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Service Quality and the Mediating Effect of Corporate Image on the Relationship between Customer Satisfaction and Customer Loyalty in the Malaysian Hotel Industry

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Abstract: Service quality is vital to the success of any service organization. The rapid growth of the Malaysian hotel industry in the 2000's forced hotel operators to seriously recognize the importance of service improvement in order to gain competitive advantage. This study aims to examine the impact of service quality on customer satisfaction, and how customer satisfaction subsequently affects customer loyalty in the hotel industry in Malaysia. This study also investigates the mediating effect of corporate image on the relationship between customer satisfaction and customer loyalty. A systematic sampling approach was adopted to collect data through self-administered questionnaires from 500 hotel guests. Preliminary data analysis, descriptive analysis, reliability test and regression analysis were adopted to analyze the reliability of items and the hypothesized relationships in the proposed research model. The findings revealed that perception of service quality is significantly related to customer satisfaction, which in turn generates positive customer loyalty in the hotel industry. Besides, corporate image is found to be a partial mediator in the relationship between customer satisfaction and customer loyalty. Overall, the findings of this study would help hotel operators to formulate and implement effective marketing management strategies to cope with the keen competition in the hotel service industry.

Abstrak: Kualitas layanan sangat penting untuk keberhasilan setiap organisasi jasa. Pesatnya pertumbuhan industri perhotelan di Malaysia pada tahun 2000 memaksa operator hotel untuk serius menangani pentingnya peningkatan pelayanan dalam rangka untuk mendapatkan keuntungan kompetitif. Penelitian ini bertujuan untuk menguji pengaruh kualitas pelayanan terhadap kepuasan pelanggan, dan bagaimana kepuasan pelanggan yang kemudian mempengaruhi loyalitas pelanggan di industri perhotelan di Malaysia. Penelitian ini juga mengkaji efek mediasi dari citra perusahaan pada hubungan antara kepuasan pelanggan dan loyalitas pelanggan. Pendekatan sampel secara sistematik diadopsi untuk mengumpulkan data melalui kuesioner *self-administered* dari 500 tamu hotel. Analisis data awal, analisis deskriptif, uji reliabilitas dan analisis regresi diadopsi untuk menganalisis keandalan item dan hubungan dihipotesakan dalam model penelitian yang disajikan. Temuan menunjukkan bahwa persepsi kualitas pelayanan secara signifikan berhubungan dengan kepuasan pelanggan, yang selanjutnya menghasilkan loyalitas pelanggan positif dalam industri hotel. Selain itu, citra perusahaan adalah mediator parsial dalam hubungan antara kepuasan pelanggan dan loyalitas pelanggan. Secara keseluruhan, temuan penelitian ini akan membantu operator hotel untuk merumuskan dan menerapkan strategi manajemen pemasaran yang efektif untuk mengatasi ketatnya persaingan di industri jasa hotel.

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Introduction

As a popular tourist destination in the ASEAN region, Malaysia is poised to welcome more tourists in the coming years. A key sector in the Malaysian economy, the tourism industry contributed almost 12 percent to the country's GDP in 2011 (1malaysia.com.my, retrieved October 8, 2012), and enjoyed a boom when tourist arrivals to Malaysia recorded a new high of 24.7 million, with tourism revenue at RM58.3 billion (Corporate.tourism.gov.my, retrieved October 8, 2012, from: http://corporate. tourism.gov.my/research.asp? page=overview). A target of 26.8 million tourist arrivals in 2012 has been set by the Tourism Ministry, with projected tourism revenue at RM62 billion (Thestar.com.my 2012, from http://thestar.com.my/news/story.asp? file=/2012/9/29/budget/12100837and sec=budget). To further promote the country's tourism industry, a development expenditure of RM358 million has been allocated under the Malaysia Budget 2013 in conjunction with Visit Malaysia Year 2013/2014 (Thestar.com.my 2012). As a key player in the tourism sector, the hotel industry will continue to give an impetus to the economy, and provide more job opportunities. The government's commitment towards the tourism industry has encouraged many hotel operators to strive towards improving the quality of their services. Besides, the hotel industry in Malaysia has revved up its development and upgrading programs in order to cater to the anticipated influx of tourists.

