

DETERMINANTS OF GUEST LOYALTY
FOR UPPER-UPSCALE HOTELS

By

JAMES THOMAS GORDON

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Thesis Approved:

Woo Gon Kim

Thesis Adviser

Bo Hu

Committee Member

Radesh Palakurthi

Committee Member

A. Gordon Emslie

Dean of the Graduate College

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CHAPTER I
INTRODUCTION

Background

In recent years, the term “loyalty” has become socially understood by many people, companies, industries, and the overall economy alike. People generally perceive loyalty to be an emotional or somewhat binding connection towards a product, a service rendered, or even a live person. Companies infer “loyalty” to have a similar meaning and have developed strategic marketing and advertising efforts around creating a connection between the company and its patrons. The goal is to foster a relationship with each customer in an effort to maintain their spending with a particular company, thus generating a dedicated revenue stream. In response to this new strategic focus, businesses from small businesses to global and transnational corporations can now be categorized as fosterers of this practice.

Loyalty has become important over the past few years because of increased competition within respective industries. Through the technological innovation of mass customization and other production processes enabling companies to meet the individual needs of its customers while also meeting its cost constraints, members of our society have grown to expect choices in products and services they wish to receive. As a result of this increased expectation level and the variety of product and service choices offered, corporations have unintentionally diverted bargaining power to the customer. Companies are now prompted to strategize efforts to compete with other companies in the same market and/or industry.

Within the hospitality industry, the number of accommodation choices from which customers can choose cannot be any more apparent. Because of the design of and purpose behind the services offered, hotels particularly, are unable to patent services and

products have been developed to attain a competitive advantage. This creates an issue, from the hotel's perspective, in being able to offer a product that will attract and create loyal customers primarily based on this product or service offering. Concepts have been developed within the guest room, from the entrance door to the bathroom, to provide an increased product or service offering to impress the guest. For a period of time, the product or service concept will stand alone in the industry and prompt attention towards this hotel's or that company's innovation. However, within a relatively short period of time, another hotel or company will produce a similar concept, thereby shifting the center of attention and prompting increased competition. One example of this is the "bedding revolution" prompted by the 1999 premiere of the Heavenly Bed™ by Starwood Hotel and Resorts. Soon after the Heavenly Bed™ debut, Marriott released a signature bed called The Marriott Bed™ within months after the debut of the Heavenly Bed™. Wyndham also responded to this release by upgrading its bedding system (Marta, 2005). In the years following these debuts, other hotel corporations revamped bedding systems for their guest rooms. In more recent years, Hyatt unveiled its Grand Bed™ (Hyatt Corporation, 2005) and Radisson began offering its Sleep Number™ bed (Road & Travel, 2006).

In realizing the ongoing competitiveness that is to occur within the industry, many hotel corporations have shifted their focus to relationship marketing, particularly through the concept of loyalty. With the increased bargaining power consumers are obtaining, hotel corporations are realizing the key to their success will be to foster strategic relationship marketing efforts, particularly through the usage of loyalty measures. Several major hospitality corporations have incorporated loyalty programs into its

company's offerings to guests. These programs are free and offer a range of services, increasing in level as the number of stays with hotels (regardless of brand) within the company also increases. Marriott Hotels and Resorts "Rewards Program" has three tiers: silver, gold, and platinum. According to its loyalty program website, offerings provided include guaranteed room type and lounge access/continental breakfast to gold and platinum guests. Each tier also offers a bonus percentage on the base points accumulated and "Platinum" guests have a dedicated reservations line (www.marriottrewards.com). Starwood Hotels and Resorts' "SPG (Starwood Preferred Guest) Program" offers three levels of membership; they are as follows: preferred, gold, and platinum. In reviewing the offerings provided on its loyalty program website, "Preferred" members receive two points per U.S. dollar spent. "Platinum" guests receive a complimentary amenity of their choice upon check-in to the hotel. All members can also receive points through purchases made in a Starwood hotel as a "non-guest." (www.spg.com).

