MEDIATING EFFECTS OF CUSTOMER SATISFACTION AND CUSTOMER DELIGHT ON PERCEIVED VALUE AND CUSTOMER LOYALTY IN IRAN’S HOTEL INDUSTRY

RASOUL ASGARPOUR

UNIVERSITI TEKNOLOGI MALAYSIA
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RASOUL ASGARPOUR

A thesis submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy (Management)

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DEDICATION

To my lovely mother and father, who gave me endless love, trust, constant encouragement over the years, and for their prayers.

To my lovely wife, for her patience, support, love, and for enduring the ups and downs during the completion of this thesis.

This thesis is dedicated to them.
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I wish to express my deepest appreciation to all those who helped me, in one way or another, to complete this project. First and foremost I thank God almighty who provided me with strength, direction and purpose throughout the project. Special thanks to my supervisor Professor Dr. Abu Bakar Abdul Hamid and my co-supervisor Dr. Zuraidah Binti Sulaiman for all their patience, guidance and support during the execution of this project. Through their expert guidance, I was able to overcome all the obstacles that I encountered. In fact, he always gave me immense hope every time I consulted with him over problems relating to my thesis.
Creating and maintaining customer loyalty is an important strategy to maintain a competitive advantage. Customers decide to purchase services based on perceived value or the degree of satisfaction of their needs and expectations about service quality and perceived price as value components. The main objective of this research is to identify and analyze factors that affect customer loyalty in the hotel industry. This research is conducted to offer an integrated model, a continuum from value components to customer loyalty. A conceptual model was developed to examine the effect of service quality and perceived price on customer perceived value directly and on customer satisfaction, customer delight and customer loyalty indirectly. Quantitative method was applied. This study focuses on the hotel sector in Esfahan city in Iran. 414 guests from nine hotels (3 and 4-star) participated in the survey. Structural equation modeling (SEM) was utilized to examine the research hypotheses by the aid of SmartPLS application. The results indicated that customer perceived value, customer satisfaction and customer delight are significant antecedents of customer loyalty. Furthermore, service quality and perceived price have significant impact on customer perceived value. In addition, customer delight has a key role as a mediator between customer perceived value and customer satisfaction on customer loyalty. The results provide practitioners with a more integrated model in understanding customer loyalty, especially in the hotel sector. The results offer factors which help to create a seamless relationship with customers in order to gain customer loyalty, specifically for the hotel industry.
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CHAPTER 1

INTRODUCTION

1.1 Introduction

In spite of various practical studies about customer loyalty performed by previous scholars, there is lack of enough research in this area in Iran and especially in tourism and hospitality industry in Esfahan city. This issue made the researcher to conduct this research in order to address this gap. Moreover, in customer delight point of view, there should be more investigation in case of hotel industry in order for owners or managers to better understand delight of their customers and utilize it for improvement of loyalty and profitability (Torres and Kline, 2013). This study was conducted to offer a more integrated model about this continuum from value components to customer loyalty. Furthermore, practitioners could have a better perception of the substantial role of antecedents of customer loyalty and their effects on customer loyalty.

Therefore, this study is going to examine the effect of service quality and price as two effective factors on other antecedents of customer loyalty to address the lack of acceptable level of customer satisfaction and customer loyalty in this industry which can be addressed by policy makers (government) and researchers as well. This study is going to make more clarification and offer more tangible solutions to practitioners and policy makers as well.
1.2 Background of Study

For acquiring customer loyalty as a main focus of organizations, it is crucial to know what value is and how organization could offer value to its customers (s). As Duchessi (2004) indicates, the critical success factors in today’s business world are the ability to realize what is valued in the mind of customers and ability to deliver those values. Furthermore, customers decide to purchase goods based on perceived value, or the satisfaction degree of their needs and expectations about product quality, service quality, and price (Duchessi, 2004). Therefore, in light of what Duchessi (2004) states, product quality, service quality, and price are three components which could create value and bring customer loyalty. Finally, if a company maximizes value for its customers, success will be guaranteed in the future (Zineldin, 2006).