The expansion of tourism related infrastructure and facilities, particularly the hotel sector are expected to expand to further facilitate the growth of the tourism industry. Due to the competitive nature of this industry, with the sharp increase in the number of hotels (Tourism Malaysia 2012, retrieved October 8, 2012, from: http://corporate. tourism.gov.my/images/research/pdf/2012/ hotel_roomsupply/HOTEL_ ROOM_SUPPLY_2012.pdf), it is essential that hotel operators constantly find new ways to improve their services, as well as plan strategies to ensure that their guests have a memorable stay. While it is vital to cater to the basic expectations of hotel guests, it also helps to pamper guests with all the comforts available so that their hotel stay would not only be an enjoyable experience but also an unforgettable one. Hence, hotel operators need to be updated about the current and future trends of the ever-evolving hotel industry to effectively meet the demands and needs of highly sophisticated hotel guests. To have a competitive edge in the hotel industry, operators have to be innovative and creative in providing service elements that exceed the hotel guests' expectations, so that their satisfaction would translate into a favorable corporate image and strengthen customer loyalty.

The main objectives of this study are to examine the relationship between service quality and customer satisfaction, and how customer satisfaction subsequently affects customer loyalty in the hotel industry in Malaysia. This study also investigates the mediating effect of corporate image on the relationship between customer satisfaction and customer loyalty.

Review of the Literature

The concept of service quality is an essential element that contributes to the success of a service origination (Shahin and Dabestani 2010). According to Antony et al. (2004), the concept of service quality has

gained increasing popularity since its inception in the late 1970s. Due to its significant impact on business performance, cost saving, customer satisfaction, customer loyalty and profitability; service quality has become a main area of attention among practitioners, managers and researchers (Seth et al. 2005). Service quality is consumers' judgment of the excellence and superiority of the service encounter (Zeithaml and Bitner 2003). In the hotel industry, perceptions of service quality are formed when guests experience feelings and attitudes during their hotel stay. In other words, guests will have certain perceptions of the hotel service quality depending on the services offered to them or the experiences they have undergone (Abbasi et al. 2010; Shahin and Dabestani 2010). Evaluating customers' perception and satisfaction regarding service quality is widely acknowledged as being an effective strategy to boost profitability in the hospitality industry. The hotel industry, which has a high level of customer contact is not an exception to this observation (Claver et al. 2006; Soutar 2001).

With regard to facing keen rivalry, it is imperative for hotel operators to constantly evaluate and seek ways to improve the quality of their services. As a popular instrument to measure organizational service performance, the SERVQUAL model developed by Parasuramanet al. (1985, 1988) has become the model with the widest application in service marketing literature, and demands the attention of practitioners and academics (Ting et al. 2011). Numerous scholars have tried to replicate and refute its structure and conceptualization (Blešiæ et al. 2011). As a popular model being widely cited in the service marketing literature to measure organizational service performance, the SERVQUAL model has been subject to much criticism in terms of both the theoretical and operational aspects (Douglas and Connor 2003; Ting et al. 2011). Despite being criticized, the SERVQUAL model has proven to be a popular model that has been used in various service industries to evaluate service quality (Emari et al. 2010), including the hotel industry (e.g., Lau et al. 2005, 2006; Ting et al. 2011).

