the most reliable option of service quality measurement for three reasons 1) it can identify the perception of customers' on service quality, 2) the location of quality related problems can be identified, and 3) organizations can establish clear standards for service delivery. This conceptualization and operationalization proposed by Parasuraman and his colleagues have been widely cited in both the service quality and hotel literature (e.g. Alexandris &

Markata, 2002; Claver et al., 2006; Eccles & Durand, 1997; Lau et al., 2005; Min et al., 2002; Presbury et al., 2005; Robledo, 2001; Sidin et al., 2001; Tsang & Qu, 2000, etc.).

2.1.2 Service Quality in the Hotel Industry

According to Zeithaml et al. (1990), It is more difficult for the purchasers of services, such as in the hotel industry, to evaluate quality, than is for the purchasers of tangible products. This is because services been have characterized into three (3) main unique features. First is intangibility that reflects services deliver performances and experiences rather than the physical objects. Services cannot be seen or tried on before purchase as they can only be evaluated during or after consumption of service. A second unique feature is heterogeneity, which acknowledges that service delivery may not be consistent across individuals, time, and situations. Goods are usually produced based on standardized criteria to ensure uniformity, while services can rarely be standardized. For example, although hotel operators may set rules for customer service, the services delivered by individual employees are likely to be different. In this regard, service consumers do not have a standardized criterion to evaluate the service performed by hotel operators. A third unique feature is inseparability. Unlike the production of tangible goods, the purchaser is usually involved in the service production process and quality of service is often determined by service delivery. In other words, a service is consumed while it is produced. Visitors cannot evaluate the quality of the service before it is delivered as quality can only be experienced during or after consumption of the service.

Although researches provide a plethora of ways to evaluate service quality of hotels, the various definitions stated above shed light on the true challenge in evaluating quality. The challenge in the process of service quality in hotels is

that various customers, organizations, researchers and educators utilize different fundamentals to assess quality. Thus, managers need to understand quality and how to encourage their staff to implement quality standards and services on a daily basis. However, given the complex nature of service quality, the challenge remains not only in the definition but in the approach and the continuous process implemented to maintain quality.

Based on the argument of the characteristics and nature of services that are offered by hotels, thus, most researchers have consistently suggested that the SERVQUAL model would be the most appropriate measurement of service quality. In order to clear the ambiguity on hotel's service quality evaluation, Min et al. (2002) has well argued that the entire service quality dimension can be differentiated and categorized into factors such as tangibles, reliability, responsiveness, assurance and empathy which would ease the assessment of service quality from the consumers' standpoint. The main reason on why the SERVQUAL model was used to measure the service quality dimensions is due to its high reliability and validity in the previous studies. This has been proven through a number of studies which have been reported in the hotel literatures that examine the conceptualization and measurement of service quality. For example, Fuwaheer (2004) used a modified SERVQUAL approach to explore international tourist's perceptions of hotel operations in Mauritius. Therefore, in order for the researcher to achieve all the research objectives in this study, thus, SERVQUAL instrument which has been discussed earlier will be engaged to measure the customer's perception on quality for the Malaysian hotel services.

2.2 Factors that Influence Perceived Service Quality

For this part of the study, the combined effect of customer experiences and Asian/Western travelers will be further discussed to understand their influences on customer perception of quality.

2.2.1 Customer Experiences

The concept "customer experiences" was defined as the sum of all experiences a customer has with a supplier of goods or services, over the duration of their relationship with the services (Rae, 2006). However, Edvardsson (2005) stated that customers experiences are not stressed enough either in scientific research or in the business sphere, considering that the full discovering of the role of customer experiences is the future of services. According to him, an experience means the service encounter and/or service process that create the customer's cognitive, emotional and behavioral responses in customers' memories and stay on them for a relatively long time. For example, the customers who experienced a superior service experience from the hotel which they stayed in will definitely remember it. He also mentioned that customers' experiences will have a strong impact on customers' quality perceptions (Edvardsson, 2005). Edvardsson also notices that some first class companies (like Volvo, IBM, Ikea, etc) design service components to physical products stressing experience-based quality, thus, physical products become platforms for service experiences.

