

**Customer Satisfaction and Loyalty in Malaysian Resort Hotels: The Role of Empathy, Reliability and  
Tangible Dimensions of Service Quality**

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## **Abstract**

This paper applies the SERVQUAL model for the purpose of examining the impacts of the five dimensions of service quality on customer satisfaction and customer loyalty in the hotel industry in Malaysia, and to investigate which factors among said dimensions (tangibles, reliability, responsiveness, assurance and empathy) have a major role in affecting customer satisfaction and loyalty in relation to resort hotels. Questionnaires were used to collect quantitative data for this research by deploying a random sampling strategy to invite 136 hotel guests to complete the survey. The key findings indicate that empathy, tangibles and reliability have significant roles in affecting overall customer satisfaction in the Malaysian resort hotel sector but that responsiveness and assurance were not significantly influential. Empathy was the most significant predictor of customer satisfaction among all of the dimensions, and customer satisfaction has a positive relationship with customer loyalty in this context.

**Keywords:** Service Quality; Customer Satisfaction; Customer Loyalty; Hotel Industry; Malaysia

## **1. Introduction**

Tourism is a unique industry in which multiple products and services with a combination of the tangible and intangible come together in order to create an overall service experience (Kandampully 2000; Prebensen, Chen and Uysal 2018). Although the precise combination of products and services varies between sectors, destinations and individual tourists, the complexity of tourism packages means that measurement of customer satisfaction must take account of there being multiple opportunities for the consumer to encounter service quality issues. A characteristic challenge of tourism markets is the halo effect whereby negative experiences with one part of a vacation can impact perceptions of other service encounters in the wider experience. Service quality experiences with one element of a vacation package have the potential to impact perceptions of accommodation, destination, transportation, restaurant, attraction and general leisure experiences in resort, and each of these products or services contributes to shaping overall satisfaction.

This research project seeks to clarify the most significant dimensions of customer satisfaction in the hospitality sector in Malaysia, and specifically within resort complexes. The hotel and

hospitality sector continues to be one of the fastest-growing industries internationally and within specific individual markets including Malaysia (IbisWorld, 2018). From 2013 to 2018, enhanced global economic and travel spending has boosted industry revenue and increased hotel room capacity and occupancy rates. This hospitality industry divides into segments of High-end hotels, medium-end hotels, low-end hotels and resort accommodation (IbisWorld, 2018).

According to Ali, Hussain and Omar (2016), Malaysia has developed into one of the most popular Asian tourism destinations in recent years. Tourism Malaysia has targeted MYR 168 billion (GBP 31 billion) in tourist receipts for 2020 (Teo and Chee, 2018). The hotel industry is a core part of the tourist product. Due to competition, hotel operators have created new ways to improve their service and to guarantee their customers a memorable stay (Poon and Low, 2005; Tourism Malaysia, 2012). According to Oh and Parks (1997), hotels with good service quality will enhance both market share and profitability at whichever scale they operate (local hotels, national chains or international chains). Previous researchers have illustrated that service quality, customer-perceived value and satisfaction are considered as key success factors in achieving competitive advantage within service providers (Adeinat and Gregg, 2018; Bolton and Drew, 1991;; Parasuraman, Berry, and Zeithaml, 1991) Studies have been conducted across an incredibly diverse range of sectors from higher education (Campos, Dos Santos and Castro, 2018) to manufacturing supply chains (Mazzawi and Alahwamleh, 2019) as well as in the hospitality industry in particular (Poon and Low, 2005; Prebensen, Chen and Uysal, 2018).

This research specifically examines the influence of service quality on customer satisfaction in a resort hotel in Port Dickson, Malaysia through the examination of the five dimensions of the well-established SERVQUAL model. These dimensions are Tangibles, Reliability, Responsiveness, Assurance and Empathy. The main objectives of this study are set out below and have been developed in order to investigate the relationship between the five dimensions of service quality and customer satisfaction, and how customer satisfaction impacts customer loyalty in Malaysia resort hotels:

- 1) To establish which service quality dimensions (tangibles, reliability, responsiveness, assurance, empathy) have an influence on customer satisfaction in the Malaysian resort hotel market.

2) To establish which service quality dimensions influence customer satisfaction significantly in the Malaysian resort hotel market.

3) To establish the relationship between customer satisfaction and customer loyalty in the Malaysian resort hotel market.

## **2. Literature Review**

### **2.1 SERVICE QUALITY**

Service quality has been conceptualized as the amount or level and direction of the difference between customers' perceived service and their expectations (Parasuraman et al., 1985).