Managing service quality means that a hotel operator has to match the service performance with perceived service so that customer satisfaction is achieved. Nevertheless, Ekinci et al. (2008: 36) argued that "despite a long term interest in the understanding of customer satisfaction, its relationship with service quality and the consumer's overall attitude to a service firm is still unclear." To provide further empirical evidence, especially with regard to the hotel industry in Malaysia, the first hypothesis for the study is postulated as follows:

H_1: *Service quality has a significant positive influence on customer satisfaction.*

Pullman and Gross (2004) argued that eventhough customer satisfaction is essential to a thriving hotel industry, customer loyalty plays an even more significant role because it is an indicator of success for the service industry. Oliver (1997) defined customer loyalty as a strong commitment to make many repeated purchases of a selected product or use a service consistently in the future. Much research has been carried out on customer loyalty in the hospitality industry (Kang and James 2004; Wilkins et al. 2010). Findings show that customers display various degrees of loyalty, allegiance or commitment towards a particular service provider. Thus, it is important that hotel operators understand the most influential factors in customer loyalty when devising and implementing strategies to make sure that existing guests remain loyal

while prospective guests develop new loyalty towards them (Chitty et al. 2007; Kandampully and Suhartano 2000; Wilkins et al. 2010).

Owing to the benefits of customer satisfaction in retaining existing customers, many researchers focused their studies on the importance of predicting customer behavior, especially in relation to the customer satisfaction construct and the satisfaction-loyalty link (Pullman and Gross 2004; Ramanathan and Ramanathan 2010). A study carried out by Olorunniwo et al. (2006) in the service industry found that customer satisfaction and customer loyalty in the lodging industry is significantly high. In addition, Berry et al. (2006) stated that when a hotel guest has had an enjoyable stay, he/she is very likely to patronize the hotel repeatedly, and will also recommend the hotel to his family and friends. In general, the findings of previous research indicate that there is a positive correlation between customer satisfaction and customer loyalty, and customer satisfaction is widely acknowledged as an indicator of customer loyalty in the hotel industry (e.g., Chitty et al. 2007; Schall 2003; Wilkins et al. 2010). These studies clearly show that satisfied hotel guests tend to remain loyal to the service providers concerned. Customer loyalty is a very much valued asset, and the long-term success of a hotel is assured if it can expand and maintain a large and loyal customer base (Wilkins et al. 2010).

In contrast to the above discussions, there are some researchers who doubt whether customer satisfaction will translate into customer loyalty. This scepticism is reflected in several studies (e.g., Abbasi et al. 2010; Bowen and Chen 2001; Ladhari 2009b; Skogland and Siguaw 2004). Furthermore, the results of a study on the satisfaction–loyalty model conducted by Olsen (2002) revealed that customer satisfaction might not always guarantee customer loyalty, other factors such as perceived quality performance and brand image are also deemed to contribute to loyalty. As such, there is a need to investigate this relationship further. Accordingly, the second hypothesis is postulated as below:

H_2: *Customer satisfaction has a significant positive influence on customer loyalty.*

Customer satisfaction may drive loyalty, but it may not be a very reliable, and definitely not the only determinant of loyalty (Faullant et al. 2008). In a study conducted at Alpine ski resorts, Faullant et al. (2008) found that both image and overall satisfaction are important to influence the degree of customer loyalty. Corporate image is defined as the perception of an organization by its customers. It refers to the brand and the kind of associations that customers have with a brand, goods, service and/or organization (Nguyen and Leblanc 2002; Simoes et al. 2005). Several studies have shown that corporate image has a significant impact on customer loyalty, and that the perception of corporate image drives customer loyalty (Faullant et al. 2008; Han et al. 2009; Kandampully and Hu 2007; Kandampully and Suhartanato 2000, 2003). In fact, the role played by corporate image in determining customer perception and consequent behavior has been a subject of much research. However, there is little empirical evidence to show that corporate image has a mediating effect on the relationship between customer satisfaction and customer loyalty, especially in the context of hotel industry in Malaysia. In support of the research conducted by Faullant et al. (2008) in the Alpine ski resorts, Kandampully and Suhartanto (2003) advocated the inclusion of corporate image