According to above descriptions, customers make purchasing decisions in terms of satisfied needs and expectations about value components. Thus, product quality, service quality, and price as basic value ingredients are emphasized in all of the statements so far such as Lemon et al. (2001), Zeithaml and Bitner (1996), and Duchessi (2004). Additionally, loyalty should be described as a personal identification which is felt by clients related to performance of services and products as well as how such feeling will drive behavior of clients (Barnes, 2001). It is relevant to performance closely: having the proper service or product with the appropriate price (Mendoza et al., 2007).

Recently, it was argued that customer delight is much better than customer satisfaction in order to engage customers and also make sure of their loyalty (Torres and Kline, 2013). Moreover, it has been suggested that when satisfaction level increases, the loyalty of customers will increase too. Therefore, satisfaction level significantly influences loyalty level; those customers who are very satisfied are more loyal compared to those who are less satisfied (Kumar et al., 2001). Thus, there is a relationship among continuum from being satisfied to being delight and also customer loyalty level (Torres and Kline, 2013). Customer delight has more significant influence on affective loyalty in comparison to customer satisfaction in
In addition, Rust and Oliver (2000) as well as Torres and Kline (2006) argued that, if delight is considered a function of customers’ expectations, then satisfaction is the logical antecedent of delight. Therefore, aforementioned concepts are adopted to propose advanced conceptual model and empirical results in order to gain customer loyalty in this study.

Some evidences suggest that consumers do not become loyal the same way in different countries (Lai et al., 2009). That is why; more research is required about antecedents of customer loyalty in different countries and industries in order to merge all investigations and find out the main factors which have significant impact on customer loyalty in different countries and industries.

One of the aspects reported by Iran Cultural Heritage, Handicrafts and Tourism Organization’s website is that there is low level of customer satisfaction and customer loyalty due to hotel offering poor services in comparison with their rates (ICHTO, 2013). Moreover, according to Iran News Network (INN), hotel rates are not consistent with the income of 80 percent of people among middle-class in Iran that is why; average occupancy rate is low in spite of high percentage of travelers during the year (INN, 2013). On the other hand, as the results of other researches which are conducted in hospitality industry, managers of hotels in Iran should regard service quality and assist in maintaining quality performance in order to gain customer satisfaction (Arasli, 2012).

### 1.3 Overview of Hotel Industry in Iran and Esfahan

Iran is endowed with a rich history and culture and UNESCO ranks Iran seventh in the world in terms of possessing historical monuments, museums, and other cultural attractions (WTTC, 2010). Iran has six sites listed with UNESCO and boasts over one million ancient monuments as well as 200,000 historical monuments and sites (WTTC, 2010). Furthermore, according to the report which is published by World Travel and Tourism Council, the money which is being spent by foreign visitors to a country is one of the important aspects of travel and tourism’s direct
contribution. Iran, in 2014, generated almost IRR 24,903.4 billion for visitor exports (expenditure by international tourist in the region plus spending on transport). This amount in 2015 is considered to be increased by 3.2 percent and Iran is assumed to attract nearly 3.167.000 tourist arrivals globally. Moreover, by 2025, tourist arrivals internationally are predicted to be equal to 4.740.000, or generating IRR 34,604.1 billion of expenditure which is equal to 3.0 percent increase (WTTC, 2015).

According to the secretary of the Iran Hotel Owners Society, the country has 619 hotels. These hotels include 17 five-star, 27 four-star, 60 three-star, 203 two-star, 212 one-star, and 100 non-graded hotels (ITTO, 2001). These establishments are expected to generate |IRR 1,109,444 billion (US$71.4 billion) by 2016. Total demand is expected to grow by 2.4% and 4.0% annually through 2016. As discussed above, the hotel industry in Iran is planning rapid growth. New hotels have been constructed and old hotels are being redesigned. The Travel and Tourism’s direct contribution to total GDP in 2014 was equal to 237,121,0 billion (2.3% of total GDP). It is estimated to increase by 6.6 percent to IRR 252,874,0 billion in year 2015 and also by 5.7 percent pa to IRR 442,156,0 billion (2.9% of total GDP) in year 2025 (WTTC, 2015). This mainly demonstrates the economic activity developed by various industries including travel agents, hotels, airlines as well as other services regarding passenger transportation (not including commuter services).