Parasuraman et al. (1988) also proposed that a customer's evaluation of overall excellence (Zeithaml, 1988) relies on the gap between expected and perceived actual level of performance in the service setting. At a very simple level, Parasuraman et al. (1985) stated that if expectation is higher than performance this will lead to perceived quality lower than satisfactory and thus customer dissatisfaction occurs. Angelova and Zekiri (2011) explained service quality as a measure and comparison of how well the service level delivered meets the customer expectations for said service. Measuring quality in the service industry is difficult due to the characteristics of heterogeneity, intangibility and inseparability of production and consumption (Parasuraman et al., 1985). Angelova and Zekiri (2011, p. 246) mentioned that "goods quality is easier to measure objectively by using indicators like durability and defects. However, service quality is an abstract item". Gronroos (1982, 1984) provided an early definition of service quality as a technical or "outcome" dimension that refers to what customers actually received during service encounters and indicated that this is important for the evaluation of the quality of service. An additional, functional or "process" dimension refers to how customers received the service (Gronroos, 1984). According to the Nordic model, company image is built up by technical and functional quality together with traditional marketing activities, influence, ideology and word of mouth (Angelova and Zekiri 2011).

### ***The SERVQUAL Model***

Parasuraman et al. (1988) refined the SERVQUAL focus on Gap 5 as the only directly measurable gap in the original model (Franceschini and Mastrogiacomo, 2018). The focus became to identify and measure customers' perceptions of service quality through five dimensions which are:

- 1) **Tangibles** (aspects of physical facilities, personnel and equipment)
- 2) **Reliability** (the ability to deliver the promised service dependably and accurately)
- 3) **Responsiveness** (willingness to help customers and to perform the service readily)
- 4) **Assurance** (knowledge and politeness of the employees to inspire confidence and trust) and
- 5) **Empathy** (personalized assistance and attention to customers)

The five service dimensions consist of 44 questions in a questionnaire to identify the differences between expected service (ES) and perceived service (PS). The first 22 questions measure expectations of customers concerning a service while the second half of the questions measure the perceived levels of service offered (Mauri et al., 2013). SERVQUAL has been widely applied to measure service quality in various service industries such as the health sector (Carman, 1990; Headley and Miller, 1993; Lam, 1997; Kilbourne et al., 2004), fast food restaurants (Nguyen, Nisar, Knox and Prabhakar, 2018), banking (Lam, 2002;), retail chains (Parasuraman et al., 1994), information systems (Jiang et al., 2000), telecommunications (Van der Wal et al., 2002) and library services (Cook and Thompson, 2001). There is also a significant literature exploring issues of service quality in tourism and hospitality settings (Bagur-Femenias, Perraman and Oliveras-Villaneuva, 2019; Park and Jeong, 2019) though there remain gaps in knowledge relating to resort hotels in general and in Malaysia in particular.

An alternative to the SERVQUAL model is the SERVPERF framework (Cronin and Taylor, 1992) which was developed in order to understand performance in the sense that the estimation of service quality is considered to be equal to perception. The SERVPERF model concerns "performance – only" and has been argued to be superior to SERVQUAL because it explains more of the variance in the overall measurement of service quality. SERVPERF assumes that measurement of expectations does not produce unique information in evaluating service quality

and argues that performance-only or perception-only measurement provides more information which is a better predictor of service quality (Cronin and Taylor, 1992; Babakus and Boller, 1992). However, opposing arguments have found that the SERVPERF scale is insufficient in terms of diagnostic power where researchers prioritize explanation above description. In this paper then, the SERVQUAL model will be applied to investigate the dimensions of service quality in the hotel industry in Malaysia in the specific context of a resort hotel.

## **2.2 CUSTOMER SATISFACTION**

Customer satisfaction is widely assessed through the expectancy disconfirmation theory (Oh, 1999) paradigm which demonstrates that customers judge a given service by comparing the actual service encounter with their expectations of how the service should have been performed (Oliver, 2010). According to this theory, customer satisfaction is an emotional state that happens when a positive disconfirmation of customer's expectations is experienced by a customer as a result of a purchase encounter (Oliver, 2010). A study by Gibson (2005) in the hospitality industry found that satisfied customers usually become repeated guests and will provide positive feedback to family and friends. As supported by Oliver (2010), offering customer delight is a dynamic and forward-looking process. A satisfied and delighted customer is more likely to be a potential loyal customer and to generate a positive word-of-mouth (WOM).