Figure 1. **Conceptual Framework for the Study**
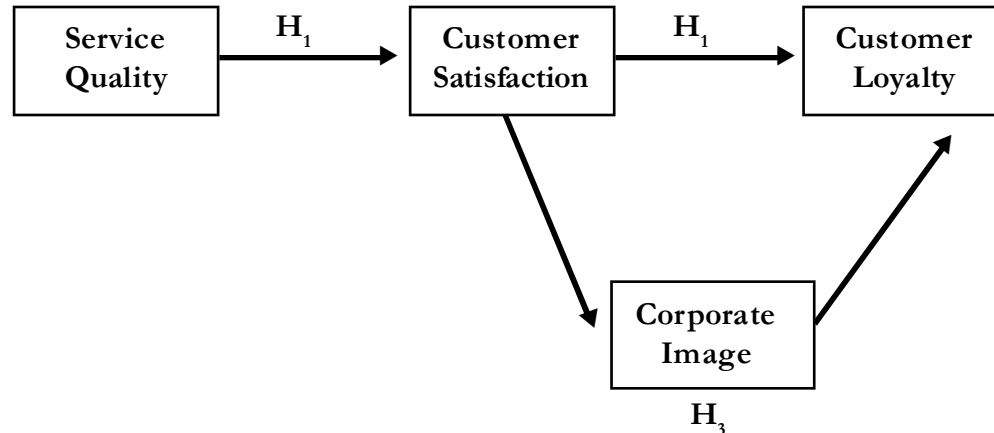
and customer satisfaction in one model, as it would highlight the significance of corporate image, and to have a better understanding of customer loyalty. Taking heed of this suggestion, the third hypothesis is postulated as following:

H_3: *Corporate image mediates the influence of hotel guests' satisfaction on their loyalty.*

Based on the review of the aforementioned past studies, this study proposes the conceptual model shown in Figure 1.

Methods

Four variables, namely service quality, customer satisfaction, corporate image and customer loyalty are operationalized in this study to test the hypothesized relationships in the proposed conceptual model. This study is explanatory in nature because it seeks to examine the impact of service quality on customer satisfaction, and how customer satisfaction subsequently affects customer loyalty in the hotel industry in Malaysia. This study also investigates the mediating effect of corporate image on the relationship between customer satisfaction and customer loyalty.

The values of Cronbach's Alpha for the scales and measurements adopted from the related literature were ranging from 0.76 to 0.96. These values were considered acceptable and reliable as they were above the recommended threshold value at 0.70 (Sekaran and Bougie 2010). In order to enhance the validity of questionnaires, items and scales in the questionnaire were sourced from existing literature; a summary of the variables for this study is presented in Table 1. Additional attempts were made to ensure the context of the literature was related to service quality, customer satisfaction, corporate image, and customer loyalty in the hotel industry that are similar with the context of this study.

A systematic sampling approach was adopted in this study. The sampling units were 500 guests who stayed overnight at the hotels in Malaysia during the survey period. The data were collected through self-administered questionnaire, including multiple scales of each variable and some demographic enquiries. Questionnaires were distributed to every tenth traveller passing through the security entrance at the Kuala

Table 1. **Summary of the Variables for the Study**

Variable	Hypothesis	Items on Survey	Source
Service Quality	H1	Questions 1 to 22	Lau et al. (2006)
Customer Satisfaction	H2, H3	Questions 23 to 26	Olorunniwo et al. (2006)
Corporate Image	H3	Questions 27 to 36	Kandampully and Suhartanto (2003)
Customer Loyalty	H2, H3	Questions 37 to 43	Skogland and Siguaw (2004)

Lumpur International Airport (KLIA). In order to collect the data required for the purpose of this study, a screening question was asked to ensure the respondents had stayed at least one night at a hotel in the country. The researcher only proceeded to distribute the questionnaires to travellers who had fulfilled the basic requirement. On average, the entire process to complete a questionnaire took about 15 minutes. Various statistical methods including preliminary data analysis, descriptive analysis, reliability test and regression analysis were used to analyze the data extracted from the questionnaires.

