2.1 Introduction

In a seminal article, Parasuraman, Zeithmal and Berry introduced ten dimensions for assessing service quality these are Tangibles, Reliability, Responsiveness, communication, Credibility, Security, Competence, Courtesy, Understanding and Access. Later, the same researchers examined the applicability of these dimensions to five services: Appliance repair and maintenance, Retail banking, Long Distance telephone service, Securities brokerage and Credit cards. Based on their analysis, the ten dimensions were collapsed into five where Communication, Credibility, Security, Competence and Courtesy were merged together into a new dimension called Assurance. In addition, understanding and access were merged together to form the fifth dimension called empathy.

Other researchers questioned SERVQUAL'S conceptualization as well as its operationalization. For example Cronin and Taylor expressed their concerns of using the difference between expectations and perceived performance as a valid operational measure of service quality. According to them, the disconfirmation model used by Parasuraman, Zeithaml and Berry in measuring perceived service quality is not equivalent to an attitude based model, whereas consumers' expectations are defined in what you should expect rather than what you would expect. Further Cronin and Taylor suggested using only perceived performance as a measure of perceived service quality. Thus they recommended using the scale SERVPERF, the perception part of SERVQUAL as a better scale of perceived service quality (i.e. P only).

To retest the reliability the SERVQUAL scale, Cronin and Taylor conducted a survey on four services; Banking, Pest Control, Dry Cleaning and Fast Food. At the same time, item importance was introduced in this survey. The four alternatives SERVQUAL, SERVPERF, importance-weighted SERVQUAL and importance-weighted SERVPERF were analyzed. Among
the four scales, SERVPERF was empirically proven to be better than all other scales in explaining the variations in service quality.

It is worthy to note that Parasuraman, Berry and Zeithaml, the SERVQUAL originators, re-examined the scales reliability by reapplying it to three services; A Telephone Company, Two Insurance Companies and two Banks. The results reconfirmed the scales reliability and validity, sub classified the tangibles dimension into two sub dimensions and recommended minor changes in the wording of the expectation section of the questionnaire.

In another replication study, Mels, Boshoff and Nel tested SERVQUAL on five services; Banks, Insurance Brokers, vehicle repairs, electrical repairs and life assurance. After applying factor analysis with oblique rotation on the data, they concluded that only two empirical factors were supported by SERVQUAL, which they called intrinsic and extrinsic service qualities\(^{33}\).

To summarize, the current literature on service quality demonstrates two major points of debate. The first point is the apparent disagreement among scholars on the method of measuring service quality from the customers viewpoint. This is evidenced by the disagreement of scholars on the definitions of expectations, customer satisfaction, service quality and the inter relationships amongst constructs. The second point of debate relates to the SERVQUAL scale dimensionality and generalizability. The argument given here is that the five dimensions proposed by this scale lack the capability of measuring perceived service quality generically; i.e., across all service industries and accordingly each service sector should define its own measuring tool, albeit starting with SERVQUAL.

In the hospitality arena, comment cards have been commonly used to measure customers perception of quality. However, comment cards are not indubitable for three reasons. First, they lack the validity needed to confirm their suitability of measuring customer’s perception of quality. Second, guests do not fill out these cards which necessarily result in non-response bias. Third, usually only dissatisfied customers fill out these cards which inevitably results in response bias. Notwithstanding these shortcomings many hotels allocate valuable resources and even change their strategies based on their

\(^{33}\) Service Quality in Elite Hotels, July 1991, 324-345.
Another problematic area in measuring customer judgment of quality of hotel service is the wide range of attributes suggested by recent studies that may not all be reflected in the SERVQUAL scale. For instance, Saleh and Ryan’s review of previous research dealing with hotel services included 37 hotel attributes as shown and updated in table 1. In order to measure hotel service quality correctly, these attributes should somehow be taken into consideration. Furthermore, not only should the hotel location be taken into account but the impact of the location on the hotels service attributes should also be realized. For instance a beach side hotel should have different attributes than a downtown hotel where the stay objective is completely different. 

Table 2.1 : Updated review of Saleh and Ryan’s hotel attributes measured by previous research.

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<td>Actual Price</td>
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<td>X</td>
<td>X</td>
<td>X</td>
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<td>Price/Value</td>
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<td>Good Reputation</td>
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<td>X</td>
<td></td>
<td>X</td>
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<tr>
<td>Prestige of Hotel</td>
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<td>X</td>
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<td>X</td>
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<td>Location</td>
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<td>Safe Parking Nearby</td>
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<td>X</td>
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<tr>
<td>Cleanliness of rooms/baths</td>
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<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
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<tr>
<td>Size of room/baths</td>
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<td>X</td>
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<td>Quality of T.V./Radio</td>
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<td>Comfort of bed</td>
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<td>X</td>
<td>X</td>
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<td>Décor</td>
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<td></td>
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<td>Exterior aesthetics</td>
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<td>X</td>
<td></td>
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<tr>
<td>VIP rooms/sections</td>
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<td>X</td>
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<td>Physical condition of rooms/baths</td>
<td>X</td>
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<td></td>
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<td>Variety of services</td>
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<td></td>
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<td>X</td>
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<td>Promptness of service</td>
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<td>X</td>
<td>X</td>
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<td>Professionalism of staff</td>
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<td>X</td>
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<td>X</td>
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<td>Quick check in/out</td>
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<td>X</td>
<td>X</td>
<td>X</td>
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<td>Staff Friendliness</td>
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<td>X</td>
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<td>VIP Treatment</td>
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<td>Quality of Bar</td>
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<td>X</td>
<td></td>
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<td>Saunas, Steam Bath, exercise equipment</td>
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<td>Shops in Hotel</td>
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<td>Small Amenities e.g. soaps, mints</td>
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<td></td>
<td>X</td>
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<tr>
<td>Quietness of rooms</td>
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<td>X</td>
<td>X</td>
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<td>Quietness of Hotel</td>
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<tr>
<td>Security of hotel</td>
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<td></td>
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<td>Security of area</td>
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<td>Reservation System</td>
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<td></td>
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<tr>
<td>Wake up call service</td>
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<tr>
<td>Plentiful Towels</td>
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<td>Valet Parking Service</td>
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<td>Laundry Service</td>
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</table>

Source: Saleh and Ryan. The last three columns have been added by the current authors. (Service quality in Riyadh's elite Hotels Measurement and Evaluation) J. King Saud University, Vol 14, Admin. Sci (2), pp 83-103, Riyadh (1422/2002).

Past literature has identified three critical variables that have been inextricably linked to contributing to loyalty-quality, value and satisfaction (Cronin et al., 2000; Payne et al., 2000; Loveman and Hasket, 1999; Reichheld, 1996; Parasuraman et al., 1991; 1988; Cronin and Taylor, 1992; Reichheld and Sasser, 1990). Although a number of studies have found these variable to have significant impact on loyalty, several researchers have argued that these variables only provide partial insight into building customer loyalty and that alternative new variables should be brought into the loyalty building dynamic (Cronin et al., 2000; Dube and Reneghan, 2000). Although attracting little research interest one critical variable impacting customer loyalty has been identified in the customer relationship management (CRM) literature- that of the customer experience. Indeed for Donnelly et al, (2008) a
major criticism of the loyalty research is that the customer experience variable has been excluded from consideration.\(^{35}\)

This reflects what Smith and Wheeler (2002) argue- as we are now living in the age of experiences, firms must deliver to customers a “branded customer experience”. Both CRM and brand literatures alike indicate that building loyalty is found in the customer’s experience with the product/service.

Furthermore, the tourism sector has also recognized the role of the total customer experience in building loyalty. A key strategy for this sector is “to develop and deliver distinctive, authentic and memorable experiences that stimulate increased visits, longer dwell times and higher expenditure” Indian… Indeed, one dominant theme that continuously appears to emerge from national reports is that due to the competitive nature of the Indian Tourism Industry, creating the total customer experience to build customer loyalty is being acknowledged as a real, sustainable differentiator and a key strategic success driver to create a stronger capacity in Indian Tourism Companies.

This relatively new perspective recognizes that the customer has to interact with the components of a service in order for the service to become ‘real’ (Echeverri, 2005) and that the successful management of customer experiences leads to a differentiated competitive advantage (Smith and Wheeler, 2002).\(^{36}\)

In recent times, a few researchers have turned their research lens on the relationship between loyalty and customer experiences. The research that has been completed on these variables specifically by Dube and Reneghan, 2002, and associates, indicated that the customer experience has a substantial effect on building customer loyalty (Berry and Carbone, 2007; Carbone and Haeckel, 1994). For the tourism industry this knowledge gap is of particular concern, especially in light of the report which defines tourism as a total customer experience and which emphasizes that the customer experience is “of primary importance in the formulation of India’s tourism policy and shaping the competitive position of the industry”.


Based on the foregoing, this study extensively investigates both the customer experience and the customer loyalty variable in depth. Consequently, a number of loyalty building models and key determinants such as quality value and satisfaction have been identified. Thus, a new conceptualization for building loyalty has been developed by the researcher who proposes that in order to build customer loyalty all three critical variables: quality, value and satisfaction are necessary with incorporation of a new and dynamic variable “customer experience”.

Furthermore, this study identifies and explores three major aspects, as derived from Carbone and Haeckel’s (1994) work on customer experience clues these clues include functional (core product/service), mechanic (physical environment) and humanic clues (employee behaviours/interactions). The relationship dynamics between each of these clues and building customer loyalty is investigated, as is the mediated relationship with the other major determinants—quality, value and satisfaction.

2.2 Customer Relationship Management

The new marketing paradigm is based on knowledge and experience. The knowledge based marketing paradigm indicates that corporations used to know more about customers; and an experienced based marketing paradigm suggests bringing more interactions into customer related activities. Since the 90’s there have arisen numerous synonymous terms; customer management, customer information system, customer value management, customer care and customer value management, customer care and sometimes customer centricity or customer centric management, but now clearly, the term customer relationship management, but now clearly, the term customer relationship management has become most widely used.

CRM is an interactive process that turns customer information into customer relationship through actively using and learning from information. It is a cycle for encompassing major groups of actions: knowledge discovery, market planning, customer interaction and analysis refinement.\(^{37}\)

Ryals and Knox determined that philosophical bases of CRM are: relationship orientation, customer retention, and superior customer value

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created through process management. Successful implementation of CRM requires cross-functional reorganization, especially marketing and IT, to work closely together to maximize the return on customer information. The impact of the use of IT on marketing includes the fact that database marketing grew in significance in the late 1980’s. In summary, CRM integrates practices of database marketing to support short term marketing tactics and conceptual frame to relationship marketing to develop long term customer relationship strategies.