According to Manani et al. (2013), measuring customer satisfaction is an indication of how an organization is performing or offering products or services, and the level of satisfaction to a great extent impacts the intentions and future behavior of customers. Continual following and monitoring of satisfaction is an important indicator to the company on how to meet profitable satisfaction of customers' requests and how to develop long-term relationships with customers (Veljkovic and Marinkovic, 2010). Customer loyalty consists of behavioral dimensions and attitudinal dimensions (Julander, Magi, Jonsson, & Lindqvist, 1997; Kandampully & Suhartanto, 2000). Behavioral dimensions consider regular repeat patronage or repeat purchase while attitudinal dimensions consider psychological decision-making and evaluative processes towards the brand commitment (Julander et al., 1997; Kandampully & Suhartanto, 2000). Loyalty is the result of consistent repeat patronage of a single brand and a favorable attitude towards the product or service. Loyal customers influence the overall success and profitability of the organization

in three ways: repeat purchases generate income for the organization; increase the spread of positive news and recommendations and reduce marketing and operation cost (Bowen & Chen, 2001; Walls, Okumus, Wang, & Kwun, 2011).

### **2.3 RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION**

Perceived service quality is illustrated as a form of attitude and a long-run overall assessment of a product or service while satisfaction refers to a transaction-specific evaluation (Bitner, 1990; Cronin & Taylor, 1992; Oliver, 2010; Parasuraman, Zeithaml, & Berry, 1988). Anderson and Fornell (1994) has also distinguished service-quality perception from customer satisfaction judgments by suggesting that customer satisfaction is viewed as a post-consumption experience that compares perceived quality with expected quality; while service quality is a global evaluation of a company's service delivery system. It is argued that service quality and satisfaction are two distinct constructs with a relationship of causality relationship existing that means that the perceptions of service quality impact satisfaction which in turn affects the future purchase intention and behaviour (Hurley and Estelami, 1998).

### **2.4 RELATIONSHIP BETWEEN CUSTOMER SATISFACTION AND CUSTOMER LOYALTY**

Pullman and Gross (2004) argued that because customer satisfaction is crucial to a thriving hotel industry, customer loyalty is seen as an important indicator of success for the service industry. Research on customer loyalty in the hospitality industry supports a notion that customers display different degrees of loyalty, commitment or allegiance towards a specific service provider (Park and Jeong, 2019; Wilkins et al. 2010). It is significant for hotel operators to understand the influential factors in customer loyalty when implementing strategies to ensure existing customers remain loyal whereas prospective customers develop new loyalty for the hotel (Chitty et al. 2007; Kandampully and Suhartano 2000; Prebensen, Chen and Uysal, 2018). Hotel guests are more likely to patronize the hotel repeatedly when they experience enjoyment and feel satisfied during their stay, and will then tend to recommend the hotel to family and friends (Berry et al., 2006). Customer loyalty is considered as a valued asset to long-term success of a hotel in maintaining and expanding a large and loyal customer base. Kotler et al. (2010) argued hotel guests satisfied

with previous hotels should not become loyal guests as they may look for new experiences in other hotels which indicates a need to understand the relationship between satisfaction and loyalty intentions in this sector.