In recognizing the success major hotel corporations are obtaining through the offering of loyalty programs, smaller commercial and independent hotels have also created loyalty programs to foster relationships and long-term connections with its frequent guests. Kimpton Hotels and Restaurants, a smaller-scale hotel corporation focusing on offering independent hotels of boutique design, implemented a loyalty program called "In Touch." The program focuses on efforts to personalize each guest's stay with the hotel, just as each hotel in the company focuses on being distinctive in its own right. The "In Touch" program creates a personal profile of each member, along with a personal booking code to make the booking process easier. According to the company's loyalty program website, personal thank you rewards are provided that meet

the member's individual lifestyle and interests. Members of the program's "Inner Circle Elite" are privileged with room upgrades, exclusive offerings for hotel openings, a dedicated reservation line, and access to the company's chairman (www.kimptonhotels.com).

The offering of hotel or company "loyalty programs" will continue to evolve as strategic efforts are made to foster long-term relationships. As competition continues to increase within the industry, product or service offerings will also evolve and change as efforts are made to understand guest needs/demands and also retain a considerable customer base. According to an article obtained from *Hotels* (2005), America's Best Value Inn has begun offering complimentary travel insurance to its "Value Club" members who book a reservation on the company's website (p. 34H). America's Best Value Inn chairman, Roger Bloss, commented, "We're looking for ways to stand out and bring value to consumers." He asked, "What do customers want today that they aren't willing to pay for" (p. 34H)?" The article highlighted the offering of services found to be comparable to other hotel "loyalty programs." Bloss commented, "In efforts to compete and also develop customer loyalty, the offering of free travel insurance should provide companies with a competitive advantage (p. 34H)."

As an hotelier in the industry, it is important to offer products or services that enable sustainability in the industry. If not, the ability to derive necessary market share may be jeopardized. At the same time, it is important to be knowledgeable of the guests who patronize your hotel(s). Knowing their needs and demands, and utilizing this information for product or service implementation purposes, will go a long way towards long-term sustainability and loyalty creation efforts. It is also important to give

considerable attention to the efficiency of the facilities and services provided. Guests expect service to be delivered in an expedient manner. Gold (2005) validates this inherent belief and also discusses how instant gratification and convenience are important from the guests' perspective (p. 1). Gold (2005) further states, "Failing to offer efficiency can prompt guest rooms to be sold as commodity [and]...commodities trade at market, not premium prices....Truly successful hoteliers in the years to come will be those that deliver memorable, differentiated experiences and efficient service (p. 2)."

Significance of the Study and Research Purpose

With growing competition within the hotel industry, the inability to offer patented products or services, and the increased pressure to develop strategic relationship marketing efforts, there is an important need for individual hotels and/or corporations to assess guests' perceptions of the products and services rendered. At the same time, for benchmarking purposes, it is important that they also assess guests' perception of hotel performance rendered in comparison to industry competitors. It is realized that an assortment of options exist for guests to choose. Hoteliers cannot ignore this reality if they are to remain competitive. Major hotel corporations have done well with beginning these efforts. Budget hotel corporation, "Motel 6," is recognized as a dependable and easily accessible provider of affordable guest rooms. Through the award-winning "We'll Keep the Light On" advertisement campaign, the company has been able to portray a feeling of dependability to all travelers, specifically leisure travelers.

The focus of this research is directed towards upper-upscale hotels. According to Smith Travel Research (2005), upper-upscale hotels represent over 500,000 guest rooms in over 1,300 hotels. Although this segment accounts for the highest number of guest rooms with respect to number of hotel properties, upper-upscale hotels only represent less than 12% of the total number of guest rooms in the U.S. hotel industry. It is important to note, however, when it comes to room revenue, this segment accounts for the highest amount of revenue generated of any major segment in the industry. It is expected that upper-upscale hotels will increase considerably more than other segments in the near future. It can be concluded from these figures that the upper-upscale segment for hotel companies as well as the overall hotel industry can serve as an important topic to

investigate based on the highest contribution in sales revenue and high financial return being retained. Through the assessment of guest loyalty, invaluable findings can greatly assist with measuring guests' perspectives on determinants that will represent the level of service associated with hotels in this respective segment.