2.3 Measuring Customer Loyalty

The structure of an organizations loyal customer base is a function of how loyalty is defined by the organization. Customer loyalty is generally defined in either behaviour or attitudinal terms or some combination of the two. Measures of behavioural loyalty include volume and frequency of purchase over time (Riley et al., 2001), proportion of consumption within a specified set of other goods and services located within a defined market (Howard et al., 1988; Backman and Crompton, 1991), probability of repeat purchase and combinations of the first three measures. Attitudinal loyalty can be measured using a simple attitudinal statement of loyalty towards the service provider (Guest, 1942; Day, 1969; Pritchard and Howard, 1997) or by measuring the commitment to the organization (Pritchard and Howard, 1993; Selin et al., 1988). Research suggests that a two dimensional view of loyalty, incorporating behaviour and attitude, will lead to the identification of truly loyal customers (see Day, 1969; Pritchard and Howard, 1997). The development of a loyalty matrix such as that proposed by Pritchard and Howard.

At present the hotel companies are developing targeted promotions as part of their CRM strategy, offering specific customers discounted rates to increase capacity utilization during periods of low demands. However, management of rate and room availability on an individual customer basis in the context of the generic reservation process has received little attention. Prior to consideration of potential strategies for managing the revenue streams from individual customers, hotels need to establish the long term value of each customer relationship.

Guests that become one timers or long timers may be likely to select a hotel using different criteria for example; some guests may want to find a hotel that meets their needs at the outset so they do not have to expand the time and effort in searching for the alternatives. Other guests may be variety seeking; thus, seeking different criteria for each hotel stay as they plan to try other hotels regardless of the stay outcome. However research regarding the factors considered important in the initial selection process for loyal versus non loyal guests is unknown.

Furthermore factors that may affect initial hotel selection and return for the hospitality industry, in general, may vary depending on hotel segment. Though some research has explored differences in selection criteria based on traveller characteristics, such as travel situation, business versus leisure, and market segment (e.g. Lewis, 1993; Mehta and Vera, 1990), no known research has examined differences in hotel selection based on luxury hotel segment or guest type. This research deficiency is surprising since differences likely exist in the initial hotel selection process for luxury hotels because many hotel attributes considered important to the hotel selection process, such as quality bedding or good service are a given. For example, attributes, such as comfort and security are important to mid-scale hotel guests (Barsky and Nash, 2002); yet, may not be so important to the luxury hotel guest in that guest assume the highest level of these characteristics exist, thus other characteristics become more salient. Examples of other characteristics that may be more important to the upscale guests or the presenting name or reputation of the hotel, or even specific features such as a spa; however, few studies have examined this type of factors focusing solely on the luxury hotel segment thus, the need for the study is further justified.

Knowing hotel factors salient to the initial hotel selection decision is vital since hotels may want to hone those attributes and feature them in promotions for the hotel to first time visitors³⁹.

2.4 Customer Satisfaction And Loyalty

Many companies confirm that only offering a product or service and making it available to the market is insufficient to draw new customers and retain the loyalty of the current ones. The consumers are assertive about asking the purpose of the product or service they are acquiring, by trying to learn the philosophy of the company, the benefits it brings to the society, and especially how it treats the customers.

Through quality and the constant search for growth and development, the hotel business will withstand the fierceness of the modern market. The search for quality in the hotel industry is the search for the differential treatment of the market.

The problem in customer satisfaction is presented as an area of difficult treatment of the managers, especially in the hotel sector, in which performance of each hotel is essential in its success. In this context one of the prime objectives (Pinto, 2008) faced with this scenario, there is a need to conduct a questionnaire on the satisfaction and loyalty of the guests in the NCR (National Capital Region) lodging sector.

2.5 Conceptualization Of Customer Loyalty

Initially, loyalty was investigated in terms of brand loyalty with respect to tangible goods (Day, 1969; Tucker; 1964; Cunningham; 1956). Brand loyalty was defined by Cunningham (1956) as the number of purchases a household allocated to a brand over a period of time. The conceptualization of the loyalty concept has become more and more complex (Jones and Taylor, 2007). The vast majority of market researchers view loyalty as a multi-dimensional concept, however there is a debate as to how many dimensions this is two or three. For instance Reichheld (2003) maintains that for many of the service organizations he investigated the results showed that loyalty can be measured by utilizing only one indicator – willingness to recommend. Thus his results convey a one dimensional concept of loyalty. A further concept of customer loyalty is that of Chitty, Ward and Chua (2007) who argue that, loyalty can be conceptualized by two dimensions that is behavioural loyalty, indicated by repeated purchase behaviour and attitudinal behaviour referring to the inherent affective and cognitive facets of loyalty. Zins’ (2001) study of the airport sector brought this a step further, identifying three distinctive
approaches to measure loyalty behavioural measurements attitudinal measurements and composite measurements⁴⁰.

In the early days, the majority of literature focused on behavioural aspect of loyalty and ignored other customer factors (see Tranberg and Hansen, 1986; Jacoby, 1971; Tucker, 1964). The behavioural approach involves the individual altering their behaviour, showing strong intentions to repurchase from the same service provider over alternate service providers. Both the marketing and psychological literatures indicate that behavioural loyalty is measured by repurchasing intentions, switching intentions and exclusively purchasing intentions (Jones and Taylor, 2007). However several authors have criticized behavioural definitions for being vague and limited. Dick and Basu(1994) argue that behavioural measures are unable to explain the reasons or factors that may influence a consumer’s purchase decision making process as purchase frequency is the only measurement; they also criticize the behavioural approach for the lack of conceptual basis; and for having too much of an emphasis on outcomes. Further, Reichheld (1994) states that much of the behavioural loyalty research has substituted customer loyalty with customer retention as customer retention has apprise and calculable net present, while Tepeci (1999) argues that repeated purchase is not always the result of deep psychological commitment; for instance, a visitor may stay at a hotel due to its convenient location, but will switch to a second hotel, which offers better values opens nearby. Repeat purchase does not always mean commitment or indeed loyalty. The second loyalty measurement is attitudinal.

The attitudinal approach considers both the emotional and the psychological aspects inherent in loyalty. The attitudinal perspective reflects a sense of loyalty, engagement and allegiance. For instance, an individual may have a favourable attitude towards a hotel, and may even recommend it to others, but they will not stay at that hotel since it’s too expensive for them. Building attitudinal loyalty towards a product/service/business takes more than a basic marketing transaction inducement. Positive attitudes toward the

product/service or business must be developed over a long period of time (Kumar and Shah, 2004). Indeed commitment has a significant role to play in attitudinal loyalty; “since commitment reflects the customers’ self-evaluation of the consumption context and the active decision to engage in a long term relationship” (Evanschitzky et al, 2007:1210). Affective commitment involves the desire to maintain a relationship that the customer perceives to value (Morgan and Hunt, 1994). It is the underlying psychological attachment that reflects the emotional nature of the relationship between the customer and the service provider (Petrick, 2003; Fullerton, 2003; Kumar et al, 1995). Hence this emotional or psychological attachment translates into strong attitudinal loyalty (Dick and Basu, 1994). Moreover, affective commitment results in the customer being loyal because he or she wants to be loyal. In addition past research indicates that the strength of consumers’ attitudes towards a product or service is a very good indicator of their behavioural loyalty (Evanschitzky et al., 2007; Keller 1998; Aaker, 1996).

Attitudinal loyalty falls under an alternative measure for loyalty, namely cognitive loyalty. The cognitive approach entails an individual completely reforming what he/she believes about the relationship with his/her service provider. It is based on conscious evaluation of attributes or the conscious evaluation of the rewards and benefits associated with repatronage (Lee and Cunningham, 2001). The cognitive measures include top of mind (Dwyer et al., 1987), first choice (Ostrowski et al, 1993) price tolerance (De Ruyter et al,1998; Anderson, 1996), exclusive consideration (Gremler and Brown, 1996), identification with the service provider, that is “my service provider” (Butcher et al, 2001) and willingness to pay more (Bloemer et al, 1999)41.

The composite measurement of loyalty is the measurement of the first two dimensions, behavioural intentions and attitudinal. Loyalty is measured utilizing customers product preferences, propensity of brand switching, frequency of purchase and total amount of purchase (Wong et al, 1999; Hunter, 1998; Pritchard and Howard, 1997). Pritchard and Howard (1997) argue that operationalizing both attitude and behaviour in the measurement of loyalty significantly enhances probability of building loyalty (Pritchard and

Howard, 1997). Thus, the composite measurement tool has been utilized and supported as a beneficial tool to understand customer loyalty in a whole variety of areas of study from retailing to recreation, hotels and airlines (Pritchard and Howard, 1997; Pritchard et al, 1992; Jacoby and Kyner, 1973; Day, 1969). The researcher of this study adopted the composite approach to study customer loyalty, as loyal customers are customers who hold favourable attitudes towards the service provider or business, committing to repurchase the product/service and recommend the product/service to others (Bowen and Chen, 2001).^42^ In summary the psychology literature which is focused on pro relationship maintenance (Rusbult et al, 1999) suggests that loyalty is a two dimensional (behavioural and combined cognitive/attitudinal) concept. The marketing literature proposes that loyalty is a tri dimensional (behavioural, attitudinal and cognitive) construct (Jones and Taylor, 2007) and in the interpersonal relationship literature, loyalty is two dimensional with behavioural and cognitive measures. In a more recent study investigating the dimensions of service loyalty, Jones and Taylor(2007) found the two dimensional representation of loyalty was consistent for all three types of services examined, Thus loyalty captures in its essence, what Oliver(1999) referred to as “what the person does” (behavioural loyalty) and the psychological meaning of the relationship (attitudinal/cognitive loyalty). This reflects the composite approach of which is the measured operationalized for this study. The table gives the complete breakdown of the loyalty dimensions – Behavioural and attitudinal and cognitive.