Results

Preliminary Data Analysis

The data collected from the 500 questionnaire survey were entered into the SPSS software, and a preliminary descriptive analysis was conducted to identify case(s) of missing data. As a result of the descriptive analysis, 5 cases were recorded as having substantial missing values, and seemed to be at random. According to Tabachnick and Fiddel (2007), a simple way to deal with missing data is to delete the case(s). Thus, these cases were dropped, resulting in there being 495 re-

sponses after the data screening step. Thereafter, the univariate outliers were detected from the 495 responses by examining the boxplots to view how the data are distributed; and the outliers for the combination of variables are assessed with Mahalanobis Distance (D2). 17 cases were identified as outliers and subsequently been eliminated from the sample. As a result, 478 responses were retained.

Sample Characteristics

The gender distribution among the respondents was considered even, with 52 percent female and 48 percent male respondents respectively. In terms of age group, the majority of the respondents were between 36 and 45, and respondents aged above 65 were the smallest age group in the survey. The nationality distribution was quite even in this study, where 54 percent of the respondents were Malaysian, and the remaining were international tourists who visited Malaysia during the survey period. In general, 47 percent of the respondents visited Malaysia for leisure purposes, and about 27 percent indicated "business" to be their main purpose of visiting Malaysia. As for the length of stay, nearly half of the respondents stayed 4-6 days in the hotels, 38 percent stayed 1-3 days, and

15 percent stayed more than 6 days in the hotels. In comparison, most of the respondents (69%) checked-in to hotels rated at three stars and above, while 31 percent stayed in hotels rated at two stars or below. The study succeeded in providing respondents who have wide variations in terms of personal characteristics.

Descriptive Analysis

Descriptive analysis in this study consists of mean, standard deviation and normality tests. Respondents in this study were asked to indicate their perceptions regarding each statement in the questionnaire using a seven-point Likert scale, ranging from 1 (Strongly Disagree) to 7 (Strongly Agree). As shown in Table 2, the mean scores for the variables are ranging from 4.94 to 5.02, these scores are above the midpoint of 3.50. In the context of Malaysian hotel industry, these scores indicate that the respondents generally held positive perceptions regarding the respective variables that are being tested in

this study. Besides, as displayed in Table 2, the scores of standard deviation for the respective variables are in the range between 1.09 and 1.28. In sum, the mean and standard deviation scores indicate a narrow spread of data points around the mean, and fulfilled the statistical requirements for further analyses.

Kline (2005) suggested that the acceptable range value of the skewness is (-3:3), and the range value of kurtosis is (-10:10). These range values are required for the data to be considered as normally distributed (Kline 2005). As presented in Table 2, the skewness statistics for the variables are ranging from -0.519 to -0.291. Likewise, the kurtosis statistics for the variables are in the range of -0.388 to -0.064. Collectively, all the items that make up the measured variables had absolute values of skewness smaller than 3; and absolute values of kurtosis smaller than 10 indicating the values of skewness and kurtosis of the measurement items did not violate the conservative rule of thumb within the

Table 2. **Descriptive Statistics for the Variables**

Variable	Mean	Standard Deviation	Skewness	Kurtosis
Service Quality	5.02	1.09	-0.462	-0.064
Customer Satisfaction	5.02	1.35	-0.519	-0.171
Corporate Image	5.02	1.18	-0.386	-0.388
Customer Loyalty	4.40	1.28	-0.291	-0.176

Table 3. **Reliability Test for the Variables**

Variable/α value	Service Quality	Customer Satisfaction	Corporate Image	Customer Loyalty
Cronbach's Alpha Value (α)	0.943	0.948	0.932	0.907

conventional limits of normality criteria (Hair et al. 2010; Kline 2005). In this case, the skewness and kurtosis statistics for the variables indicate that the data in this study are fitted very well in normal distribution.