### 3. Research Methodology

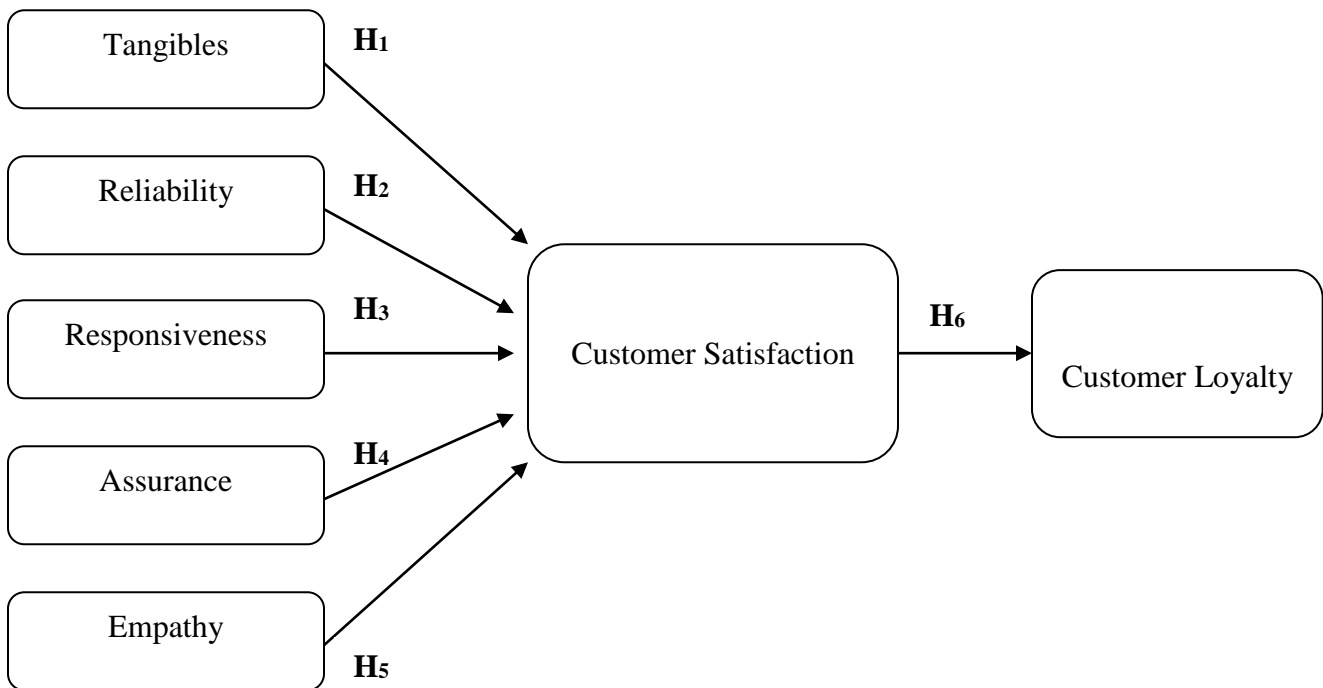


Figure 3.1 Conceptual Framework

The conceptual framework model in Figure 3.1 was developed to enable the testing of the correlations and relationships between dependent and independent variables. The five dimensions of service quality are the five independent variables while customer satisfaction and customer loyalty are dependent variables. This framework examines the impact of five dimensions of service quality on customer satisfaction, and how customer satisfaction consequently affects customer loyalty in the hotel industry in Malaysia. The following hypotheses are developed:



**H1:** the Tangibles variable has a positive relationship with customer satisfaction in the Malaysian resort hotel market.

**H2:** the Reliability variable has a positive relationship with customer satisfaction in the Malaysian resort hotel market.

**H3:** the Responsiveness variable has a positive relationship with customer satisfaction in the Malaysian resort hotel market.

**H4:** the Assurance variable has a positive relationship with customer satisfaction in the Malaysian resort hotel market.

**H5:** the Empathy variable has a positive relationship with customer satisfaction in the Malaysian resort hotel market.

**H6:** Customer satisfaction has a positive direct effect on customer loyalty in the Malaysian resort hotel market.

A quantitative method is deployed through using questionnaires to collect data in this study. A survey methodology was applied to support hypothesis testing of the correlation between service quality, customer satisfaction and customer loyalty. Saunders et al. (2012) stated that a deductive approach is the lowest-risk method for empirical research. Qualitative method will be conducted through semi-structured interviews with three managers from the resort hotel to provide information for profound analysis. A self-administered questionnaire was used for this research and 136 surveys were distributed to hotel guests at Glory Beach Resort, all of which were returned. The questionnaire instrument is an adapted version of the SERVQUAL model used to analyze only the perceptions of service quality of the hotel guests. The first part of the questionnaire collected the respondents' demographic details. The second part consists of 23 questions used to measure the respondents' perception of service quality within the five SERVQUAL dimensions. In the third part of the survey, there were seven questions regarding the overall level of customer satisfaction of respondents with service quality while there were three questions designed to measure customer loyalty in the fourth part. A Likert five-point rating scale was applied in parts two, three and four with the questions requiring responses to statements ranging from "strongly agree" (5) to "strongly disagree" (1) and "strongly satisfied"

(5) to “strongly dissatisfied” (1).Pilot testing was undertaken to improve the questionnaire by ensuring the reliability and validity of the research before the questionnaire was sent out to customers. The Statistical Package for the Social Sciences (SPSS) was used to analyze quantitative data through measurement assessment, factor analysis and regression analysis. Cronbach’s coefficient alpha was calculated to examine reliability and shows the extent to which the items in a set have positive correlations with one another.

## 4. Results

### 4.1 Research Sample Description

The information below in Table 4.1 illustrates the traditional demographic groups. based on age, gender, educational level, income level, occupation, average frequency of stay per year at the resort hotel, and purpose of stay in relation to the then current visit to the Glory Beach Resort. The table demonstrates that there is a good representative spread of classifications in relation to each variable with no specific preponderance of any particular group.