**Table 2.2 : Loyalty dimensions**

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Loyalty Related Outcome</th>
<th>Definition</th>
<th>Related Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behavioural</td>
<td>Repurchase Intentions</td>
<td>Customer’s aim to maintain a relationship with a particular service provider and makes his/her next purchase in the category from this service provider.</td>
<td>Jones et al (2000); Zeithaml et al (1996)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Loyalty Related Outcome</th>
<th>Definition</th>
<th>Related Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switching Intentions</td>
<td>Customer’s aim to terminate a relationship with a particular service provider and patronize another in the same category.</td>
<td>Bansal and Taylor (1999); Dabholkar and Walls (1999)</td>
<td></td>
</tr>
<tr>
<td>Exclusive intentions</td>
<td>Customer’s aim to dedicate all of his/her purchases in a category to a particular service provider.</td>
<td>Reynolds and Arnold (2000); Reynolds and Beatty (1999)</td>
<td></td>
</tr>
<tr>
<td>Attitudinal</td>
<td>Relative attitude</td>
<td>The appraisal of the service including the strength of the appraisal and the degree of differentiation from alternatives.</td>
<td>Dick and Basu (1994); Mattila (2001); Pritchard et al. (1996)</td>
</tr>
<tr>
<td>Willingness to recommend</td>
<td>Consumer’s willingness to recommend a service provider to other consumers.</td>
<td>Butcher et al. (2001); Zeithaml et al. (1996)</td>
<td></td>
</tr>
<tr>
<td>Altruism</td>
<td>Consumer’s willingness to assist the service providers or other service consumers in the effective delivery of the service.</td>
<td>Price et al. (1995)</td>
<td></td>
</tr>
<tr>
<td>Cognitive</td>
<td>Willingness to pay more</td>
<td>Consumer’s indifference to the price differences between that of his or her current service provider and others in the same category.</td>
<td>Anderson (1996); de Ruyter et al. (1998)</td>
</tr>
<tr>
<td>Exclusive Consideration</td>
<td>The extent to which the consumer considers the service provider as his/her only choice when purchasing this type of service.</td>
<td>Dwyer et al. (1987); Ostrowski et al. (1993)</td>
<td></td>
</tr>
<tr>
<td>Identification</td>
<td>The sense of ownership over the service affiliation with the service provider or congruence values that exists between the service provider and consumer.</td>
<td>Butcher et al. (2001)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Jones and Taylor (2007)

2.6 Major Determinants of Loyalty

While the above extant concepts of loyalty have served the research needs of the business community for the past 40 years and have produced valuable insights into the process of building customer loyalty they, nevertheless, have been criticized to a great extent (Salenga and Goodwin, 2005; Cronin, 2003; Smith and Wheeler, 2002; Dube and Renaghan, 2000;
Cronin et al., 2000; Cronin and Taylor 1992). The criticism relates mainly to the general acceptance amongst most loyalty researchers that the variables of quality, value, and satisfaction are sufficient to build loyalty to the exclusion of any new variables. It is the authors' view that one critical variable has been excluded from consideration that impacts on customer loyalty, explicitly customer experiences. This reflects what Smith and Wheeler (2002) as well as other researchers in this field argue – especially considering we are now living in the age of experiences, firms must deliver to consumers a “branded customer experience”. Both customer relationship management and brand literatures alike indicate that loyalty building is found in the customer’s experience with the product or service; hence a major key to building customer loyalty is the successful management of each customer’s service experience.

Furthermore, from a tourist perspective, it has been proposed by researchers that the critical determinants of loyalty (that is quality, value and satisfaction) should be further investigated to identify and comprehend the tourist’s decision to return to a destination and/or to spread positive word of mouth referrals for that destination – both are seen by several researchers as fundamental measures of customer loyalty (Petrick; 2004; Baker and Crompton, 2000; Getty and Thompson, 1994). Although research efforts have advanced the understanding of the quality, value and satisfaction variables in the hospitality and tourism setting, there continues to be a need to enhance and improve the relevant theories and methodologies by introducing new variables and/or by modified frameworks to increase the power of these models (Oh and Parks, 1997). For example most hospitality and tourism research models have placed emphasis on service quality as the sole antecedent to customer satisfaction, while other variables such as perceived value have been empirically tested as a second antecedent variable to satisfaction (e.g. Petrick, 2004; Tam, 2000; Oh 1999).

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For Donnelly et al., (2008) the following arguments can be directed against the received literature on customer loyalty:

2.6.1. The interrelationships between variables of value, quality and satisfaction in building customer loyalty remain relatively unresolved and contradictory in the literature (Cronin et al., 2000). This knowledge deficit has implications for both practitioners and researchers. Without a clearer understanding by academics of how customer loyalty is built, the existing gap between what academics are prescribing and what practitioners are practicing will remain. Building customer loyalty without an understanding of how firms can achieve it can lead to misapprehension of the importance of variables or even their omission from this process.

For Cronin (2003), there is a need to move away from the traditional quality-value-satisfaction-loyalty model to a new variable in order to enrich academic and practitioner understanding and bring a more holistic perspective to building customer loyalty. As previously indicated, one such variable which has been identified in the customer relationship management literature is “customer experiences”. This variable has received limited research attention as a determinant to customer loyalty. Indeed it is perceived that customer experience is a highly relevant component involved in both customer relationship management and in building customer loyalty. With the exception of Wall and Berry (2007), Dube and Renaghan (2000) and Pine and Gilmore, (2000; 1999), little research exists, and none in the Irish context, which examines this relationship; thus a considerable gap exists in academic knowledge. Donnelly et al, (2008) suggests an alternative approach for the conceptualization of building customer loyalty- one that recognizes the customer experience as a critical component in the building customer loyalty 45.

2.7 Introduction to the Customer Experience Concept

In relation to creating any successful business, Peter Drucker (1974) states that a business has to make money and a business has to make customers. It’s not either/or and these factors are strongly related to building a successful business. In today’s business climate, Carbone (2004) contends

that creating value for customers by strategy. He states that “making money and making loyal customers are not mutually exclusive. The essence of experience as a value proportion is as old as business itself” (2004:26). Therefore, creating total memorable experience is an important variable in relation to creating value for the customers and, as previously indicated, is central to building loyalty. In order to fully understand the significance of the customer experience concept in building loyalty, it is necessary to first define what is meant by customer experience.

2.8 The Customer Experience Defined

Since the 1960’s there have been many developments in the conceptualization of the customer experience concept (Uriely, 2005). According to the Oxford English dictionary, the term experience is defined as the “actual observation of or practical acquaintance with facts or events” (Swannell 1992:369). Within the services literature the depiction of actual and practical acquaintance is analogous to Echeverri’s (2005:3) definition of services “as something that becomes ‘real’ when a customer interacts with some specific prerequisites – such as organizational structures, activities, people, and other customers”. Customers will always have an actual experience when they engage with a service provider or organizational (Mascarenhas, Kesavan, and Bernacchi, 2006). Kwortnik and Ross’ (2007:66) definition of an experimental product as “fusing tangible (sensory) and intangible (symbolic) attributes and co-produced by consumer and marketer to create an event that is pleasurable and memorable and meaningful” indicates that experience can be tangible, intangible or both. These characteristics can also be discerned in Poulson and Kale’s (2004:270) definition of customer experience as “an engaging act of co-creation between a provider and consumer wherein the consumer perceives value in the encounter and in the subsequent memory of that encounter”. They characterize customer experience as having five dimensions – novelty, learning, surprise, personal relevance and engagement. Similarly, Uriely (2005) sees the notion of experience as different to the customers of everyday life and a pursuit of

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strangeness and novelty, and Gupta and Vajic (2000) perceive experiences as entailing a learning process which occurs during the period of time that the consumer interacts with the process which occurs during the period of time that the customer interacts with the various aspects of the service. Carbone and Haeckel (1994), in parallel to Poulsson and Kale (2004), identify experiences as the impressions of each service encounter that customers take away with them. As the foregoing indicates, customer experience incorporates a number of complex elements which both objectively and subjectively affect and mould the customers’ perceptions and attitudes (Page and Conell, 2006); involving a dialect between cognition and the complex elements of the experience (Gupta and Vajic, 2000)\textsuperscript{47}.

2.9 Experiences Versus Services

As well as the foregoing, there is also a body of research that distinguishes between service and experience. Pine and Gillmore (1992:2) argue that it is important to realize that actual experiences are distinct from services: “when a person buys a service, he purchases a set of intangible activities carried out on his behalf. But when he buys an experience, he pays to spend time enjoying a series of memorable events that a company stages – as a theatrical play to engage him in a personal way”. This implies that creating customers’ experiences are embedded in the performance of a company’s ability to personalize specific prerequisites (Mascarenhas et al, 2006). Poulsson and Kale (2004:270-271) contend that the difference between a service and an experience is as follows:

A service is something that is done for you; whether that service involves work on your body (a haircut), or on your property (having your lawn cut) or a task carried out on your behalf (filing a tax return). An experience in the other hand is a product that does something to you (entertains, educates or engages) and what you typically walk away with is the memory of the encounter.48

Goods, services and experiences all have a consumption stage. With the experience the consumption and purchase are generally at the same point in time, whereas with a product or service, the purchase and consumption may be at different stages. There is the experience consumption stage which is more instant, intense and prolonged, while the product or the service consumption stage may occur later, and not in the same setting as the place of the purchase or in the presence of the provider. At the core of the experience is the encounter between the customer and the experience provider in that extended and intensified consumption stage which leaves the customer with the memory of the experience. In addition Gupta and Vajic (2000:38) maintain “that what distinguishes experience from both products and services is the active role that customers are given in creating their own use environment”. So “while commodities are fungible, goods tangible and

services intangible, experiences are memorable" (Pine and Gillmore 1999:11-12, 2002), "experiences are a fourth economic offering as distinct from services are from goods, but one has that has until now gone largely unrecognized" (Pine and Gillmore, 1999:9). These authors argue that goods are no longer enough. It is experiences that are the foundation for the future economic growth.

2.10 The Nature of Customer Experience

Businesses have been creating and managing experiences for a great number of years without really comprehending their significance, specifically in relation to creating value for customers. Today the customer experience concept is a widely understood and utilized strategy used by market leaders to create value and to obtain a competitive advantage (Carbone, 2004:39). One of the earliest companies to consider experiences as key business strategy was the Americans roadside restaurant franchise Howard Johnson. Since the 1950’s the company parked its motor lodges, known as Holiday Inn, adjacent to its restaurant and so Hojo experiences began. The restaurant and motels were themed as well as having different theme nights, which were adapted in franchises throughout the country. In those days the orange roof served as a distinctive clue for comfort, cleanliness and consistency. This was the Hojo experience; "to travel – weary Americans, with kids bawling in the back seat and pop bleary from driving.

The sight of an orange roof was like the first palm of an oasis to a thirsty Arab and his camel". (Forbes Magazine 1985 report, cited from Carbone, 2004:6). Even as far back as those early days, Howard Johnson demonstrated the power of the customer experience management strategy by "maximizing the total customer experience that truly creates value and builds preference" (Carbone, 2001:19). Carbone (2004:19) states that Walt Disney "recognized that gaining efficiency in one small place, but degrading the overall experience as result, actually reduces the value being delivered – to customers and to the bottom line". The foregoing suggests that it should be a

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fundamental business practice to create and maximize its total customer experience; a tried and proven theory to which Disney stands by to this day\textsuperscript{50}.

In an overall tourism context, managing the customer experience is more complex as it includes several stages from the planning of the journey, to the departure, to the sojourn and the returning home. In addition, the tourism experience will have several disparate distinct service providers. All of these complexities make it difficult to describe define and conceptualize the tourism experience (Gnoth, 2002) - but there are several major streams of thinking in this area which are presented in the sections below.