Through the assessment of guests' perspectives, the researcher intends to derive the importance of gathering this pertinent information. By using the developed dimensions validated from previous literature, hoteliers will gain insight on how they can apply the findings from this study to their respective hotel. Through these efforts, this assessment will also contribute to the advancement of hospitality research and provide a newfound viewpoint on how loyalty is vital for upper-upscale hotels. It is important to note that testing whether the findings of this study derived from the upper-upscale hotel segment are consistent with those of other hotel segments (i.e. economy, mid-price, and luxury) remains an important topic to explore for future researchers.

The objective of this study is fourfold:

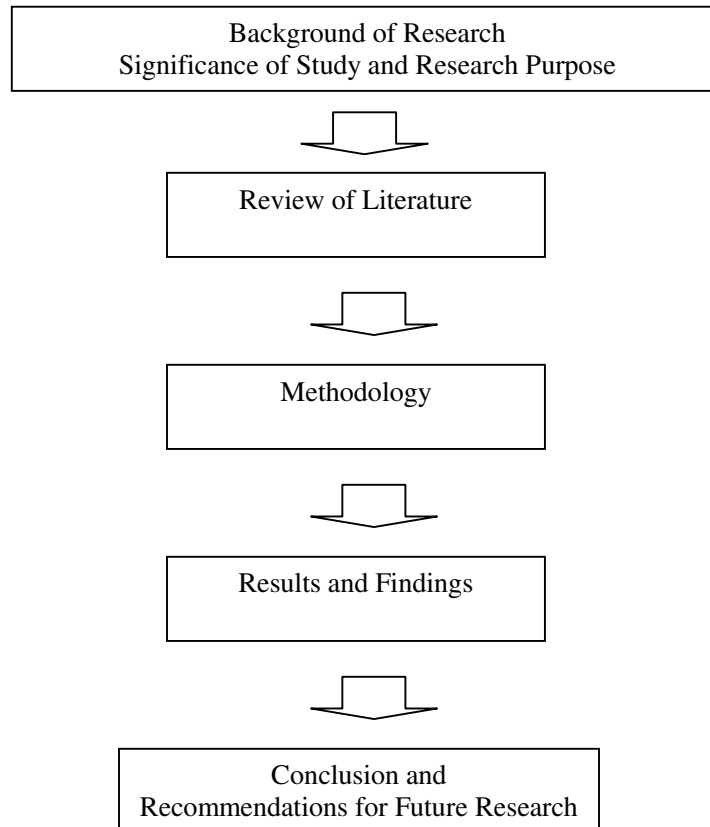
1. To identify antecedents of guest loyalty in upper-upscale hotels
2. To examine which antecedents (i.e. perceived quality, trust, affect, satisfaction, perceived value, and membership programs) have significant effect(s) on guest loyalty
3. To compare perceptions of antecedents and loyalty behaviors across various brands of upper-upscale hotels as well as with regard to guests' demographic and socioeconomic variables
4. To derive invaluable findings that will assist in understanding various perspectives of guests' "loyalty."

Organization of the Study

The focus of this chapter was to provide a background framework by which to understand the issue of loyalty as it relates to guests and their impact on the hotel industry. The focus of the four subsequent chapters and their contribution to the overall study are highlighted as follows: Chapter II (Literature Review) will report on the theoretical literature and primary empirical research efforts of this study; Chapter III (Methodology) will describe the data set to be used for assessing the information to be gathered; Chapter IV (Research Findings) will discuss the regression models and other forms of statistical methods to be used; it also highlights the findings from each model and method; Chapter V (Conclusion) will indicate the implications for hospitality investors and any recommendations for future research.

For illustration purposes, the following figure highlights the process for this study.

Figure 1-1



CHAPTER II
LITERATURE REVIEW

Preface

The growing presence of relationship marketing efforts has led to increased competition amongst hotels. When these efforts began over 20 years ago, the marketing focus was gathered solely on the development of loyalty programs to be offered to guests. However, as time progressed, hospitality corporations began realizing that greater and more strategic efforts were necessary. Furthermore, relationship marketing efforts would have to be implemented in order to determine whether frequent guests are loyal to either the brand or the company. Taylor, Celuch, & Goodwin (2004) assessed the importance of brand equity as it related to customer loyalty. They collectively concluded brand loyalty to be the ultimately desirable marketing-based outcome for strategic marketing activities.