Travel and tourism provided directly 413,000 job positions in 2014 (1.8 percent of overall employment) and it is expected to increase by 4.4 percent in year 2015 to 431,000 and a growth equal to 4.3 percent pa by 2025 to 656,000 jobs by travel agents, hotels, airlines as well as other services related to passenger transportation (not including commuter services) (WTTC, 2015). According to Iran Cultural Heritage, Handicrafts and Tourism Organization’s website (ICHTO, 2013), Esfahan city has 51 hotels from 1 to 5-star hotels. There are seventeen 1-star hotels, fifteen 2-star hotels, fourteen 3-star hotels, four 4-star hotels and one 5-star hotel (ICHTO, 2013).
1.4 Problem Statement

Customer loyalty is increasingly seen as a major determinant of long-term financial performance in competitive markets (Jones and Sasser, 1995; Reichheld, 1996). In spite of the importance of customer loyalty, there are clear gaps in our knowledge of the antecedents of customer loyalty (Lai et al., 2009). In this sense, the primary purpose of this study is to investigate an integrated model of customer loyalty and its antecedents. Quality, consumer satisfaction, and value are considered as key building blocks of customer loyalty (Zeithaml, 1988; Bolton and Drew, 1991; Babin and Attaway, 2000). Therefore, service quality, perceived price, customer perceived value; customer satisfaction and customer delight are integrated as antecedents of customer loyalty in the conceptual model of this study.

Customer loyalty is commonly distinguished in three approaches: behavioral, attitudinal, and combined attitudinal and behavioral loyalty approach. Some researchers investigated either attitudinal or behavioral approach. Whereas, according to the literature, it is inevitable that both of them should be taken into account when customer loyalty is discussed (Jacoby and Chestnut, 1978; Dick and Basu, 1994; Donio et al., 2005). It means, attitudinal and behavioral loyalty should be considered when loyalty is going to be measured in a company.

Moreover, as stated by Oliver (1997) customer loyalty comprises of cognition, affect, conation and action. In this regard, this study will conduct an overall investigation on a combination of attitudinal and behavioral loyalty. Attitudinal loyalty consists of cognition, affect and conation. Behavioral loyalty includes action. Subsequently, this study will examine the impact of antecedents of customer loyalty on attitudinal- behavioral loyalty approach. Thus, the feasibility of the research model will be verified in the context of this study. Verification on the research model would reinforce the relations and extend conceptualization of customer loyalty and its main antecedent.

Customer satisfaction has been regarded as an important antecedent of loyalty for many years, but this idea has been challenged as research shows customer satisfaction does not necessarily result in repurchase or loyalty (Johns and Sasser,
Instead, researchers have begun to emphasize the importance of delighting customers, which is more likely to indicate loyalty than satisfied customers (Oliver et al., 1997; Paul, 2000). Delighting a customer can be considered a critical competitive advantage (Oliver et al., 1997; Williams and Anderson, 1999; Hicks et al., 2005) because customer delight drives customer loyalty by retaining customers and creating positive word of mouth (WOM) (Johns and Sasser, 1995; Oliver et al., 1997; Paul, 2000; Keiningham and Vavra, 2001).

Moreover, as the other statement by Olive et al. (1997) and Vanhamme (2008), customer delight is defined as a higher level of satisfaction achieved by exceeding a customer's expectations. Olive et al. (1997) and Torres and Kline (2013) suggested that the true way to increase loyalty, loyalty-driven profit, is not to satisfy customers, but to delight them. In addition, Rust and Oliver (2000) as well as Torres and Kline (2013) argue that, if delight is considered a function of customers’ expectations, then satisfaction is the logical antecedent of delight. Hence, there will be a direct and significant relationship among a continuum from the satisfaction into delight and also customer loyalty level (Torres and Kline, 2013). Besides, customer delight strongly impacts customer loyalty while we compare it with customer satisfaction (Kim, 2010).