\textbf{2.11 Experience Levels}

Gnoth (2002) believes that experience occurs on three levels – functional, experiential, and symbolic. The functional level relates to the core characteristics of a product or service that is. Its technical usability. The experiential and the symbolic aspects relate to the customer’s motivations or level of involvement in the service. As a tourist destination begins to grow, the functional levels relating to essential services being developed. With increased emphasis on tourist operations, businesses can obtain an advantage by focusing on the experiential and symbolic levels(Gnoth, 2002)\textsuperscript{51}.

\textbf{2.12 Experience Dimensions}

There are three major streams of thought concerning the dimensionalizing of experience. Gupta and Vajic (2000) perceive that experience has three dimensions, and Pine et al, (1998) perceives that experience has two dimensions. Both perspectives are behavioural and quite similar. Whereas, Poulsson and Kale (2004) perceive that experience has five dimensions in an affective concept.

For Gupta and Vajic (2000), experiences are characterized based on three dimensions- the organization’s influence over the customer’s use environment, customer participation and social interaction. The customer’s use environment relates to the context in which a product or service is consumed as opposed to the context in which the product or service is purchased. These two contexts are very different as the service provider has

no control over the product/service consumption or utilization unlike the purchasing context. However the majority of service providers tend to have more control over the service as purchase and consumption tend to occur simultaneously. Subsequently, service providers should try to influence both the purchase and consumption decision of the consumer’s by designing and orchestrating a service system that best meets the customer’s desires. This can be done by creating an experience based on the in-depth understanding and knowledge of the amenities and facilities that engage a customer during a product or service use (Gupta and Vajic, 2000). Within the experience firms add enough flexibility to allow for the differing preferences and knowledge structures of the consumers, so that each customer can create their own unique and personalized experience (Gupta and Vajic, 2000). Despite the foregoing, as well as the capacity of the service industry to involve customers (unlike customer participation in a manufactured product which tends to be limited), participation by the customers is often passive as service providers tend to design systems for standardization and to obtain efficiencies in routine operations.

This passive role leads to customer frustration due to the limited control over the experience, while reinforcing the barrier that exists between themselves and the experience provider. Successful experience organizations realize the importance of active customer participation in creating a unique and memorable customer experience such as that which Disney World provides. Participation allows each customer to create a user environment in a way that suits him/her best (Gupta and Vajic, 2000). In addition to the foregoing the level of interaction between the customer and the staff/product is limited in relation to products but, in a service context, the customers may interact among themselves at random and these interactions tend to be unplanned and subjective with no real advantage to the provider. For instance, a passenger on a plane may interact with a fellow passenger, which may lead to a positive or indeed negative interaction over which the service provider has no control. If the interaction is negative this effects the customer’s perceptions of the experience.

Therefore the experience interaction is indeed a critical aspect in the process; interaction allows the customer to own their own sense of the context
and to mould their preferences. In addition each interpersonal encounter between the customer, the employee and fellow customers is what creates a unique experience. In essence the experience is an area that is produced in the social context (Gupta and Vajic, 2000)\textsuperscript{51}.

As previously indicated Pine and Gillmore’s (1998) dimensionalizing of experiences parallels Gupta and Vajic’s (2000) thinking in many respects. Pine and Gillmore (1998) proposed that experience can be characterized based on two dimensions – the level of customer participation and the environmental relationship level that exists. The level of customer participation ranges from passive participation wherein the customer has no real involvement, where they merely observe; to active participation, where the customer becomes engaged and plays an active part in the experience. Similarly, the environmental relationship refers to the level of connection that is made between the customer and the event or experience and this varies from absorption, where the customer remains remote, to being immersed, where the customer becomes consumed in the event. As illustrated in figure Pine and Gilmore (1998) further divide the customer experience into four realms – entertainment, educational, escapist, and aesthetic. The entertainment realm takes a passive participation absorption stance; whereas the educational realm takes a more active immerse approach. The escapist realm is a combination of both the entertainment and the educational realm, while the aesthetic experience realm is actively involved with little or no immersion in the event or experience. They argue that the most successful experience will fall into all four realms, but now that is very difficult to achieve. However these authors further argue that experience providers must overcome this challenge by clearly identifying, defining, differentiating and delivering the actual experience they are providing\textsuperscript{52}.

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These two previously discussed dimensional perspectives are primarily behavioural as they both focus on customers’ actions such as their participation, interaction, engagement and purchase. Conversely the third perspective, Poulsson and Kales (2004) is affective as they are concerned with the customer’s feelings and emotions. Poulsson and Kale (2004:271) argue that for an encounter to be considered an experience “one or more of the following sensations or feelings need to be apprehended by the customer: personal relevance, novelty, surprise, learning and engagement”. Personal relevance refers to the customer’s internal process of stimulation, activation and attentiveness to take part in a particular experience. Novelty is defined as “a change in stimulus conditions from the previous experience” (Poulsson and Kale, 2004:272). The novelty principle is based on the finding that people are attentive and attracted to something that is new and different. If an experience results in the unexpected then it is surprising as opposed to predictable. However in designing such unpredictable experiences the experience provider must understand the customers’ current expectations and create experiences based on these expectations. Learning theorists believe that in order for learning to happen, a number of factors are necessary such as motivation, cues, response and reinforcement (Poulsson and Kale, 2004). Learning adds to the richness of experience when: (1) the perceived challenge of the task and the consumers’ skills are high and in balance; (2) the issue of activity is personally relevant and (3) the learning environment is under control of the experiencer” (Sheroff et al, 2003:66). Learning in turn
leads to engagement. Pine and Gillmore (1999) argue that today it is not merely enough to entertain customers; they must become engaged in the experience\textsuperscript{53}.

Furthermore, the literature highlights the importance of personal engagement. Many researchers argue that the experience becomes memorable when the company engages the customers in inherently personal ways (Mascarenhas et al, 2006; Anderson, Narus and Van Rossum, 2006; Bendapudi and Bendapudi, 2005). For instance Walt Disney rather than creating a typical amusement park, created the world’s first themed amusement park which immersed guests not “customers” or “clients” in rides that were not only entertaining but also immersed the riders in the theme/story.

Customers or “guests” (as referred to by Disney) obtain memorable experiences whenever a company internationally uses services as the stage and good as the prop, to engage an individual on the personal level(Pine and Gillmore, 1999). Sheroff et al (2003) that engagement is centered on the culmination of the customer’s concentration, interests and enjoyment. In addition motivation is the key medium for learning – clues direct the experience and responses provide the total reaction to the clues, these reactions are further reinforced by repeat of the responses (Poulsson and Kale, 2004).

Poulsson and Kale (2004) also contend that experiences would be easier to understand, create and design if there was more emphasis placed on both the customers’ and the actual experience provider. From the customers' perspective there needs to be a focus on the antecedent conditions customers bring to the experience and the feelings of arousal that occur throughout the experience. From the experience provider stance, an evaluation of the instruments, processes, and practices to create the feelings and sensations of the customer need to be conducted comprehensively – the greater the combinations of feelings and sensations the more, meaningful and relevant the experience will be(Poulsson And Kale, 2004). Research has

shown that simply just amusing and exciting customers is no longer enough, suppliers must now try to engage their target customers by exciting them, increasing the level of standards and by consistently generating value (Poulsson and Kale, 2004; Valencia and Westberg, 2005).  

2.13 Experiences: Service Logic Model

Kingman-Brundage et al (1995) developed the service logic model which is outline in the figure below. The model breaks down the entire service experience into a number of components. These researchers perceive customers as critical assets and allies who are often involved in the co-production of a service; hence they need to be nurtured. This model highlights that the service experience is an integrative system which is driven by three core logics – the customer logic, the technical logic and the employee logic. They are seen by the researchers as the raw material and the foundation of the service experience, this models main role is to identify incongruities between these logics and the service experience concept.

![Service-Logic Model](image)

**Figure 2.2 : Service-Logic Model**

*Source: Kingman-Brundage (1995)*

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The customer logic is based on the customers’ underlying logic, needs and wants which result in their behaviours and actions. Customers generally have expectations in relation to service experiences (Parasuram et al. 1991). These expectations are based on the frontline employees, the service delivery and the service outcomes relative to the competitors (Parasuram et al., 1991; McCallum and Harrison, 1985). The key question of the customer logic is “what is the customer trying to do and why”?

The technical logic is the “engine” of the service operation (Kingsman-Brundage et al. 1995). It is impersonal, objective and encompasses the basic rules of the production of services. When both the technical logic and the service concept are in sync, then it generates the results that customers value most. Kingsman-Brundage et al.(1995:22) note that “when divorced from the service concept technical logic takes up a life of its own to the mutual dissatisfaction of consumers and employees alike. It derives from hard and soft technologies, from relevant law and from corporate policy rules and regulations”. When technical logic influences the service experience operations then the outcomes are generally unsurprising but the logic remains hidden (Zuboff, 1988), hence the underlying logic for ‘why we do things around here’ is implicit. It is only with identifying the technical logic explicitly, that it can be incorporated into the service experience design. The principle question to ask in order to explicitly understand the technical logic is “how are service outcomes produced and why?” (Kingsman-Brundage et al. 1995:22)

The final logic employee logic- refers to the underlying rationale that motivates employee behaviour. Employees are all individuals with imbalanced and inconsistent performances as regards to their jobs and tasks. Employees tend to approach procedures in their own way, particularly where their role is unclear. Relevant to employee logic is the work completed by Drucker (1974) (as cited by Kingsman-Brundage et al. 1995). He makes a distinction between the job task (the logic of work) and the job environment (the logic of working). Drawing from Drucker (1974), Kingsman-Brundage et al (1995) state

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“employees may assess their job in terms of two key issues how well the work is organized – a judgment on the viability of the technical logic and how satisfactorily the basic working conditions are – a judgment on the efficacy of the organizational culture, including human race resource policy and practices” (22). Employees apply logic when they clearly establish their role (evaluating the job description), their ability to perform this role well (the organization’s selection and training practices) and their motivations to perform the role (the organization’s incentive, compensation, supervisory practices) (Zeithaml et al., 1988). The question that should be proposed as regards employee logic is “what are employees trying to do and why?” (Kingsman-Brundage et al. 1995).57

The preceding discussion on the nature of customer experience highlights that businesses must recognize the significance of active customer participation and involvement in the creation of the total customer experience. This interaction allows customers to become involved in an experience in a manner that best suits their needs and wants, which ultimately improve their experience by making it unique and memorable (Gupta and Mirjana, 2000). A crucial aspect of the whole customer experience is the interaction that occurs, which allows the customer to create and mould their own favorable outcomes. It enables the customer to become more involved and provides them with a greater sense of belonging within a social group. It is these personal interactive relationships between the customers and the service provider that create novel and unique experiences. The greatest outcome of these relationships is the development of emotional bonds leading to customer retention and ultimately loyalty (Gupta and Mirjana, 2000). The general consensus amongst the academics reviewed above is that in order to create the total memorable customer experience, tourist destinations need to maximize the customers’ level of interaction, engagement, and participation in a unique, authentic and memorable experience. The managers of each tourist location need to strive towards creating an emotional attachment or

bond by creating value through the customer experience, thereby positively impacting the building of customer loyalty.\(^{58}\)

### 2.14 Relationship Between Satisfaction and Quality of Service

Kotler (2003) defines satisfaction as a feeling of pleasure or disappointment based on a comparison between the perceived performance of the product and the expectations of the customer. Satisfaction is measured through the relation between what the customer received and what he or she expected to receive. If the perception is greater than expectation, the customer become more satisfied than expected, but if it is less he will become disappointed and will not react positively to the experience.