Taylor, Celuch, & Goodwin (2004) identified satisfaction, service quality and value, resistance to change, brand affect, trust, and brand equity as predictors of customers' perceptions of loyalty using structural equation analysis; the researchers identified customer loyalty as a function of both behavioral and attitudinal loyalty. This approach was taken in response to a valid proposition and supportive findings that were made by White & Schneider (2000). Baloglu (2002) also incorporated attitudinal and behavioral loyalty into customer loyalty dimensions. His reasoning was conceptual and practical. Studies have demonstrated that customer loyalty is a multi-dimensional concept and that it involves both behavioral and attitudinal elements.

Findings by Taylor, Celuch, & Goodwin (2004) served as a major reference in measuring guest loyalty. The framework developed in their research demonstrated the formation of a solid structure that would allow for collecting invaluable findings. This

study will extend and adapt the previous loyalty model. Additional insight and perspectives from notable researchers, such as Mittal & Lassar (1998), Zeithaml (1998), Baloglu (2002), and others will also solidify the viability of each determinant described and its contribution to the overall assessment of guest loyalty. In the remainder of this chapter, each determinant will be discussed in detail to allow for understanding its importance as it relates to the subject matter.

Satisfaction and its impact on Guest Loyalty

Satisfaction is a pursuit hoteliers must continually strive to meet with the guests of its property or company. A lack of concentration in this area can result in detrimental effects on efforts to maintain and increase the level of loyalty. Taylor, Celuch, & Goodwin (2004) show that satisfaction has a direct influence on customer loyalty. Mittal & Lassar (1998) discuss how satisfaction has been proven to directly affect loyalty. They further analyze this impact by discussing the importance of looking at satisfaction and service quality together as they relate to guest loyalty and likeliness to return. They state “satisfaction” alone only tells whether the customer is satisfied or not. However, when measured with “quality”, there is greater ability to determine what aspects of service are below par and need improvement as they relate to guest satisfaction.

Karatepe (2005) took the same measurement approach as Taylor, Celuch, & Goodwin (2004), and other researchers just mentioned. However, his research focus was directed towards measuring hotels’ responses to customer complaints. The researcher’s measurement of atonement, facilitation, promptness, apology, and other determinants also enabled the assessment of customer satisfaction and long-term loyalty. Skogland &

Siguaw (2004) measured the degree to which satisfaction influenced loyalty. These two particular researchers felt the degree to which the customer was involved in the purchase decision had a strong effect on the propensity to switch service providers. They measured this impact by using the confirmation-disconfirmation and comparison-level theories. The satisfaction antecedents used included service quality, product quality, price, and location. They felt this construct, along with the measurement of satisfaction's affect on involvement, all culminated to assess the overall impact of satisfaction on loyalty.

Based on the above beliefs in regard to satisfaction and guest loyalty, the following hypothesis will be tested to determine whether a relationship exists:

H1: "Satisfaction" has a positive impact on loyalty

Perceived Quality and its impact on Guest Loyalty

Zeithaml (1987, p. 3) defined perceived quality to be "The consumer's judgment about an entity's overall excellence or superiority." Antony, Antony, & Ghosh (2004, p. 380) believed service quality to be so intangible that objective measurement is impossible; the researchers believed the challenge laid mostly in managing appearances and perceptions.

To improve service quality, increase relationship marketing and the overall loyalty of guest patronization, it will be important to narrow the gap between appearances and perceptions. In order to alleviate this deficiency, it is vital to consider both functional and technical quality as they both impact overall service quality. Several major developments over the past few decades will assist with performing this

measurement. One particular development is (service quality) SERQUAL, a measurement tool covering the areas of tangibility, reliability, responsiveness, assurance, and empathy (Kang, Okamoto, Donovan, 2004). Through the usage of SERQUAL, it is believed that assessment of service quality and also customer-contact can increase expected value provided to the guest. Gold (2005) stated in “What Inspires Loyalty today?” that “...pleasant surprises... [with the] proactivity of service above and beyond... [will] stick in the mind of guests and drive loyalty” (p. 2).