Table 4.1 Respondents’ Profile

<b>Classification</b>	<b>Frequency</b>	<b>Percent</b>
<b>Gender of Respondents</b>		
Male	59	43.4
Female	77	56.6
Total	136	100.0
<b>Age of Respondents</b>		
Less than 30	62	45.6
30 to 39	20	14.7
40 to 49	37	27.2
50 to 59	13	9.6
60 and above	4	2.9

Total	136	100.0
<b>Education</b>		
Primary school	2	1.5
Secondary school	24	17.6
College	41	30.1
University	69	50.7
Total	136	100.0
<b>Income (MYR) per annum</b>		
Less than MYR20,000 (£3,721)	75	55.1
MYR20,000 to 39,999 (£3,721 to £7,442)	16	11.8
MYR40,000 to 59,999 (£7,444 to £11,166)	22	16.2
MYR60,000 to 79,999 (£11,167 to £14,889)	11	8.1
MYR 80,000 and above (£14,889 and above)	12	8.8
Total	136	100.0
<b>Occupation</b>		
Student	18	13.2
Self-employed	27	19.9
Executive/manager	35	25.7
White collar	26	19.1
Blue collar	6	4.4

Housewife	7	5.1
Retired	6	4.4
Other	11	8.1
Total	136	100.0
<b>Average frequency of stays per year</b>		
Less than once a year	31	22.8
Once a year	37	27.2
Twice a year	31	22.8
Three times a year	21	15.4
Four times a year	10	7.4
Five times or more a year	6	4.4
Total	136	100.0
<b>Purpose of stay</b>		
Tourism	68	50.0
Business	17	12.5
Seminars or events	44	32.4
Others	7	5.1
Total	136	100.0

#### ***4.2. Reliability***

The rate of reliability can be presented through Cronbach's alpha and item-total correlation. Hair et al. (1995) indicated the Cronbach's alpha coefficient needs to score over 0.7 as acceptable level for the reliability measure and for high internal consistency. Item-total correlation means the level of each item correlates with the overall questionnaire score which are suggested to score over 0.3 (Field, 2005). Cronbach's alpha coefficients of the seven variables are: Tangibles

$\alpha = 0.767$ , Reliability  $\alpha = 0.804$ , Responsiveness  $\alpha = 0.806$ , Assurance  $\alpha = 0.796$ , Empathy  $\alpha = 0.792$ , Customer Satisfaction  $\alpha = 0.793$  and Customer Loyalty  $\alpha = 0.877$  respectively. All the variables are higher than 0.7 which means that the questionnaire is reliable and consistent. Besides, all the variables' item-total correlations are over 0.3, with the highest being 0.784 and the lowest being 0.445, which is acceptable. It can be concluded that all the variables had met all of the requirements of reliability testing for analysis to be conducted.

#### ***4.3 KMO and Bartlett's Test***

Factor analysis can be defined as an application to illuminate the underlying structure among the variables in the data analysis. The Kaiser-Meyer-Olkin (KMO) and Bartlett's test are used to measure the strength of the relationship among the variables and to measure sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis (Chetty and Datt, 2015). The value of KMO is 0.890 and between 0.8-0.9 is considered good as explained by Kaiser. Hence, factor analysis is a relevant approach for this research project. Bartlett's Test of Sphericity is significant with p-value of 0.00 ( $p < 0.05$ ). This result means that the variables are related to each other. Therefore, it can be concluded that the variables are appropriate for structure detection (Burns and Burns, 2008).

#### ***4.4 Regression Analysis Results***

The literature review and resulting conceptual framework assumed that there is a relationship between the five dimensions of service quality that include Tangibles, Reliability, Responsiveness, Assurance and Empathy, customer satisfaction and customer loyalty in the Malaysian resort hotel market. Multiple regression analysis will be conducted to investigate the degree of significance in the relationships between the independent and dependent variables.

The first formula for the multiple regression analysis is as follows:

$$\text{Customer Satisfaction} = \beta_0 + \beta_1 \times \text{Tangibles} + \beta_2 \times \text{Reliability} + \beta_3 \times \text{Responsiveness} + \beta_4 \times \text{Assurance} + \beta_5 \times \text{Empathy}$$

Table 4.11 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703 <sup>a</sup>	.495	.475	.43622
a. Predictors: (Constant), Tangibles, Responsiveness, Reliability, Assurance, Empathy				

According to Table 4.11, the R-value 0.703 is the correlation coefficient between the independent variables and dependent variable. The R-square value accounts for 0.495 which means that the five independent variables together explained 49.5% of the variance in customer satisfaction (Hair, 2010).