Reliability Test

Reliability for each variable in this study was measured using Cronbach's Alpha (α). The measure of internal consistency reports how closely related a set of items are as a group in a specific variable (Hair et al. 2010). A variable is considered to be reliable if the Cronbach's Alpha values meet or surpass the recommended level of 0.70 (Hair et al. 2010). As presented in Table 3, the Cronbach's Alpha values for the four variables are: service quality (α= 0.943), customer satisfaction (α = 0.948), corporate image (α= 0.932) and customer loyalty (α= 0.907). Overall, the Cronbach's Alpha val-

ues for all the variables in this study are above the cutting point of 0.70 suggested by Hair et al. (2010), indicating that all items within the respective variables being tested in this study met the statistical requirement for further analyses.

Hypotheses Analysis

The summary of hypotheses analysis for H_1 and H_2 are presented in Table 4. The results revealed that H_1 is supported (β = 0.821, $p<0.001$). Likewise, H_2 is also supported (β= 0.723, $p<0.001$). In response to the third hypothesis postulated, three different tests, namely Baron and Kenny's 4 causal steps test, Sobel's Z test and bootstrapping as suggested by Wood et al. (2008) were adopted in this study to examine the mediating effect of corporate image on the relationship of customer satisfaction and customer loyalty:

Table 4. **Hypotheses Analysis**

Hypothesis	Relationship Coefficient	Standardized	t	Accepted
H1	Service Quality→Customer Satisfaction	0.821	31.424*	Yes
H2	Customer Satisfaction→Customer Loyalty	0.723	22.851*	Yes

Note: *p < 0.001 (two-tailed); n = 478

Table 5. **Coefficient of the Mediation Model**

IV	Total Effect (path c)					Direct Effect (path c')					Indirect Effect (path ab)					R2
	B	β	SE	t	p	B	β	SE	t	p	B	β	SE	t	p	
CS	0.745	0.774	0.044	16.752	0.001	0.249	0.258	0.081	3.089	0.001	0.496	0.516	0.589	9.325	0.001	0.597

Note: IV: Independent Variable; R2: Variance accounted for by the model; B: Unstandarized Regression Coefficient; SE: Standard Error; β: Standardized Regression Coefficient; t: *t*-value; CS: Customer Satisfaction

(i) Baron and Kenny's 4 causal steps test – Figure 2 depicts the proposed mediation model. This study hypothesizes that customer satisfaction (i) has a positive total effect on customer loyalty, and (ii) also exerts and indirect effect on customer loyalty through the mediating effect of corporate image. As indicated in Table 5, after corporate image is added as the mediator, the effect of customer satisfaction on customer loyalty is reduced (from $\beta = 0.774$ to $\beta = 0.258$), but remains significant. In this regard, corporate image is regarded as *partial mediator* on the relationship between customer satisfaction and customer loyalty (Baron and Kenny 1986).

(ii) Sobel's Z test – the results of Sobel's test revealed a change in unstandardized coefficient from 0.745 to 0.249, but the new unstandardized coefficient (i.e. 0.249) after the inclusion of corporate image as mediating variable is still significant (at

$p < 0.001$). Similarly, the results of Sobel's test also supported that corporate image has a *partial mediating* effect on the relationship between customer satisfaction and customer loyalty in the hotel industry in Malaysia.

(iii) Bootstrapping – Bootstrapping estimates using 1000 samples reveals that the lower bounds (lower limit) of the 95 percent confidence interval is 0.365, while the upper bounds (upper limit) of the 95 percent confidence interval is 0.665. These findings indicate that the indirect effect of corporate image on the relationship between customer satisfaction and customer loyalty is significant from zero (Bauer et al. 2006; MacKinnon et al. 2004). Specifically, customer satisfaction has an indirect effect on customer loyalty that is transmitted through corporate image.

Collectively, all the three hypotheses postulated in this study are accepted.