McCain, Jang, & Hu (2005) discussed how service quality plays an important role in the assessment of customer loyalty. Antony, Antony, & Ghosh (2004, p. 381) also stated service quality as being linked to customer satisfaction and customer loyalty. The researchers measured this impact by looking at tangible and intangible elements of service through technical and functional quality. They applied this measurement to services rendered by casinos. They felt looking at “what is delivered” and “how the service is delivered” would enable coverage of aspects regarding the overall assessment of satisfaction and its impact on customer loyalty.

In order to achieve the aims from this study, the following hypotheses will be tested:

H2: “Perceived quality” has a positive impact on loyalty

Perceived Value and its impact on Guest Loyalty

In the realm of perceived value, an excerpt written by Brady & Cronin (2001, p. 243) stated, “Customers’ value perceptions seem to drive their future behaviors such as repurchase intent and word-of-mouth referrals.” They also proposed that consumers’

affective responses were directly related to perceived value in highly experiential service settings. Zethaml (1985, p. 14) defined perceived value as “the consumer’s overall assessment of the utility of product based on perceptions of what is received and what is given. Oliver (1999a) asserted that “value” is a unique construct stemming from both satisfaction and quality, also outcome variables such as loyalty. With the consumption judgments customers make across time, Oliver felt the inclusion of value as a determinant to measure along with quality and satisfaction, particularly, would greatly benefit the focus of the study’s loyalty assessment.

From a measurement standpoint, Bojanic (1996) asserted that a firm’s value can change if the firm changes what it is doing, if a competitor changes what it is doing, or if customers’ needs or preferences change. When it came to pricing, Danziger, Israeli, & Bekerman (2006, p. 2) stated, “Many firms establish prices based on internal costs.” They further stated that this, what can be considered a “cost incurred vs. price offered measurement,” does not assist hotels with being able to attract customers. A final pricing strategy should combine a supply side focus with the value customers place on its offerings. This is based on the evaluation of strategic assets (corporate affiliation, brand name, hotel size). By conducting this evaluation, Danziger, Israeli, & Bekerman (2006, p. 2) believed that firms may signal strategic assets to target audiences to justify a reason for paying a premium price, to generate above average returns, and to form the basis of sustained competitive advantage

In order to achieve the aims from this study, the following hypotheses will be tested:

H3: “Perceived value” has a positive impact on loyalty

Affect and its impact on Guest Loyalty

Taylor, Celuch, and Goodwin (2004) discussed how affect represents, “A construct that is known to operate in general marketing models” (p. 219). “It is seen as an umbrella for a set of more specific mental processes including emotions, moods, and attitudes.” Bagozzi, Gopinath, & Nyer (1999, p. 1) defined affect as, “A set of more specific processes including emotions, moods, and (possibly) attitudes.” Crites, Fabrigar, & Petty (1994, p. 621) indicated that affect consists of discrete, qualitatively different emotions that can be associated with any attitude object, and also that affect can be assessed at a very general level.

Kim, Lim, & Bhargave (1998) stated affect can influence consumer attitudes even in the absence of product beliefs. These emotions, moods, and attitudes are felt to influence information processing, mediate responses to persuasive appeals, measure the effects of marketing stimuli, and serve as ends and measures of consumer welfare. Bohner, Crow, Erb, & Schwarz (1992, p. 513) referenced empirical evidence indicating that recipients’ affective state influenced the extent to which the content of a persuasive message was systematically processed.

Barsky & Nash (2002, p. 39) stated consumers’ purchases are strongly influenced by their emotions. Bohner, Crow, Erb, & Schwarz (1992, p. 514) also discussed how, while the impact of recipients’ mood on the processing of content is well-documented, there is only scarce evidence for mood influences on the processing of context information. They felt the content of the message seemed insufficient to form a judgment. Barsky & Nash (2002, p. 39) further stated that, when it came to the hospitality industry, no record was found indicating that hotels have ever measured or

used consumer emotions as a management tool. The researchers believed the emotional responses created by hotel products and services enhanced the understanding of satisfaction and the ability to predict guest loyalty.