Table 4.12 Significance of Independent Variables on Dependent Variable

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.212	5	4.842	25.448	.000 <sup>b</sup>
	Residual	24.737	130	.190		
	Total	48.949	135			
a. Dependent Variable: Customer_Satisfaction						
b. Predictors: (Constant), Empathy, Tangibles, Responsiveness, Assurance, Reliability						

The purpose of ANOVA (Table 4.12) is to show the statistical test for the overall model fit in terms of the F ratio (Hair, 2010). The table concluded that the independent variables affecting the dependent variable result in a p-value of 0.00. This result reveals with 99% certainty the existence of a linear relationship between the variables if p is less than 0.001.

Table 4.13 Coefficients

Coefficients <sup>a</sup>											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
		1	(Constant)	.550			.306		1.797	.075	
	Empathy	.365	.104	.354	3.520	.001	.637	.295	.219	.385	2.595
	Reliability	.180	.080	.190	2.246	.026	.550	.193	.140	.544	1.837
	Responsiveness	.106	.095	.103	1.111	.269	.524	.097	.069	.449	2.225

Assurance	.000	.104	.000	.004	.997	.512	.000	.000	.414	2.418
Tangibles	.210	.069	.220	3.024	.003	.504	.256	.189	.736	1.358
a. Dependent Variable: Customer_Satisfaction										

As suggested by Hair et al. (2006), Tolerance values should be higher than 0.1 and the variation inflation factor (VIF) should be more than 0.5 and lower than 10 to prevent high multicollinearity. From Table 4.13 collinearity statistics, the VIF values of all of the five independent variables are less than 10 while Tolerance values are all greater than 0.1 indicating that no multicollinearity exists. Thus, it is appropriate to proceed to regression analysis. The p-value results illustrated that Tangibles, Empathy and Reliability are significant ( $p < 0.05$ ) while Responsiveness and Assurance are not significant as  $p > 0.05$ .

With the coefficients as seen in Table 4.13, the first formula for multiple regression analysis is:

$$\text{Customer Satisfaction} = 0.220 \times \text{Tangibles} + 0.354 \times \text{Empathy} + 0.190 \times \text{Reliability} + 0.103 \times \text{Responsiveness} + 0.000 \times \text{Assurance}$$

The regression function explains the correlation between customer satisfaction (dependent variable) and the five independent variables of Tangibles ( $\beta=0.220$ ), Empathy ( $\beta=0.354$ ), Reliability ( $\beta=0.190$ ), Responsiveness ( $\beta=0.103$ ) and Assurance ( $\beta=0.000$ ). Assurance has a  $\beta$ -value of 0.000 while other four independent variables'  $\beta$ -values are positive. Thus, Assurance has no relationship with the dependent variable. It is important to note that there is a positive correlation between the five independent variables and the dependent variable. According to the  $\beta$ -values, if Tangibles, Reliability, Responsiveness, Assurance, and Empathy factor change 1 unit, customer satisfaction will change 0.220, 0.190, 0.103, 0.000 and 0.354 units respectively. For every unit increase in Assurance, we expect no increase in customer satisfaction.

**H<sub>1</sub>:** Table 4.13 presents that the beta coefficient of Tangibles is the second highest and positive at 0.220 with  $p < 0.05$ . The variable Tangibles is significant and has a positive relationship with customer satisfaction. **Hypothesis H<sub>1</sub> is supported.**

**H<sub>2</sub>:** Based on Table 4.13, the factor Reliability has a positive impact on customer satisfaction with a beta coefficient of 0.190 with  $p < 0.05$  which is significant. Therefore, **hypothesis H<sub>2</sub> is supported.**

**H<sub>3</sub>:** Table 4.13 shows that Responsiveness has a beta coefficient of 0.103 with  $p > 0.05$  which means that the factor is positively correlated to customer satisfaction. Responsiveness has a positive influence on customers but insignificantly. Therefore, **hypothesis H<sub>3</sub> is not supported.**

**H<sub>4</sub>:** The results from Table 4.13 present that Assurance is not correlated to customer satisfaction due to its beta coefficient of 0.000 and is also not statistically significant in predicting the customer satisfaction as it has a p-value greater than 0.05. Consequently, **hypothesis H<sub>4</sub> is not supported.**

**H<sub>5</sub>:** The research findings indicated that Empathy has the strongest positive relationship with customer satisfaction in the resort hotel industry in Malaysia with the highest beta coefficient of 0.354 and  $p < 0.05$ . Thus, **hypothesis H<sub>5</sub> is supported.**

From the conceptual framework, the second formula for the regression analysis is as follows:

$$\text{Customer Loyalty} = \beta_0 + \beta_6 \times \text{Customer Satisfaction}$$

Based on the model summary of regression analysis, the R-value 0.652 is the correlation coefficient between the dependent variable (customer loyalty) and independent variable (customer satisfaction). The R-square value accounts for 0.424 which means customer satisfaction explained 42.4% of the variance in customer loyalty (Hair, 2010).