Figure 2. **Mediation Model**
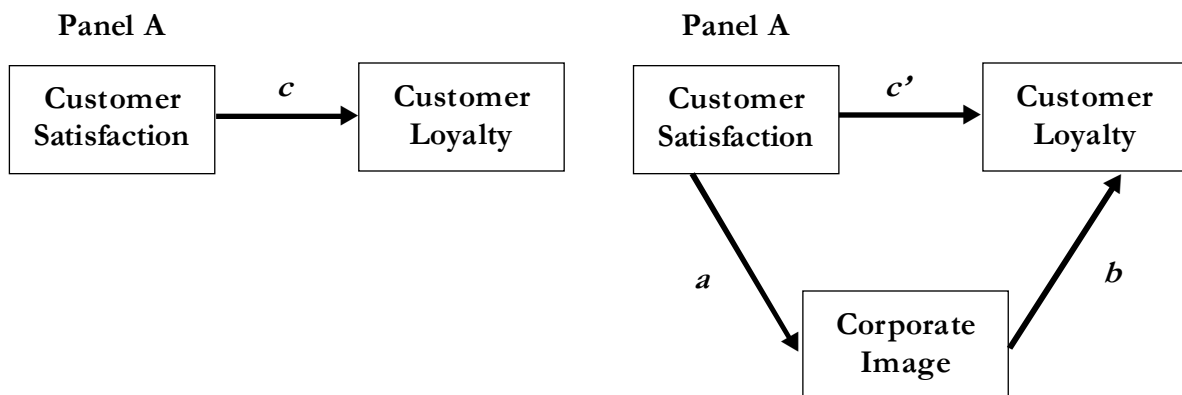
Note: Mediation model: Panel A: Illustration of total effect (patch *c*). Panel B: Illustration of mediation effect; customer loyalty effect customer loyalty directly (patch *c'*), and indirectly through corporate image (path *ab*)

Discussions and Implications of the Study

Consistent with most previous research into hotel service quality (e.g., Lau et al. 2005, 2006; Sidin et al. 2001; Ting et al. 2011), the findings of this study revealed a positive relationship between service quality and the level of customer satisfaction in the hotel industry in Malaysia. In this regard, the findings confirmed the service marketing theory that perception of the overall service quality that a customer is accorded in a service organization has a significant impact on his/her level of satisfaction. Service quality is made up of a combination of different services that are judged by a customer during the process of services being performed (Parasuraman et al. 1985, 1988). For this reason, service quality plays a vital role in influencing the judgment or attitude of a customer towards the superiority of a service.

According to Soutar (2001), due to the high level of customer contact, the hospitality industry is particularly sensitive to service quality. Therefore, managing service quality means that a hotel operator has to match the service performance with perceived service so that customer satisfaction can be achieved. In view of that, they need to hire personnel skilled in hospitality, customer care services, catering and management aimed at ensuring and maximizing customer satisfaction.

In general, researchers have testified the significant role of customer satisfaction in predicting customer loyalty (e.g., Chitty et al. 2007; Fen and Lian 2010; Olorunniwo et al. 2006). In contrast, several studies argued that customer satisfaction may not always be a reliable indicator of customer loyalty (Bowen and Chen 2001; Olsen 2002; Skogland and Siguaw 2004). Despite the contradictory find-

ings from these pieces of research, the findings of this study are consistent with the results in most of the previous research into the hotel industry, that is, customers who are satisfied with the services rendered by the hotel would have a high tendency to remain loyal (e.g., Chitty et al. 2007; Kandampully and Suhartanto 2000; Olorunniwo et al. 2006; Schall 2003; Wilkins et al. 2010).