To measure the viability of this antecedent as it regards the study, the following hypothesis will be tested:

H4: “Affect” has a positive impact on loyalty

Trust and its impact on Guest Loyalty

Fukuyama (1995) defined *trust* as “...the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of members of that community.” Trust is perceived to be a mediator to satisfaction and can also serve as an enabler of loyalty between the hotel and the guest. Other notable researchers have each defined trust differently over the course of the past four decades. Rotter (1967, p. 651) defined trust as “A generalized expectation upheld by an individual, as to whether the word of the other party is trustworthy.” Crosby, Evans, & Cowles (1990) defined trust as “A belief that the service is going to behave in such a way that the buyer’s long-term interests are going to be taken into account.” San Martin Gutierrez (2000) defined trust as “The emotional security that leads one party to think that the other is responsible and will be concerned about it, which implies the willingness of the former to be vulnerable to the actions of the second party, regardless of its ability to control the latter.”

The interpretation of definitions representing “trust” has evolved over time to reflect the growing demand and importance trust plays in the ability for hotels to foster

effective relationship marketing efforts as was discussed in chapter I. The “trust” determinant is vital because of its contribution to a relatively comprehensive model of customer loyalty. Its application to guest loyalty is simple: if guests do not trust the property or the company, they will not be loyal. As an hotelier, if efforts are to be made to begin or increase loyalty efforts, it will be important that trust serves as a major determinant. In this study, the intentions are to identify all potential determinants of loyalty rather than to find out the potential relationship within each determinant. Trust, generally perceived to be a mediator of satisfaction, is treated as the same determinant.

Based on the above beliefs as it regards trust and guest loyalty, the following hypothesis will be tested to determine whether a relationship exists:

H5: “Trust” has a positive impact on loyalty

Membership Programs and its impact on Guest Loyalty

From a non-theoretical perspective, hotels have given considerable focus to the impact guest loyalty programs have on guest retention within the company. Virtually every hotel corporation has developed and implemented a loyalty membership program to foster this connection with its guests. Various services, amenities, and other offerings are provided to meet the demands and preferences guests have in regards to their membership. From discussion in chapter I, the focus of hotels in the industry has shifted to more strategic efforts when it comes to relationship marketing efforts. Although loyalty programs provide benefit to hotel corporations through their offerings, a concern was raised as regard “true” loyal customers. Baloglu (2002) endeavored to separate “friends” from “well wishers.” This researcher focused on determining whether frequent

guests were truly loyal by assessing both guests' attitudes and their actions. He classified the "dimensions of customer loyalty" as being low, latent, spurious, and true loyalty.