The ANOVA presented an F value of 98.8 with a p-value of 0.00 which mean the data has a goodness of fit to the model and that the independent variable is affecting the dependent variable. It can be assumed that the model explains a significant level of the variance in customer loyalty.

As stated in Coefficient table, the collinearity statistics indicate that the VIF of the independent variable is equal to 1.000. The value reveals that there is completely no multicollinearity. The tolerance value is 1.000, which is lower than 10 and must be higher than 0.5, which also proved that there is a lack of multicollinearity (Jassens et al. 2008). The significance of the independent



variable p-value = 0.000 which is less than 0.05, and a beta = 0.652 enables the conclusion that the independent variable (customer satisfaction) has a positive impact on the dependent variable (customer loyalty).

By following the coefficients, the second formula for the regression analysis is:

$$\text{Customer Loyalty} = 0.652 \times \text{Customer Satisfaction}$$

The regression function above clarifies the correlation between customer loyalty and the independent variable customer satisfaction ( $\beta=0.652$ ). It is clear that there is a positive relationship between customer loyalty and customer satisfaction within this analysis. Based on the  $\beta$ -values, if customer satisfaction factor changes 1 unit, customer loyalty will change 0.652 units respectively.

**H<sub>6</sub>**: The results show that customer satisfaction has a positive beta coefficient of 0.652 with  $p < 0.05$ . As a result, the variable customer satisfaction is statistically significantly and positively correlated with customer loyalty. Thus, **hypothesis H<sub>6</sub> is supported**.

## **5. Discussion, Conclusion and Implications of research**

According to the results of the data analysis and the hypothesis testing, the hypotheses **H<sub>3</sub>** and **H<sub>4</sub>** are not supported due to unacceptable values of beta coefficient and p-value while **H<sub>1</sub>**, **H<sub>2</sub>**, **H<sub>5</sub>**, and **H<sub>6</sub>** are supported.

The results indicate that customers focus some considerable attention on the tangibles dimension as it had the second highest beta coefficient value of 0.220. Tangibles play an important role in influencing customer satisfaction, which contains six items to evaluate the dimension. Kumar et al. (2010) proved that the appearance of staff, equipment and physical facilities in hotels positively influence guests' satisfaction. Mazumder and Hasan (2014) stated the importance of the availability of tangible facilities to attract potential customers in hotels in Bangladesh and the finding here support this in a Malaysian cultural setting.

Reliability is supported due to its beta coefficient value of 0.190 and a significance value lower than 0.05. This indicates that the reliability dimension has a positive but weak influence on customer satisfaction. Suki (2013) and Mei et al. (1999) proposed that reliability of the hotel service delivery should be a focus as it is significantly correlated with customer satisfaction in Malaysian hotels. Amissah and Amenumey (2015) claimed that reliability is one of the best predictors of overall service quality from customer of hotels in Accra, Ghana.

The result of the third hypothesis indicated that responsiveness is not supported as a key dimension due to a p-value of 0.269 which is greater than 0.05 and a beta coefficient value of 0.103. This reveals that responsiveness is not significant but maintains a positive weak influence on customer satisfaction in the resort hotel industry in Malaysia. This is similar to the work of Kitapci *et al.* (2014), responsiveness was not significant but positively correlated with patient satisfaction in healthcare industry. Suki (2013) has confirmed this result that responsiveness has positively correlated with tourists' satisfaction in Malaysian hotels.

The result of the H<sub>4</sub> hypothesis shows that assurance provides a 0.000 beta coefficient value with a p-value of greater than 0.05. This indicated that assurance is not significant and has no relationship with customer satisfaction. Hence, H<sub>4</sub> hypothesis is not supported. As confirmed by Suki (2013) in a Malaysian hotels study, customers have been less concerned on assurance factors as they were less motivated by the social interaction and communication delivered by the service personnel.

Empathy has the highest beta coefficient value of 0.354 and a p-value less than 0.05. Among all other factors, empathy shows the strongest influence on customer satisfaction in the resort hotel industry of Malaysia. In healthcare industry, Anbori, et al. (2010) has supported this hypothesis in their research on patient satisfaction which shows that empathy as a dimension is represented as word-of-mouth communication which strongly impacts on patients' willingness to return to the hospital. Similarly, Yilmaz (2009) proposed that hotel guests were expecting more improved services from hotels especially in empathy dimensions as it was considered as the most important dimension in predicting hotel guests' evaluation of overall service quality.