Providing quality services an essential strategy for the success and survival of any company, and represents a challenge to the managers. The characteristics of services perish ability, heterogeneity, inseparability and intangibility – present certain difficulties with definition, standardization and control. However, the quality of service, marketing relationship and global satisfaction with the service may improve the chances of the customer returning to the company. Therefore all companies must improve their quality standards and keep customer happy if they are to maintain a competitive position in the market. The quality of the service rendered by the hotel is fundamental aspect of its competitiveness, since the expectations of the customer increase continually. However, like the other organizations, the hotel business must take this juncture as an opportunity and not as a threat.\(^{59}\)

The literature about marketing is concentrated in reaching the differences and casual order between satisfaction and quality (Gallarza, Saura and Garcia, 2002). According to Cronin and Taylor (1992), there are three clearly differentiated stances in the research: (1) the relation between quality and satisfaction: neither can forego the other; (2) the dominant position, establishes an inverse causal order with satisfaction being the consequence of quality, and (3) satisfaction precedes quality.

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2.15 Perceived Customer Quality

During the past decade service quality became a major area of attention to practitioners, managers and researchers, owing to its strong impact on businesses performance, lower costs, customer satisfaction, customer loyalty, and profitability (Guru, 2003; Suresh Chandra et al. 2002; Newman, 2001; Laser et al, 2000; Hallowell, 1996; Cronin and Taylor, 1992). Service quality is described as the comparison customers make between their expectations about a service and their perceptions of the actual service performance (Parasuraman et al, 1994, 1988, 1985; Gronroos, 1984; Lewis and Boom, 1983). Service quality has been extensively researched as a distinct concept, yet there are still arguments and discrepancies as to how it is best measured (see Brown et al, 1993; Cronin and Taylor, 1992; Parasuraman et al, 1988, 1991, 1994).

However, a review of previous research results indicating that the use of performance related measures is paramount (Olorunniwo et al., 2006; Cronin et al, 2000; Zeithaml et a, 1996; McDougall and Levesque, 1994; McAlander et al, 1994; Cronin and Taylor, 1994). One of the most widely accepted definition of service quality is that which has been devised and examined through research by Parasuraman et al, (1985, 1988) and Zeithaml (1990). The research of Parasuraman et al,(1985) has its basis in previous studies(Lewis and Booms, 1983; Gronroos, 1982; Churchill and Surprenant, 1982). Parasuraman et al. (1988) describes service quality as how well the service delivered to the customer matches their perceived expectations.60

2.16 Perceived Customer Quality Measures

A major outcome from Parasuraman and colleagues’ research is the seminal SERVQUAL instrument. The SERVQUAL instrument utilizes a calculated disconfirmation method whereby the discrepancies (or gaps) between customers’ expectations and the actual performance (both measured after the service) is determined. Parasuraman et al’s (1985) original service

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quality model is illustrated in figure. The gap shown in the model are explained as follows:

**Gap 1** - This is the difference between customers’ expectation and management’s perceptions of those expectations.

**Gap 2** - This is the difference between the management’s perception of customers’ expectation and service quality specifications.

**Gap 3** - This is the difference between service quality specifications and the service actually delivered.

**Gap 4** - This is the difference between the service delivery and the communication to the customers about delivery.

**Gap 5** - This is the difference between customers’ expectation and perceived service. The prominence of Gap 5 is dependent on both the extent and direction of the four previous Gaps.
This model was later refined in Parasuraman and colleagues’ 1988 work which also presented scales for measuring customers perceptions of service quality (SERVQUAL). The SERVQUAL instrument has five dimensions – reliability, responsiveness, tangibles, assurance and empathy. Although well received in literature, the SERVQUAL instrument has been criticized by several authors for a number of reasons (Zeithaml et al, 1996; Cronin and Taylor, 1992). Buttle (1996) offers numerous criticism of the SERVQUAL from both a theoretical and operational perspective. He particularly notes that SERVQUAL’S five dimensions are not universal and that the model fails to draw on established economic, statistical and psychological theory. In addition Cronin and Taylor (1992) argue that the SERVQUAL’S face and construct validity are questionable nevertheless, it is still a popular, widely utilized and adapted measure for service quality. Indeed these criticisms lead to the design of an alternative approach, referred to as the SERVPERF model. This measurement instrument is based on the customers’ perception of the performance of a service provider and their evaluation of service quality (Bebko, 2000; Cronin and Taylor, 1992; Gronroos, 1990). The main body of research stands to prefer a “perception only” strategy (Zeithaml et al, 1996; Cronin and Taylor, 1992), and since the weight of the literature supports that use of performance perception to measure service quality (Cronin et al, 2000), the author of this study also adopts the “perceptions only” or SERVPERF approach. The next section explores the interrelationship between service quality and both customer experience and loyalty61.

2.17 Service Quality in Relation to Customer Experience and Loyalty

In a service organization, the assessment of the quality of a service is made during the actual delivery process, usually involving a customer employee encounter. This is consistent with extant research that has found a link between quality and experience. For example Ing-Sang and Der-Jnag (2005:4) found that “the quality of service achieved relied entirely on the

impression the customers have of the service person (employee) delivered during the course of providing (a) service”. This is also similar to the humanic clues which propose that the employees’ behaviour during the service has a powerful effect on the customers’ perception of the service quality (Berry and Bendapudi, 2003; Zeithaml et al. 1993).

Customer’s perceptions of service quality are subjective evaluations of the service experience; customer expectations are standards against which service experiences are judged (Zeithaml et al. 1993). For that reason, in addition to humanic clues, the physical environment or service escape provides strong mechanic clues that impact not only on the customers’ perceptions of service quality but also on their expectations (Wall and Berry, 2007). As companies seek to not only meet but exceed customer expectations, these two sets of clues must be consistent in their message to the customer. For instance,” a comfortable, beautifully decorated restaurant that delivers excellent by courteous, well dressed employees is likely to receive higher service quality ratings from customers than a restaurant that is strong in one but not both of these categories”(Wall and Berry, 2007:63). As the functional clues are concerned with the technical quality of the core product/ service (Berry et al., 2002), that is , the food itself in the previous scenario, it is perceived that this category of clues are also critical in influencing the level of perceived service quality moreover, Rowley(1999) maintains that a significant relationship exist between customers experience and service quality arguing that customer experience and satisfaction are inextricably linked with service quality. Indeed some authors have proposed a link between the service attributes (physical facilities, people’s behaviour) and service quality (Dabholkar, 1996; Haywood-Farmer, 1988)62.

Rust and Oliver’s (1994) work highlights the need for further research into the consequences of the quality, value and satisfaction variables. Although a number of studies have been conducted that have specified relationship between the three service evaluation variables of quality, value and satisfaction, and the proposed effect of these variables on behavioural

outcomes such as loyalty, there has been little uniformity concerning which of
the three variables of their combinations have the most significant direct
influence on customer behaviour. Research findings are mixed as to the
relationship that exists between quality and loyalty. In an investigation of four
service providers, Zeithaml et al (1996) observed a significant relationship
existing between service quality and loyalty; however Cronin and Taylor’s
research (1992) indicated divergent results - finding no direct relationship
between quality and loyalty. Indeed, they concluded that service quality had
less of an impact on purchase intentions than did customer satisfaction, and
that quality is an antecedent of the later. For Cronin et al., (2000), this
apparent contradiction is an indication that quality provides only a partial view
of customer loyalty and that:

Models of consumers’ evaluations of services that consider individual
variables of direct effects are likely to result in incomplete assessments of the
basis of these decisions. Thus, the services manager who only considers the
likely effect of a service quality initiative on her/his customers’ behavioural
intentions errs if he/she does not also consider the impact of such a strategy
on the value or satisfaction attributed to his or her firm’s services (210).

Collaborating evidence to support this logic was provided by Cronin et
al., (2000) in that they found an indirect relationship between quality and
loyalty through satisfaction and value independently of each other. Further,
the gap that may occur between expectations and perceptions of the service
is not only a measure of quality but also a determinant of the customers’ level
of satisfaction (Pizam and Ellis, 1999). Caruana’s (2000) study which
surveyed 100 bank retailers also indicate that customers satisfaction has
mediating role in the effects of service quality on service loyalty. This would
indicate that quality has a link to the other variable in determining behavioural
intentions and ultimately, loyalty. Additionally, Cronin et al. (2000) and
Zeithaml (1996) did find that service quality had a direct impact on
behavioural intentions such as loyalty; suggesting that there is a direct
relationship between the two. The next section discusses the second critical variable- Customer value\textsuperscript{63}.

2.18 Customer Value Concept

In the extant academic literature the term ‘value’ has appeared in several different contexts from management strategy to economics, finance, information systems (Normann, 2001; Wikstrom and Norman, 1994), marketing, consumer behaviour pricing (De Chertnatony et al., 2000). Customer value is a strategic weapon in attracting and retaining customer and has become one of the most significant factor in the success of both manufacturing business and service providers (Woodruff, 1997; Parasuraman, 1997; Gale, 1994). Due to customers becoming more demanding, increased competition and the constant evolution of technology many organizations have placed emphasis on creating and delivering superior customer value (Woodruff, 1997; Gale, 1994; Day, 1994); with many researchers suggesting that firms should reorient their operations towards creation and delivery of superior customer value if they are to build and sustain competitive advantage by driving customer relationship management (Jensen, 2001; Slater, 1997; Day, 1994).