The findings confirmed the marketing theory that customer satisfaction has a positive relationship with customer loyalty. The evidence from these findings revealed that satisfied hotel guests have a higher tendency to become loyal customers. In fact, a loyal customer is a much valued asset to an organization, especially in the hotel industry where the competition is very intense. This is because, it costs an organization 6 to 15 times more to gain new customers than to sustain the existing ones (Pulman 2002; Rosenberg 1983). Hotel operators, therefore, must constantly seek ways to understand the most influential factors in customer satisfaction. This knowledge will assist hotel operators to implement effective strategies in ensuring loyalty from both existing and prospective customers, at the same time to stay ahead of their competitors.

Many researchers have reported doubts about the predictability of loyalty solely due to customer satisfaction ratings which ignore image as predictor of loyalty. For instance, Faullant et al. (2008) noted that both corporate image and overall customer satisfaction have a significant impact on loyalty intention. In terms of the mediating effect of corporate image on the relationship of customer satisfaction and customer loyalty, the findings of this study revealed that corporate image served as a partial mediator on the relationship between these variables. Specifically, the findings from Sobel's test revealed

that almost 64 percent of the effect of customer satisfaction on customer loyalty goes through the corporate image. Whereas, about 34 percent of the effect on customer loyalty is influenced directly by customer satisfaction. As noted by Kandampully and Hu (2007), the main determinant of customer loyalty seems to be positive image which can be achieved through the hotel's service quality, and secondly, customer satisfaction. Thus, if satisfied hotel guests developed a positive perception of a hotel's image, their tendency to become loyal customers will increase significantly. The marketing implication related to this finding is that the hotel operators must sustain positive corporate image with proper strategic marketing plans, as this will enhance their long term business growth by building up a strong and loyal client base.

Limitations and Future Studies

Though this study revealed several noteworthy findings, there were certain limitations. The implications of this study should therefore be considered in the light of these limitations. The findings of this study confirmed that service quality has a positive impact on customer satisfaction; and customer satisfaction subsequently affects customer loyalty in the hotel industry in Malaysia. However, the current study did not examine other variables which could also influence customer satisfaction and customer loyalty in the hotel industry. Further studies should include other variable such as customer value, employee performance, demographic characteristics and switching barriers that may influence the level of satisfaction and customer loyalty

among hotel guests. Inclusion of these factors could produce better measures of customer satisfaction and loyalty, more importantly the findings would yield valuable information to help hotel operators in formulating and implementing effective marketing strategies.

The respondents in this study were limited to the hotel guests who departed from KLIA during the survey period. The findings in this study could be affected, as the data collected from the sample might not be representative of other hotel guests who patronize hotels in Malaysia during other periods of the year. As such, future studies should include diversified samples to ensure applicability of the research findings to other different settings. Besides, this study was conducted without consideration of the hotel star ratings. In this case, a bias may exist as hotel guests could hold different perceptions and expectations according to the hotel star ratings. In order to achieve accurate findings, future studies should make extra efforts to address the differences in the hotel categories.

Another limitation of the study was the use of close-ended questions in the questionnaire to collect the data needed for statistical analysis. Because of the simplicity and the limitations of the answers, close-ended questions may not offer the respondents choices that actually reflect their real feelings, perceptions and opinions on the issues under investigation. For this reason, if open-ended questions were used in the future studies, this would allow researchers to better access the respondents' feelings on the issues. Subsequently, researchers might have more accurate inputs to achieve more accurate findings.

Conclusion

This study emphasizes the importance of evaluating service quality perception and customer satisfaction so that more effective strategies could be adopted to strengthen hotel corporate image and to create customer loyalty in the Malaysian hotel industry. This study has contributed several important findings to the hotel industry in Malaysia, especially with regard to consumer behavior and service marketing. In line with the increasing sophistication of customers' demands, coupled with intense market competition, hotel operators need to rise to the challenge of increasing and strengthening a loyal customer base. More importantly, as a key player in the tourism industry, hotels in Malaysia play a vital role in creating a positive "home away from home" experience for the tourists. The performance of the hotel industry contributes to the success of the tourism industry which is a major sector in the Malaysian Government's National Economic Transformation Program (ETP).

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