Therefore, it was suggested that delight is the loyalty antecedent but this type of relationship should be examined in future studies empirically (Torres and Kline, 2013). In this sense, customer satisfaction and customer delight will be considered in this research as two antecedents of customer loyalty in hotel industry in Esfahan to investigate lack of customer loyalty in spite of existence of customer satisfaction. Furthermore, the researcher will examine the relation between customer satisfaction and customer delight to fulfill which one is more likely to indicate more loyalty. In addition, this study chose customer delight as a mediator between customer perceived value, customer satisfaction and customer loyalty in order to enrich Prasuraman and Grewal model (2000) which is adopted for this research. Hence, this study adopted previous statements to propose advanced conceptual model and empirical results so as to gain higher percentage of customer loyalty in return. If the
customer delight could be obtained so this can bring more lasting customer loyalty that hotels seek for actively.

Mediating role of customer delight as a post satisfaction outcome will be inspected in order to gain a comprehensive model including customer delight and other antecedent of customer loyalty as a solution to practitioners in hotel industry. Practitioners would conduct and measure key antecedents of customer loyalty in their organizations by the aid of this model. Just few studies have evaluated the model with the existence of customer satisfaction and customer delight in relation to customer loyalty. Therefore, this study will investigate customer delight and its relationships with customer perceived value, customer satisfaction and customer loyalty in order to confirm these relations in hotel industry.

The impact of product quality, service quality as well as price on assessment of purchasers is a subject which needs conducting systematic and empirical studies (Zeithaml et al., 1996). Customer delight can be defined as the reaction that customers have when they experience a product or service that not only satisfies but provides unexpected value or unanticipated satisfaction (Chandler and Ball, 1990). In addition, it is also defined as combination of surprise and joy (Plutchik, 1980) which is resulted from unexpectedly service or product performance from a company (Keiningham and Vavra 2001). Delight construct was known as the key for the loyalty of customers (Kamakura and Russell, 1993). It means that delight is the emotional reaction which makes a customer committed to a service or good (Berman, 2005).

Therefore, the indirect effect of service quality and perceived price on customer delight and direct effect of customer perceived value and customer satisfaction on customer delight will be evaluated in this study to approve the significant role of customer satisfaction and customer delight in this continuum. It means the continuum from those factors which create value for customers (service quality and perceived price) in service industry to customer loyalty which is one of the main goals of businesses.
Moreover, Bowen and Shoemaker (2003) noted that satisfied buyers might not come back to a company and share some positive word of mouth to other individuals. One reason can be the fact that company does not offer what buyers want and need (Roig et al., 2006). Woodruff (1997) explained that measuring customer satisfaction without consideration for perceived customer value cannot meet fully customer’s requirements. It can be said that providing true value to them has to be one of the most critical aims for any firm. Therefore, providing good value to the customers will result in shaping competitive advantage for a company (Woodruff, 1997; Ulaga and Chacour, 2001; Lee and Overby, 2004).

In this regard, this study is going to include service quality and perceived price as two factors which have effect on customers’ perspective. In addition, customer perceived value and customer satisfaction are chosen as two complement variables in order to meet customer expectation fully. In other words, this model will be examined to find out the effect of value components on reactions of customers which are measured by the level of pervaded value, satisfaction, delight and loyalty.

Some evidences suggest that consumers do not become loyal the same way in different countries (Lai et al., 2009). That is why; more research is required about antecedents of customer loyalty in different countries and industries in order to merge all investigations and find out the main factors which have significant impact on customer loyalty in different countries and industries. In addition, main constructs are global and relationship between them can stay consistent reasonably during time. Therefore, the current study is going to investigate the effect of some main antecedents of customer loyalty on customer loyalty in Esfahan city as the major tourism focal point in Iran.