Although much research exists on the value concept, it is still remains multifaceted and complex in nature. Customer value may be viewed from a few aspects: (1) the value of customers to an organization concerns the direct benefits that an organization experiences as a result of customers loyalty and continued patronage. (2) Customer values reflect the personal values of individual consumers and (3) The customer perceived-value approach centres upon the utility a customer receives after purchasing a product (Huber et al., 2001). The growing body of knowledge about customer value is fragmented and even the most relevant of studies have yet to yield any ambiguous interpretations of the key dimensions of value or even a widely accepted definition- despite its recognized importance (Wang et al.,

2004; Lapierre, 2000; Peterson et al., 1997; Woodruff, 1997). The next section examines the measure of customer value.

2.19 Customer Value Measures

In the past, customer value has been understood in terms of quality and price; however other ways of orchestrating and creating superior value are now being developed. For instance, Sheth et al., (1991) proposed that value is composed of five dimensions based on the customers’ perspective – social, emotional, functional, epistemic, and conditional. Sweeney and Soutar (2001) divide value into two elements of functional value – quality and price – and this was labelled the “PERV AL” model. In this model epistemic value (referring to the surprise or novelty facet of a product) and conditional value (which refers to the conditional effects of a specific situation on value perceptions) were eliminated, as they were considered to be of lesser importance when examining the purchase of a durable good, which was the focus of their study.

Many researchers have recognized the complexities involved in defining customer value (e.g. Percy and Morgan, 1997; Woodruff, 1997). These complexities originate from the subjectivity and vagueness of value compounded by the belief that customer value is a dynamic concept that constantly changes and evolves (Naumann, 1995). An increasing viewpoint among business managers is the creating and delivering the superior customer value to high value customers will increase the value of an organization (c.f. Slywotsky, 1996). The foregoing considers value from an organizations stance, conversely and alternative approach on customer value is from the perspective of the customer, that is considering, customer’s need, wants and beliefs on purchasing and using or consuming the seller’s products. For example, for Webster (1994) value is determined by the customer and not by the supplier as Doyle (1989:78) states, value is “not what the producer puts in but what the customer gets out”).

Kaufman (1998) dissects value into the following three categories – esteem value or “want”, exchange value or “worth” and utility value or “need”.

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Kaufman contends that the consumers purchasing decisions will involve one or a mixture of all three values. Kaufman, (1998:5) defines these categories of values as follows:

Esteem value or want, invokes the buyers desire to own for the sake of ownership… Exchange value or worth explains why the product interests the buyer and how and when the buyer will use the product… Utility value or need is the primary value which describes the performance and physical characteristics of the product.

Kano (1984; as cited by Joiner, 1994) also developed a model of perceived value which is illustrated in figure. The model divides value into a number of components and it is centred on the disconfirmation model that is predominant in the customer behaviour literature (Rust and Oliver, 2000; Oliver, 1997). It includes three components of value- dissatisfiers (must be), satisfiers (more or better), and delighters (exciters) (Thompson, 1998).

1. Dissatisfies are the basic attributes or features that the consumer would expect from a good or service and are taken for granted. The presence of the expected good or service is indicated by the neutral stage and their absence result in customer irritation.

2. Satisfiers are the attributes that are expected and clearly demanded by the customer. They generally meet performance-related needs.

3. Delighters are new, unique or novel attributes or features that are unexpected by the customers. These are new or innovative features or characteristics that customers do not expect and are surprised by their presence. They solve a hidden need for the customer in an innovative way.

Figure : 2.4
Huner et al. (2001) propose that to assess the perceived customer value of a product or service, the costs of obtaining the perceived benefits are usually the main issue for the consumer – this perspective is based on Zeithaml (1988) theory of cost-benefits Zeithaml (1988:14) and defines perceived value as:

The consumers' overall assessment of the utility of the product based on perception of what is received and what is given. Though what is achieved varies across consumers (i.e. some may want volume, others high quality, still others convenience) and what is given varies (i.e. some are concerned only with many expanded, others with time and efforts), value represents the trade-off the salient give and get component.

This definition is based on the consumers’ evaluation of the services exchanges. Huber et al. (2001) base their model of perceived value on this definition and they proposed that the significant cost that a consumer considers include the following – monetary costs, time costs, search costs, learning costs, emotional costs, cognitive costs and physical effort, coupled with financial, social and psychological risk. Similarly McDougall and Leveque (2000) defined perceived value of a service as the benefits customers believe they receive in relation to cost or sacrifices of obtaining and consuming the service. Also, Zeithaml and Bitner (2000) argue that it is not an overall evaluation of a service’s usefulness, relative to the customer’s perceptions of what they received at the cost they obtained it.
Although the literature indicates the research in this area is fragmented, there is one general consensus in the literature which is that customer value should be defined by customers’ perception and not by suppliers’ assumptions or intentions (Anderson and Narus, 1998; Woodruff and Gardial, 1996; Zeithaml, 1988). Indeed, this study on the customer oriented concept of value. In the following discussions the interrelations of customer value in relation to be experiences and loyalty is also examined.

2.20 Customer Value in Relation to Customer Experiences and Loyalty

A significant observation in relation to this study was by Lanning (1998), who claims that the most important issue concerning the value in the customer’s experience not the value of the product or service. He contends that the customer’s experience is at the very core of value proposition. The customer perceives value based on a comparison of the consequences in relation to the alternatives offered by the competitors making the experience superior, equal, or inferior. This perceived difference has some value to the customer. Lanning (1998) also defines his concept of value as the customer’s experience outcome relative to the costs and what the customer is willing to pay. Subsequently “the value in experience derives from the intensity of the experience and feelings of enchantment associated with it. (Poulsson and Kale, 2004:270). The perceived value is a commercial; experience that should be high enough for a customer to want to pay for it (Poulsson and Kale, 2004). According to Fynes and Lally (2006:20), “they must have a distinctive, authentic, differentiator factor creating added value formed by taking a holistic approach of the surrounding environment”. This implies that creating customer’s experiences are embedded in the performance of a company’s ability to personalize specific prerequisites (Mascarenhas et al., 2006).

In the tourism context, Dube and Reneghan’s (2000) research determined that loyalty in the hotel industry is strongly influenced by customer’s experience ‘visible value’ every day of the stay rather than

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meeting customers’ expectations on the attribute that motivated their booking. Interestingly they found that loyalty diminished considerably when customers did not obtain ‘visible value’ everyday of their stay their research found that, for all guest types, the top three major drivers of ‘visible value’, in order of importance, were guest-room design, physical property (exterior, public space), and interpersonal service; however, interpersonal service was placed second by leisure and business meeting guests. This suggests that the physical environments of the service as well as the individuals involved in delivering the service are major experience components that impact on customer value. From a tourism context, the identified relationship between experience and customer value is critical considering that extant research has identified customer value as a key driver of success for tourism enterprises (TPRG, 2000).

In order to create a memorable branded experience Smith and Wheeler (2002:45) state that “companies must have absolute clarity of which segments are most profitable, what these customers’ value best, and how the organization can create and deliver on a promise which differentiates from the customer”. They also argue that loyal customers can be obtained by exceeding the expectations of this target customer and a subsequent benefit is that these will attract others with similar value. Nevertheless, in order to achieve this, it is necessary to identify and define what the target customer values so as to create and deliver the complete memorable experience. This would imply that a two way relationship exists between the perceived customer experience and customer value. The next section further examines the significant role that value plays building customer loyalty.
2.21 The Role of Customer Value in Building Loyalty

Loyalty behaviours such as relationship continuance increased market share and recommendation (word-of-mouth), results from customers' beliefs that the quantity of value received from one supplier is greater than that available from other suppliers (Hallowell, 1996). Indeed, many marketing strategies and industrial organizational economists have stressed that the creation of customer value is one of the crucial variables involved in determining customer loyalty and ultimately ensuring a company’s success (Higgins, 1998; Kordupleski and Laitamaki, 1997; Reichheld, 1996; Gale, 1994). However, the relationship between customer value and loyalty still remain ambiguous within the literature. For instance, Sirdeshmukh, et al.(2002) found that value had a direct relationship with customer loyalty while Cronin et al. (2000) in their study of assessing the effects of quality, value, and customer satisfaction on consumer behavioural intentions in service environments found both direct and direct effects of service values on behavioural intentions. These authors perceive that considering only value as an explanation for loyalty is likely to give an incomplete assessment as to the basis of loyalty. For Patterson and Spring (1997), the positive relationship between value and loyalty is interceded by satisfaction, further indicating that value does not on its own fully explain the loyalty concept. In addition to the foregoing, convergent evidence suggests that service quality is a critical determinant of perceived value (Cronin et al., 2000; Bolton and Drew, 1991), which, in turn, impacts on satisfaction (Cronin et al., 2000; Day and Crask, 2000; Patterson and Spring, 1997; Woodruff, 1997) in determining behavioural intentions and loyalty (Cronin et al., 2000).

Due to the foregoing, the value variable in this study is positioned as having both a direct and indirect effect on loyalty, with the indirect relationship being interceded by the satisfaction variable. In addition to its mediating role in the service quality/loyalty relationship and, as indicated above, several studies show that a relationship also exists between value and satisfaction. Satisfaction is perceived being both an evaluative and emotional based response to the service encounter (Oliver, 1997) and is the result of a customer’s perception of the value received in a transaction or relationship-where value equals perceived service quality relative to price and customer
acquisition costs (Heskett et al., 1990) - relative to the value expected form the transactions or relationship with competing vendors (Zeithaml et al., 1990). Indeed, in Woodruff’s (1997) customer value hierarchy model, the three labels of satisfaction parallel the three stages of the value hierarchy, implying that each value stage leads to a stage of satisfaction. His model depicts the value concept as antecedents and customer satisfaction as the dependent (endogenous) variable. The following now looks at the third critical variable in explaining loyalty which is the customer satisfaction variable.

2.22 Satisfaction in the Construction of Customer Loyalty

Many researchers tried to unveil the connections between service quality satisfaction and loyalty (Oliver, 1997; Zeithaml, Berry and Parasuraman, 1996). Ostrowski, O’brein and Gordon (1993) identified a positive and significant relationship between service quality and customer loyalty in the aviation industry. Boulding, Staelin and Zeithaml (1993) discovered a correlation between service quality and behavioural intentions. These authors also stated that service equality affects behavioural results such as loyalty.

Oliver (1997) suggested a conceptual model that sought to show the direct effects of the quality of service satisfaction and loyalty on earnings, following the same sequences: quality of service/satisfaction/loyalty. Cronin and Taylor (1992) used a model of structural equations to demonstrate how satisfaction directly influences customer loyalty; they also revealed an important connection between satisfaction and loyalty in a hospital system (Woodside and Lysonski, 1989).

Further studies of clients of commercial banks indicated that satisfaction influences consumer loyalty (Hallowell, 1996). Besides that, Bloemer and Ruyter (1998). Concluded that quality of service is directly or indirectly related to loyalty via satisfaction and latter has a direct affect in the loyalty in the banking system. When applied to the tourism sector, the modified conceptual model revealed a positive effect of satisfaction in loyalty

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Consequently; previous studies seem to support the claim that satisfaction is the greatest antecedent of loyalty.