In the platform of hospitality, the role of experiences as service quality predicator is not exhaustively explained as there is a noticeable lack of research of customers' experiences in this context. Customers service consumption experiences might essentially affect what customers expect next time and from other service providers. This is because customer expectations may be

influenced by factors such as service knowledge, past experience and exposure to all kinds and sources of communications. According to hotel's longitudinal study, predictive expectations were higher following a positive experience and remained relatively stable following a negative experience (Tam, 2005). Thus, it is expected that the duration of the constant consumption on the services (hotel services) might have an influence on how customers perceived the services and what they expect from it, and similarly the frequency of service consumption. For instance, customers that are engaged highly on the hotel services have been perceived to have more experiences and be able to perceive quality of services variedly. Prior research suggests that people as customers learn to cope with newly perceived marketers tactics such as pricing approach of the hotels gradually over time (Friestad & Wright, 1994), it might be expected as well that they remember and learn from service experiences during a service process. With this, the frequency of consumption is critical in evaluating or recognizing service quality formation of particular hotel in exercising their services (Edvardsson, 2005). In addition, customers experience will be operationalized through three (3) items such as the consumption of hotel services annually (FQ), the periods of service consumption with the particular hotel (Length) and frequency of stay with the particular hotel (FQ-H). However, according to Urban (2009) and (Edvardsson, 2005), the statistical value for the relationship between the frequency of hotels services consumption (FQ) and perceived service quality is sufficient to signify the relationship between customers experience and perceived service quality (PSQ). Therefore, this research will emphasize on the statistical value of the relationship between FQ and PSQ to represent the influence of customers' experiences on perceived service quality. Based on the argument above, it is expected that the above mentioned aspect has an influence on service quality. Therefore, it can be hypothesized that:

H_{a1}: There is an influence of customers' experiences on perceived service quality.

2.2.2 Cultural Differences

In general, cultural differences play an important role in understanding differences between travelers (Poon & Low, 2005). This is because differences in culture and norms can be regarded as the main factors that can affect the preferences and values of travelers in opting for the product or services. In order to support this fact, Poon and Low (2005) argued that Asian and Western customers have a different perception on the quality of services furnished by hotels they stayed in. This means that the cultural differences can be an important determinant factor on how a traveler assesses and evaluates the service quality of the hotel that they stay in. Therefore, based on the cross-sectional studies by Manrai et al. (2009), Western tourists tend to have lower expectations and evaluate the service quality more favorably compared to their Asian counterparts. These differences between both groups of tourists are attributed by two distinctive cultural belief and values. Firstly, Asian cultures are synonymous to Collectivistic societies (people oriented) and they are expected to anticipate a superior courtesy and consideration compared to societies, which are Individualistic and less people oriented such as the Westerners. Next, the study has also indicated that the "Power Distance" in the Asian culture is higher which results in Asian tourists viewing themselves as much more superior and powerful than their service providers compared to Western cultures where such contrasts may not exist or may be less extreme. Hence, this shows that the overall tourists from Asian countries are much stricter in their service quality evaluations compared to their western counterparts. The result of their study has also been supported by the findings from the research that was conducted by Hsu and Kang (2003), Mattila (1999) and Tsang and Ap (2007).

In addition to that, the findings of the study by Hsu and Kang (2003) also revealed that Asian tourists evaluated perceived values, service quality and attractiveness of Hong Kong as a tourist destination more unfavorably

compared to the Western tourists due to their concern regarding the amount of money that has been spent for the hotel services that they used. This is plausible since most of the Asian countries are developing countries and the income per capita is relatively low. Therefore, this issue will directly lead the Asian tourists to have a higher expectation compared to the Western tourists. However, to what extent the cultural influences can influence perceived service quality in Malaysian hotels is still uncertain. Therefore, it can be hypothesized that:

H_{a2}: *Asian travelers gave significantly lower ratings on service quality compared to Western travelers.*

2.3 Customers Loyalty in Hotel Industry

During the past few decades service quality has become a main area of attention among practitioners, managers and researchers due to its significant impact on business performance, lower cost, customer satisfaction, customer loyalty and profitability (Deshmukh & Vrat, 2005). Shoemaker and Lewis (1999) defined loyalty as it pertains specifically to the hospitality industry: "loyalty is when the customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set; these customers buy almost exclusively from the preferred service organization- referring to the organization as their hotel or their restaurant". Based on the importance of customer loyalty, many service organizations especially hotels allocate substantial resources to measure and monitor customer satisfaction, customer loyalty and service quality. Customer loyalty can be established in a number of ways, advocacy to a certain organization, continued patronage of a certain provider, increase in the number of purchases or the frequency of their purchases (Hallowell, 1996; Rowley, 2005; Zeithaml, 2000). Due to the benefits of retaining existing customers, customer loyalty has become an increasingly