One of the aspects reported by Iran Cultural Heritage, Handicrafts and Tourism Organization’s website is that there is low level of customer satisfaction and customer loyalty due to the offering of poor services in comparison with hotel rates (ICHTO, 2013). In this sense, these issues should be considered in hotel sector in Iran and especially in Esfahan as one of the historical focal point. On the other hand, as the results of other researches which are conducted in hospitality industry, managers of hotels in Iran should regard service quality and assist in maintaining
quality performance in order to gain customer satisfaction (Arasli, 2012). Moreover, the other research was conducted in 4-star hotels in Esfahan by Shahin et al. (2010) shows the service quality dimensions have positive value especially price which is considered as a dimension of service quality in their research.

In addition, according to figures published by Iran Cultural Heritage, Handicrafts and Tourism Organization (ICHTO, 2014) regarding Iranian new year on March 2014 (1393), about 57 million night stays was registered. Only eight percent of the tourists stayed in hotels, hotel apartments and motels. Twenty nine percent of tourists stayed in traveling tents and seventeen percent of travelers in temporary camps that are prepared for travelers. Fourteen percent of tourists stayed in residences related to Education Ministry (education ministry rents its property to teachers during school holidays). Seventeen percent of tourists were staying in rented homes and eighteen percent in student dormitories and gyms were housed (dormitories and gyms were prepared for this period by High Education Ministry).

Those figures show high potential of domestic tourism in Iran. The question is why tourists prefer tent, rented houses and student dormitories to hotels and hotel apartments. The spokesperson of Iran Cultural Heritage, Handicrafts and Tourism Organization (ICHTO, 2014) said lack of infrastructure, low service quality and high prices of hotels and hotel apartments make visitors to stay in tent, rented houses and student dormitories instead of hotels and hotel apartments.

Therefore, this study is going to examine the effect of service quality and perceived price as two effective factors on other antecedents of customer loyalty to address the lack of acceptable level of customer satisfaction and customer loyalty in this industry which are addressed by policy makers (government) and researchers as well. This study is going to make more clarification and offer more tangible solutions to practitioners and policy makers as well.

In short, in spite of various practical studies about customer loyalty performed by previous scholars, there is lack of enough research in this area in Iran and especially in tourism and hospitality Industry in Esfahan city. This issue made the researcher to conduct this research in order to address this gap. Moreover, in
customer delight point of view, there should be more investigation in case of hotel industry in order to contribute owners or managers to better understand delight of their customers and utilize it for improvement of loyalty and profitability (Torres and Kline, 2013). Therefore, this study is conducted to offer more integrated model about this continuum from value components to customer loyalty. Furthermore, practitioners could have a better perception of the substantial role of antecedents of customer loyalty and their effects on customer loyalty.

1.5 Research Objectives

The main objective of the research is to identify the influence of value components, service quality and price, on antecedents of customer loyalty and customer loyalty in tourism and hospitality industry (hotel sector). In other words, the goal is to identify the significant antecedents of customer loyalty in hotel sector. In addition, the model of Parasuraman and Grewal (2000), which is the main model adopted in order to develop conceptual model of this study, would be enriched. This enrichment would be done by adding two more determinant variables, customer satisfaction and customer delight, to this model so as to offer a more complete model to practitioners to gain customer loyalty. This research intends to study determinant antecedents of customer loyalty in hotel industry by investigating guests’ ideas in 3 and 4 star hotels in Esfahan city. The detailed research objectives are as follows:

1. To evaluate the effect of service quality and price on customer perceived value.

2. To examine the effect of customer perceived value on customer satisfaction, customer delight and customer loyalty.

3. To identify the effect of customer satisfaction on customer delight and customer loyalty.

4. To investigate the effect of customer delight on customer loyalty.
1.6 Research Questions

In this research, the researcher is going to analyze the significant effect of service quality and price on customer perceived value, and their direct and indirect effects on customer satisfaction and customer delight as antecedents of customer loyalty in order to gain customer loyalty as a final purpose and dependant variable. In this sense, the main research questions are as follows:

1. Do service quality and price have direct effect on customer perceived value?

2. What is the direct effect of customer perceived value on customer satisfaction, customer delight and customer loyalty?