The analysis indicated that customer satisfaction has a beta coefficient value of 0.652 and a p-value less than 0.05. This shows that customer satisfaction has a strong positive impact on customer loyalty in the resort hotel industry in Malaysia. Getty and Thompson (1994) confirmed

on their findings that customers' intentions to recommend are correlated to their perception of satisfaction levels and service quality in the lodging experience.

Overall, this paper has demonstrated that there is a variability in terms of the importance of the five dimensions of the SERVQUAL model in the generation of customer satisfaction in the resort hotel context in Malaysia. This relates to the perceived service quality and has been established through the use of established and standardized survey questions. The relationship between satisfaction and loyalty has also been demonstrated, and each of these findings have implications for theory development and for managers and organizations in the hospitality industry.

## **5.2 IMPLICATIONS**

### ***5.2.1 Theoretical Implications***

The contribution of this research project is particularly to the specific context of considering service quality in relation to the hotel sector in Malaysia and most significantly to the examination of the resort hotel segment within the wider Malaysian hospitality industry. There remains a lack of empirical studies relating to customer satisfaction and loyalty in Malaysian hospitality research and this study has made a contribution to the development of understanding service quality measurement as well as the relationship between the customer satisfaction and customer loyalty in the Malaysian resort hotel industry. The finding of the significance of the Empathy dimension as the most important predictor of customer satisfaction in this context is novel and offers a potentially fruitful direction for future research. Moreover, Tangibles and Reliability are also identified as important factors which strongly affect overall customer satisfaction. The findings demonstrated that customers seem to be putting less emphasis on service experiences and perceptions that relate to the Responsiveness and Assurance factors. The indication that these are not a strong source of customer satisfaction in the Malaysian resort hotel industry context. The study has also confirmed that customer satisfaction has a positive relationship with customer loyalty and, by implication, that this relationship is shaped by the dimensions of Empathy, Tangibles and Reliability.

### ***5.2.2 Managerial Implications***

The findings of the research provide several implications for hotel managers in improving existing hotel services and developing new hotel strategies to meet customers' demands. That the Empathy dimension is the most vital factor in driving customer satisfaction in the hotel industry in Malaysia indicates that managers and hotel organisations need to train staff to more deeply understand the variety of needs of customers and show sincere interest when delivering services. Hotel managers should pay attention to how customers' feel during the service delivering process to better realize customers' requirements in order to create a pleasurable experience and the generation of happy emotions for better hotel productivity.

The Tangibles dimension is the next factor that managers should put into focus in maintaining an attractive, comfortable and clean appearance of the hotel areas, rooms, decor, restaurant, facilities and staff. Hotel manager should ensure that all equipment is well-maintained and that the food in the hotel restaurant should be both plentiful and visibly hygienic. Providing high quality tangibles will build customer satisfaction effectively. In general, hotel management should implement quality management systems that drive better overall performance through employee empowerment to achieve customer satisfaction in a highly competitive resort hotel industry (Bojanic and Rosen, 1994 cited by Heung et al., 2000). Hotel management should grasp the concept that service quality, satisfaction and customer loyalty is of utmost importance for the hospitality industry. Good hotel service quality satisfies customers and satisfied customers are more likely to become loyal customers.

## **5.3 LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH**

A key limitation of this research was the sample size of only 136 of questionnaire surveys of hotel guests in the Glory Beach Resort in Port Dickson, Malaysia. The small sample size and restricted population is a limitation that may mean that the results are not truly representative of the whole population. However, there is value in a future research agenda that seeks to reproduce these results in other resort hotel settings in Malaysia and internationally as well as exploring whether these context-specific results apply to the wider hospitality sector in Malaysia. As convenience sampling was used in this research, the results cannot be generalized. It is advisable to interpret the findings carefully in other kinds of hotels or industries and for this reason

additional studies are required. The methodology has been found to be robust and can be easily applied in similar contexts to measure the same relationships and achieve similar objectives. A larger sample size should be taken into consideration to increase the validity of future studies and it would be beneficial to examine multiple sites within such studies. An additional concern is that the framework of the current study is limited to its own internal objectives meaning that some other areas of potential importance are excluded. Future research should attempt to include other factors such as brand image, price, perceived value and product quality that will influence customer satisfaction and customer loyalty in the resort hotel and wider hotel industry in Malaysia. .

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