2.23 Customer Satisfaction Concept

Obtaining customer satisfaction is fundamental to the growth and expansion of a business as it leads to an increase in market share, and to acquiring repeat and referral business, which ultimately results in greater profitability (Barsky, 1992). Therefore, achieving customer satisfaction is critical for marketing managers, those in the service sector in particular. However, for some businesses there appears to be too much focus on customer satisfaction surveys to the exclusion of other crucial variables (Bennett and Rundle-Thiele, 2004). The satisfaction variable is often used as a marketing benchmark to examine the business performance, for instance a U.S. market research firm states that customer satisfaction is the key to success and makes an emphatic statement that a satisfied customer is a repeat customer (In-Touch Survey systems, 2003; cited from Bennett and Rundle-Thiele, 2004). Bennett and Rundle-Thiele (2004) argue that this statement is extremely narrow-minded to focus on only one variable that impacts behavioural intentions, as a whole number of factors influence the consumers’ behaviour and actions. For instance, McAlexander et al (1994) in their research on the health sector found the both patient satisfaction and service quality has a significant effect on future purchase intentions. Additionally, Getty and Thompson’s (1994) study on Lodgings investigated the relationship between quality of lodgings, satisfaction and the subsequent effect on customers’ intentions to recommend the lodging to potential customers. Their result suggests the customers’ perceptions of both satisfaction and quality greatly impact the customers’ intentions to recommend (which is the measure of customer loyalty). Hence, it would appear that there is a positive relationship between customer satisfaction, quality and customer loyalty. Because of its strong impact on consumer behavioural intentions such a loyalty (Anderson and Fornell, 1994; Bolton and

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Drew, 1994; Cronin and Taylor, 1992; Oliver, 1980), consumer satisfaction has received much consideration in the literature (Bitner and Hubbert, 1994; Rust and Oliver, 1994; Oliver, 1980). The next section discusses the relationship between customer satisfaction and loyalty in more detail.

2.24 Customer Satisfaction and Customer Loyalty

Customer satisfaction has received importance in the customer relationship management literature and indeed its impact on customer loyalty (Cronin et al., 2000; Cronin and Taylor, 1992; Oliver 1990). As far back as 1983 Bearden and Teel argued that “it is generally assumed to be a significant determinant of repeat sales, positive word of mouth and customer loyalty”. La Barbera and Mazursky’s (1983) research on brand loyalty indicated that customers were less likely to switch product/services if their level of satisfaction is high. Indeed studies conducted by Cronin and Taylor (1992) in four service sectors found that customer satisfaction had a significant effect on purchase intentions in all four sectors.

In addition to this Kandampully and Sahartanto (2000) research on loyalty in the hotel industry found that customer satisfaction with reception , housekeeping , food and beverage and price are all important factors in determining whether a customer will repurchase/recommend and display loyalty. Several studies have also discovered that a minimal change in the level of satisfaction can lead to a significant change in loyalty increment (Bowen and Chen , 2001; Oliviaet al.,1992; Coyne, 1989). Indeed much of the literature on the influence of customer satisfaction on building customer loyalty has been positive and generally implies that satisfaction is one of the determinants of customer loyalty (Hoisington and Naumann, 2003; Cronin et al., 2000; Gronholdt et al., 2000; Anderson and Fornell , 1994; Heskett et al., 1990; Cronin and Taylor 1992; Reichheld and Sasser, 1990; Zeithaml et al., 1990; Oliver, 1980). Based on this, it would be the researchers’ contention that satisfaction has a direct and powerful impact on customer loyalty however other studies have found that satisfaction has less of a significant impact on customer loyalty than is traditionally perceived in the literature (Khatibi et al.,

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2002; Bowen and Chen, 2001). Indeed Reichheld (1996) argues that although satisfaction is one of the necessary components for building loyalty, it does not necessarily guarantee loyalty. Bennett and Rundle-Thieles’ (2004) analysis of 267 businesses found that high satisfaction does not necessarily result in high loyalty which further illustrates that although loyal customers, need to be satisfied, satisfied customers are not necessarily loyal. The study now discusses the satisfaction measures.

2.25 Customer Satisfaction Measures

Oliver (1996) defines satisfaction as an emotional post-consumption response that may occur as the result of comparing expected and actual performance (disconfirmation). Likewise, Hunt (1977:459-460) describes satisfaction as “an evaluation of an emotion”, implying that is reflects the level to which a consumer believes that the possession and/or consumption of a service induces positive feelings (Rust and Oliver, 1994) which is an evolution as well as an emotion response to a service. Oliver (1989) developed five models of satisfaction and its antecedents; three are evaluative models based on the disconfirmations of expectations, and two are evaluative models which are a result of non-rational processes. Several studies seem to conclude that satisfaction is an effective variable as opposed to a cognitive variable (Olsen, 2002; Oliver, 1997).

A further definition of customer loyalty is as a multi-dimensional construct based on the relationship between the buyer and seller, and a prerequisite for relationship quality. It has three distinct levels – satisfactory interaction with the personnel, satisfaction with the core service, satisfaction with the organization Crosby and Stevens (1987); with all three levels impacting the overall customer satisfaction with the service provider. More recently, Cronin et al. (2000) developed a similar conceptualization based on multi attributes of satisfaction, identifying such factors as interest, enjoyment, surprise and anger in creating satisfaction; however their earlier 1987 work implies link between satisfaction and the humanic (interaction with personnel.

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functional (core service) and mechanic (organization) clues of the total customer experience.

In order to successfully orchestrate a satisfactory experience, business (hotel in the case of this research) managers need to recognize what customers want and how to measure the (business) hotel service quality. Olorunniwo et al.’s (2006) study on the services sector specifically the hotel industry, while service quality is a fundamental factor that impacts behavioural intentions such as loyalty, its indirect effect which is mediated by customer satisfaction is significantly greater than its direct effect with regard to producing positive behavioural outcomes. Since businesses could increase profitability by 100% by retaining just 5% more of their customers (Reichheld and Sasser, 1990), it is important for service providers to understand the relevant quality dimensions in their industry that could strengthen positive customer satisfaction evaluation.  

2.26 Customer Satisfaction in Relation to Customer Experience

The vast majority of businesses in the tourism sector are composed of a number of services, for instance, the hotel stay may include a bar, restaurant, leisure centre and so forth. The satisfaction with such an experience (hotel stay) is an accumulation of satisfactions with each sub-experience in relation to each service consumed (Pizam and Ellis, 1999). Reuland et al (1985:145), suggests that satisfaction in hospitality services is a function of combination of three components – the material product (such as food itself in restaurant), the behaviour and attitude of the employees, and the environment (such as the room design and layout). Similarly, Berry et al., (2002) have categorized the customer experience into three similar sets of components known as clues- functional, humanic and mechanical clues, respectively. Therefore, it is perceived that these clues, which have been previously outlined and discussed as components of the perceived customer experience, have a direct influence on customer satisfaction.

Moreover, Dahlsten (2003:74) has noted that academics agree “customer satisfaction is a function of the relationship between customer

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expectations and experience. That is dependent upon VALUE and that it is continuously formatted”. Indeed, Rowley (1999:303), who based her study on measuring the total customer experience in a museum, maintained that customer satisfaction is determined by the total customer experience “from the moment that a customer seeks to park their car, make a connection through the telephone network, to the moment the customer leaves the museum with the appropriate information or leisure experience”. This indicates a strong connection with the customer experience and the level of customer satisfaction obtained. Based on the foregoing discussion, it is argued that experience is an essential component building loyalty and may even have a direct effect on loyalty. Nevertheless, it does not on its own fully explain the loyalty concept as, indicated heretofore; value, satisfaction and quality are also important variables to consider72.

2.27 Interrelationship Between Quality, Value and Satisfaction

After Rust and Oliver (1994) indicated the need for research into the relationship that may exist between quality, value and satisfaction, a number of studies have attempted to conceptualize the links and interrelationships that exist between these variables (Chen et al., 1999; Fornell et al., 1996; Spring et al., 1996 and Zeithaml et al., 1996). Service evaluation parameters considered to be fundamental predictors of customer satisfaction include perceived quality (Seibert et al., 2007; Hillier et al., 2003; Fornell et al., 1996; Cronin and Taylor et al., 1992:1994) and value (Fornell et al., 1996). The rationalization of the connections between quality, value, and satisfaction is based on Bagozzi’s (1992) coping conceptualization which proposes that a customer’s initial service evaluation leads to an effective reaction that generates behavioural outcomes (Gottlieb et al., 1994).

The majority of studies examining the interrelationships between quality, value and satisfaction have reported that service quality impacts behavioural intentions only indirectly via value and satisfaction (for example Patterson and Spring, 1997; Gottlieb et al., 1994; Anderson and Sullivan, 1993). In recent years, researchers have developed more integrated models.
of quality, value and satisfaction in order to obtain a greater understanding of
the customer's purchase decision-making process, specifically in the
specifically in the hospitality and tourism sectors. For instance, Oh (1999) in
his study of the hotel sector identified that perceived service quality had a
positive direct influence on both perceived customer value and customer
satisfaction, and that perceived customer value had a direct and positive
impact on customer satisfaction and repeat purchase behaviours, with
customer satisfaction having a positive and direct impact on repeat purchase
intentions and on word-of-mouth referrals. Similarly in their study on fast food
customers across America and Latin America, Brady et al. (2001) found that
service quality had a direct positive influence on satisfaction and behavioural
intentions only in America however, satisfaction had a direct and positive
relationship with behavioural intentions in both America and Latin America. In
addition to the foregoing, in his study based on cruise passengers, Petrick
(2004) purported that quality had both an indirect effect (through both
perceived value and satisfaction) and a direct effect on cruise passengers’
behavioural intentions, with quality, value and satisfaction all having a
significant impact on repurchase intentions. More specifically quality had
more of a significant impact on repurchase intentions than perceived value,
and perceived value had more of an impact on repurchase intentions than
satisfaction.

This discussion examined both the customer loyalty and customer
experience concepts. Quality, value and satisfaction were identified as critical
antecedent variables of customer loyalty. Each of these variables only
partially explains how to build loyalty; hence the researcher identified and
discussed the importance of a new variable in relation to building loyalty- the
customer experience. Indeed, the customer experience is a pivotal variable
that interacts with quality, value and satisfaction in relation to customer
loyalty. The subsequent section provides detailed account of the relationship
between the customer experiences, quality, value and satisfaction variable in

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building loyalty. A customer experience model of customer loyalty is presented in the subsequent section.