3. Does customer perceived value have indirect effect on customer loyalty by the mediating role of customer satisfaction and customer delight?

4. What is the direct effect of customer satisfaction on customer delight and customer loyalty?

5. What is the indirect effect of customer satisfaction on customer loyalty by the mediating role of customer delight?

6. Does customer delight have direct effect on customer loyalty?

1.7 Scope of Study

This research evaluates the influence of service quality and price as independent variables on customer perceived value, and the direct and indirect effect of customer perceived value on customer satisfaction, customer delight of guests in 3 and 4-star hotels in Esfahan city which is a capital city of Esfahan province. Finally, the direct and indirect effect of all mediator variables will be evaluated on customer loyalty as dependent variable of the conceptual model of this study. Hospitality industry and specially hotel sector play a vital role in developing tourism industry in
Iran and contribute to remarkable economic growth in historical cities such as Esfahan. This survey will be conducted in Esfahan as the major tourism focal point in Iran. Therefore, the target population is restricted to guests in 3 and 4-star hotels in Esfahan city.

According to Iran Cultural Heritage, Handicrafts and Tourism Organization's website (ICHTO, 2013), Esfahan city has 51 hotels from 1 to 5-star hotels. There are seventeen 1-star hotels, fifteen 2-star hotels, fourteen 3-star hotels, four 4-star hotels and one 5-star hotel. This research will not have sufficient resources at its disposal to cover all of the existence hotels in Esfahan city. Therefore, this study will only target all 3 and 4-star hotels (18 hotels) due to large number of hotels in Esfahan and cost and time constraints. In addition, in statistics point of view, 5-star category is omitted from this selection due to lack of enough 5-star hotels in this city. It is because; there is just one 5-star hotel in Esfahan city.

The total supply of 3 and 4-star hotel rooms in Esfahan are 1114 rooms and 2500 beds. Average occupancy rate of room in hotels of Esfahan is 40% yearly which is lower than their expectation according to the report of Iran Cultural Heritage, Handicrafts and Tourism Organization, and it is going to be improved by implementing short-term and medium-term plans in (ICHTO, 2013). The proper sampling process represents this population and discusses in depth systematically in the third chapter. This is a cross sectional study whereby data will be collected from one point in time.

1.8 **Significance of Study**

The main contribution of this study is offering an integrated model of customer loyalty and its antecedents. In this sense, the conceptual model will illustrate more tangible direct or indirect effect of antecedents of customer loyalty namely, service quality, price, customer perceived value, customer satisfaction and customer delight on customer loyalty.
This study is going to come out with the result of the relation between customer satisfaction and customer delight in order to gain stable customer loyalty. In other words, the effect of customer satisfaction on customer delight on the one hand and on the other hand mediating effect of customer delight between customer satisfaction and customer loyalty would be illustrated as a novelty in hotel industry in Esfahan city. These relations have significant impact because customer satisfaction does not result in customer loyalty in many cases in this scope and all over the world as well.

In addition, this study added customer satisfaction and customer delight as two mediators between customer perceived value and customer loyalty in order to enrich Prasuraman and Grewal model (2000) which is one of the fundamental model in this field and adopted for this research. Hence, this study is going to propose advanced conceptual model and empirical results so as to provide the more stable customer loyalty that companies actively seek.

In short, this research will provide practitioners with more integrated model in order to gain customer loyalty within the organization. This model is going to fulfill the lack of customer satisfaction by emphasizing on the impact of service quality and price on customer perceived value so as to gain higher percentage of customer satisfaction. Moreover, lack of low percentage of customer loyalty would be fulfilled by addressing the impact and role of customer delight on customer loyalty. This issue would be considered by approving conceptual model that considers on customer delight as a higher level of customer satisfaction and its significant role as one of the main antecedents of customer loyalty.

Therefore, applicants and practitioners could have a better perception of the substantial role of antecedents of customer loyalty and their effects on customer loyalty. The result should bring about focus on factors for companies and specifically hotels to make seamless relationship with customers in order to gain customer loyalty.
1.9 Operational Definitions

This research will use the operational terms that are related to the research objectives. The definitions are as follows:

Customer Loyalty: loyalty could be described as one of the personal felt identification by all of the clients regarding service and product performance and also how such feeling will impact their behaviour (Barnes, 2001). Accordingly, this research measured attitudinal and behavioral aspects of customer loyalty as a personal felt identification of a customer regarding service performance and customer’s behavior under the construct of customer loyalty.

Customer Delight: Oliver et al, (1997) and Vanhamme (2008) defined customer delight as a higher level of satisfaction or extreme level of satisfaction achieved by exceeding a customer's expectations. Additionally, customer delight could be considered as when expectation of customers will be exceeded and contains positive surprise (Berman, 2005). Therefore, customer delight as a higher level of satisfaction was measured by factors, namely gleeful, elated, overjoyed, positively surprised, grateful, pleased which could be felt by hotel quests.

Customer Satisfaction: Customer satisfaction is considered as a reaction of them toward evaluation of perceived difference between actual performance and their prior expectation of services and goods (Tse and Wilton, 1988). Correspondingly, the evaluation of customer’s perception of discrepancy between prior expectation and the actual performance of a service was measured by comparing a current service with a customer’s expectation and the decision that a customer made to stay in this hotel in comparison with his/her expectation of this hotel.

Customer Perceived Value: Perceived value is the consumer's overall assessment of the utility of a product or service based on the comparison of what is received and what is given (Zeithaml, 1988). This research measured customer perceived value as a customer’s overall assessment of a service based on perceived price in hotel industry. Zeithaml and Bitner (1996) stated that perceived value
includes four main components: value is what buyer wants from services and goods, value means low price levels, value is the achieved quality for the price a person pays and finally value is what a purchaser will receive instead of what they give. In this regard, customer perceived value was measured by using four main items that are what is received and what is given, price reasonability, joyful stay and a comparison of good value for money.

Service Quality: Zeithaml (1988) stated that service quality is a consumer's judgment about overall excellence or superiority of a service. Furthermore, Parasuraman et al. (1988) offered five main dimensions of SEIVQUAL (reliability, assurance, tangible, empathy, and responsiveness) for measuring service quality. Therefore, service quality is a guest’s judgement about overall excellence of a service in hotel industry in this research. Service quality was measured by the items which are consistent with SERVQUAL dimensions; reliability, assurance, tangible, empathy, and responsiveness.

Perceived Price: The real perceived price of a product or service makes sense after the subjective interpretation of the customer (Oh, 2000). Accordingly, this research used perceived price as a construct in its research model to evaluate subjective interpretations of guests who stayed in hotels. Perceived price was measured by using three items that are price reasonability, fitness of a price for the service provided and price suitableness for customer.

1.10 Summary

This chapter discusses the background of the study. It consists of introduction and background of the study which is a summary of main factors of this research. Then, all gaps and problems are addressed in problem statement. Next sections focus on research objectives and questions of this study respectively. Then, this chapter provides significance of the study. Finally, main operational definitions applied in this research are offered.
customer satisfaction on customer loyalty. These two formulas together would gain profit-derived loyalty of customers for hotels.

There is significant contribution to customer loyalty practice by diagnosing what value is in the mind of customers. Additionally, the status of customer satisfaction, customer delight and customer loyalty in three and four-star hotels are identified. By conducting the relationships among these constructs, hotel managers would be able to assess the strengths and weaknesses of their organizations. This awareness will help them to find out how to offer those values so as to make satisfaction and delight for having customer loyalty in long run. Thus, the results could lead managers to develop appropriate strategies to offer high service quality with more competitive price that create more value for customers.

The plausible model tested in this study indicates that customer delight has a function of strengthening the building blocks of loyalty in long run. The findings suggest that researchers should include customer delight along with perceived price, service quality, perceived value, and customer satisfaction as determinant factors in testing customer loyalty, particularly in the hotel industry.
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