2.28 Customer Experience Model of Customer Loyalty

Based on an extensive and critical review of the literature and considering the unique context of the study, the researcher developed an extended model of customer loyalty which centralizes customer experience (see figure) as well as the other well-documented major determinants of loyalty—quality, value, and satisfaction. To the best of the researcher’s knowledge, limited or no research exist that has examined the combined effects of all three sets of clues on quality, value, and satisfaction and loyalty highlighting the emergent nature of this study.

Figure 2.5: Customer Loyalty Building Model

The model positions the perceived customer experience variable as an antecedent of all other determinants of loyalty and highlights the perceived dimensions of customer experience as argued previously—functional, mechanic, and humanic clues for Carbone and Haeckel (1994:9), the perceived customer experience “is the “take away” impression formed by people’s encounters with products services and businesses—a perception produced when humans consolidate sensory information”, thereby indicating these clues have a critical impact on the customer’s judgment of service quality, value, satisfaction and ultimately impacts the building of customer
loyalty. The model indicates both a direct and indirect relationships between the three clue sets and loyalty. Based on the literature presented heretofore, the following subsections present a brief justification of the models major components and relevant hypothesis\textsuperscript{74}.

2.29 Quality, Value and Satisfaction

There has been extensive research conducted on the relationship between the three variables – quality, value and satisfaction (Cronin et al., 2000; Cronin and Taylor, 1992). Many empirical findings in the literature have reported the relationship between customer perceptions of quality and value to be positive (e.g. Dradeenet al., 2001; Cronin et al., 2000 and Sweeney et al., 1999), the service quality is antecedent of value perceptions (Cronin et al., 2000; Hillier et al., 2003; Petrick, 2002), and that quality is generally the best predictor of perceived value (Baker et al., 2002; Cronin et al., 2002).

A number of empirical studies have shown that quality has a direct impact on satisfaction (Petrick, 2004; Cronin et al., 2000; Baker and Crompton, 2000; Fornell et al., 1996). In the tourism literature Petrick “(2004) reported that quality was an antecedent of cruise passengers’ satisfaction in the prediction of their behavioural intentions which is a strong measure of loyalty. Although some studies in the past have emphasized that service quality is the only predictor of satisfaction there have also been empirical studies that have shown that a further variable, value, has a direct relationship with satisfaction (Cronin et al., 2000; Oh, 1999; Fornell et al., 1996; Anderson et al., 1994). Based on the foregoing the literature indicates that both quality and value are antecedent variables of satisfaction. The subsequent section discusses the relationship of each of the aforementioned variables and loyalty.

2.30 Quality, Value, Satisfaction and Loyalty

It has been argued that quality has both a direct and/or indirect effect on behavioural intentions such as loyalty (Cronin et al., 2000; Sirdeshmukh et al., 2002; Woodruff, 1997). Some studies have argued that quality has a direct relationship with loyalty (Cronin et al., 2000; Zeithaml et al., 1996; Mohr and

Bitner, 1995), while others indicated that quality had a mediated relationship with loyalty which is interceded by satisfaction (Brady et al., 2001; Caruana, 2000; Cronin et al., 2000; Cronin and Taylor, 1992).

In addition both Cronin et al. (2000) and Cronin and Taylor (1992) found a direct relationship between quality and loyalty through satisfaction and value. Convergent evidence suggests that service quality is a critical determinant of perceived value (Cronin et al., 2000; Bolton and Drew, 1991). However it is necessary at this point to remind the reader that although the literature indicates there is a direct relationship between quality and value (and that the relationship between quality and loyalty is also partly mediated by value), this relationship is not the focus of this study, further it would require the utilization of structural equation modelling to test this relationship which is beyond the scope of the discussion. Based on the foregoing, quality is positioned as having both a direct and indirect relationship with loyalty and the indirect relationship is mediated by satisfaction. The following outlines the relationship between value and loyalty.

Previous literature also indicates that value is not only mediated by satisfaction in the predication of loyalty, they also have a direct relationship (Cronin and Taylor, 1992). For Patterson and Spring (1997), there is positive relationship between value and loyalty which is interceded by satisfaction. In relation to the direct relationship, recent research has suggested that value is a stronger predicator of behavioural intentions such as loyalty, then either satisfaction or quality (Cronin et al., 2000). In the tourism literature, Dube and Reneghan’s (2000) reported that loyalty in the hotel business was impacted by value everyday of their stay and if they did not perceive it each day loyalty diminished. The next paragraph outlines the interaction of the customer satisfaction variable with quality and value in terms of building loyalty.

Much of the literature in the influence of customer satisfaction on building customer loyalty has been positive and generally implies that satisfaction is one of the critical determinants of customer loyalty (Hoisington and Naumann, 2003; Cronin et al., 2000; Gronholdt et al., 2000; Anderson and Fornell, 1994; Woodruff R.B. and Gardial S. (1996) Know your customer: New approaches to understanding customer value and satisfaction, Oxford.

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Haskett et al., 1990; Cronin and Taylor, 1992; Reichheld and Sasser, 1990; Zeithaml et al., 1990; Oliver 1980). Subsequently satisfaction has a direct and powerful impact on customer loyalty. The next section incorporates the customer experience variable into the model.

2.31 Customer Experience, Quality, Value, Satisfaction and Loyalty

As previously noted Berry et al., (2006) maintained that an experience is composed of a number of embedded sub-experiences or clues that influence the customers’ feelings and perceptions of a service and the provider involved it is the combination of these clues that make the experience memorable for the customer, particularly when a service provider involves the customer inherently personal ways. However, much remains to be learnt in terms of these clues as little empirical research exists that has investigated the effect of the functional, humanic and mechanic clues on variables such as quality, value, satisfaction and loyalty with the experience exception of Wall and Berry (2007), who studied the combined effect of the humanic and mechanic clues on restaurant service quality. The results of their study indicated the humanic clues dominate mechanic clues in relation to the customers’ perceptions of their experience and of service quality. The following section discusses the literature in relation to the customer experience with regard to its relationship with the three key determinants of loyalty – quality, value and satisfaction.

Rowley (1999) found a significant relationship between customer experience and service quality. As regards the three clue sets of the customer experience, the literature has indicated that functional, mechanic and humanic each have an impact on quality perceptions. For Berry et al (2006), functional clues are concerned with the quality of the service offering, specifically the reliability and competence of the actual service. Studies have found that the mechanic clues influence the consumers, evaluations of service quality (Brady and Cronin, 2001; Baker et al., 2002). Extensive research has also shown that humanic clues such as the employees’ behaviour and performance during the service effect the customer’s perceived customer experience and service quality (Berry and Carbone, 2007; Berry et al., 2006; Berry and Bendapudi, 2003; Rowley, 1994; Bitner, 1992; Bitner et al., 1993; Zeithaml et al., 1985). Indeed, Ing-san and Der-jang (2005:4) found that “the quality of service
achieved relies entirely on the impression the customer have of the service persons(employee) delivered during the course of providing service" thereby indicating a relationship between the humanic clues and quality. Hence, the foregoing shows that there is a direct relationship between the customer experience and quality. However, research also indicates that there is a relationship between customer experiences, value, and customer loyalty.

Businesses now seek to retain customers by creating value through orchestrating the total customer experience (Wang et al., 2004; Smith and Wheeler, 2002). In order to create a memorable experience, Smith and Wheeler (2002) argue that a relationship exists between the perceive customer experience and customer value. Lanning (1998), who contends that the customer experience is the essence of the value proposition and further argues that the customers' perceived value is derived from the customer experience. Similarly, Carbone (2004) maintains that customer experiences and the clues embedded are the predictors of the customers' perceived rational and emotional value. Therefore the literature suggests that there is a direct relationship between customer experience and value. The next section outlines the customer experience and satisfaction relationship.

According to Rowley (1999) the customer experience has a direct impact on customer satisfaction. Moreover, Dahlsten (2003:74) has noted that academics agree that “customer satisfaction is a function of the relationship between customer expectations and experience, that it is dependent upon value and that it is formed continuously”. This indicates a strong connection with customer experience and the level of customer satisfaction obtained.

As evident from the foregoing, customer satisfaction plays a pivotal role in the interrelationship between all variables illustrated in the figure above and the literature indicates that it is a key determinant of customer loyalty. Furthermore many researchers found that customer satisfaction is strongly influenced by value and quality (Dahlsten, 2003; Cronin et al., 2000; Pizam and Ellis, 1999) and indeed customer experiences (Rowley, 1999). Finally the

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following discusses the relationship between the customer experience and
loyalty with reference to the other key determinant – quality, value and
satisfaction.

The literature suggests that customer experience has a relationship
with loyalty (Carbone, 2004; Cronin, 2003). Extant studies have also indicated
that the relationship between functional clues and loyalty is mediated by
quality and value (Berry et al., 2006). It was also found that customers switch
when this clue is not present or correct the first time (Keaveney, 1995).
Further, research has shown that the mechanic clues have a direct or indirect
relationship with loyalty intentions. While some studied indicate that mechanic
clues have a strong impact on customers’ loyalty intentions (Foxall and Yani –
De-Soriano, 2005; Cronin, 2003) others, such as Baker et al.,(2002) found
that service quality and value perceptions play a major mediating role in the
relationship between the mechanic clues and loyalty. Similarly, Carbone
(2004) maintains that value (rational and emotional mediates the relationship
between, customer experience, loyalty and clues. Indeed, the humanic clues
(based on the number and appearance of employees within the mechanic
cue context) can also influence perceptions of interpersonal quality and
behavioural intentions such as loyalty (Baker et al., 2002). Rowley (1999)
found that the customer and loyalty were inextricably related through quality
and satisfaction. Hence, these studies argue that each of the experience
cues can have a direct or indirect relation with loyalty. The mediated
relationship between these clues and loyalty incorporates quality, value and
satisfaction.

In the hospitality industry several studies have examined hotel
attributes that guests may find important when evaluating the performed
service quality. Literature review suggest that cleanliness (Atkinson, 1988;
Knutson 1988; Gundersen, Heide and Olsson et al., 1996) security and safety
(Atkinson 1988; Barsky and Labagh 1992; Gundersen, Heide and Olsson
1996; Choi and Chu, 2001; Markvic, 2004), convenient location (Knutson,
1988; Barsky and Labagh 1992), value for money(Atkinson, 1988;
Gundersen, Heide and Olsson, 1996; Choi and Chu, 2001) and physical
facilities (Choi and Chu, 2001; Markovic, 2004) are attributes that hotel
guests perceive important.
The above literature helped the research in moving forward from the conceptual understanding to drafting of the study, formalizing the questionnaire, collation of data, its analysis and moving forward with this thesis. The present giant of knowledge helped the research to take a tiny step forward.

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