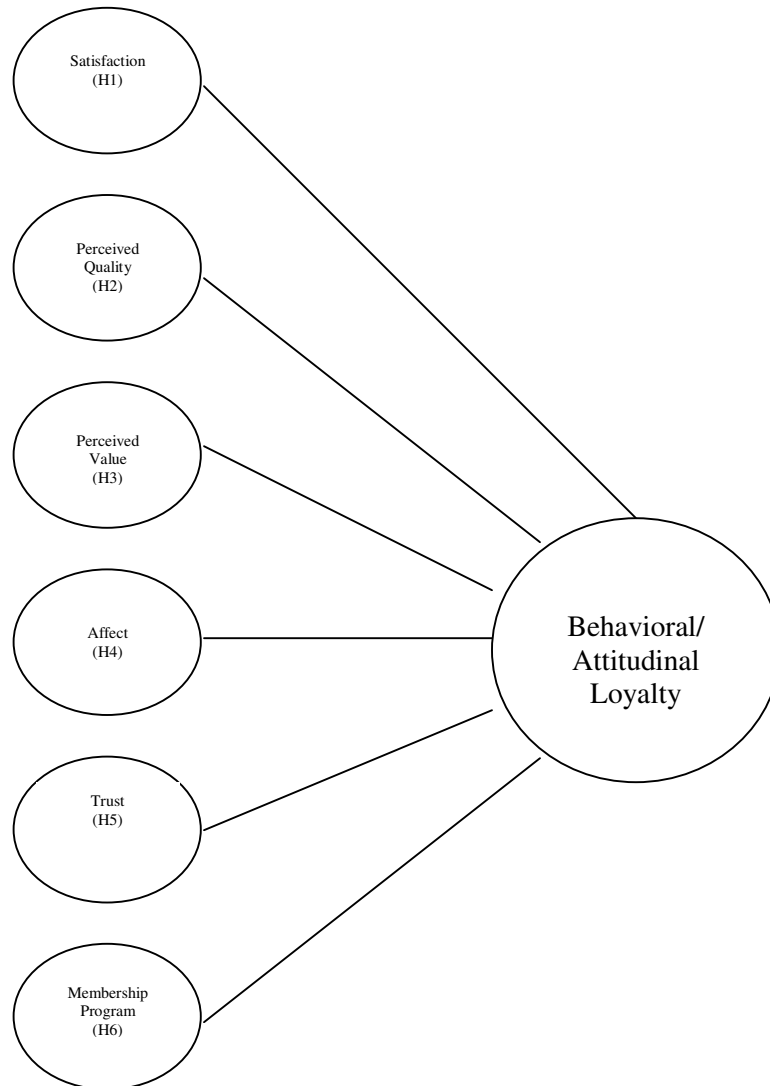
In terms of effectiveness, Lal & Bell (2003) alluded to the fact that few studies shed light on the return obtained from loyalty programs. Dowling & Uncles (1997, p. 71) concluded that "given the popularity of loyalty programs, they are surprisingly ineffective." In the assessment of this study, it is very important to measure guests' perspective on the usage and their dependence on membership programs. The findings from this inquiry can provide very important information as it regards hotel's consideration of continued investment in its offering of a membership program.

Through this research study, the following hypothesis will be tested in an effort to assess its relevance:

H6: "Membership Program" has a positive impact on loyalty

For illustration purposes, the following figure highlights the study's proposed cumulative assessment of the independent variables mentioned and their impact(s) on the dependent variable.

Figure 2-1
Conceptual Model



CHAPTER III
METHODOLOGY

As has been discussed in previous chapters, the focus of this study is to measure the guests' perspective on determinants affecting customer loyalty. Through the assessment proposed, the study endeavored to gather findings that will attest to the level of impact each respective determinant has on guest loyalty. Again, the prescribed determinants are as follows: satisfaction, perceived quality, perceived value, affect, trust, and membership programs. In this chapter, the process taken to develop this study will be discussed. The sections of this chapter include the following: research design, research instrument, sampling, and data analysis.

Research Design

The design of this study encompassed causal and descriptive research. Incorporating causal research design allowed the investigation of cause-and-effect relationships, while incorporating descriptive research allowed understanding the demographic profile of respondents, summary of determinants, and overall customer loyalty. The desired findings, through using these research designs, will further validate the impact of each independent variable on overall loyalty as was discussed in chapter II.

Sampling

In efforts to gather the information needed for the assessment, we determined the study's target population was guests of upper-upscale hotels in the U.S. hotel industry. The specific target population for this study was patrons of an upper-upscale hotel brand located in a Midwest, metropolitan city. Based on discussion with the hotel management, guests at the hotel were primarily business and leisure travelers from around the U.S., and often stayed at upper-upscale hotels similar to this property.

For the sake of not inconveniencing the hotel or the guest and their respect from the hotel, convenience sampling was performed. The hotel's front desk was responsible for providing guests with the opportunity to volunteer by completing the survey instrument relating to this study. It was believed that the subject hotel would provide the greatest ability in reaching the desired target population for purposes of this study.

The survey distribution process spanned from Monday, January 2, 2006 and proceeded until Friday, March 31, 2006. A total of 500 surveys were disseminated during this period of time. When the distribution process ended, a total of 335 surveys were collected by the front desk associates at this Midwestern, upper-upscale hotel. Upon reviewing, coding, and assessing the usability of each survey collected, it was further determined that 308 surveys were able to be applied for use in achieving the purposes of this study; this number, thereby, constituted a 65% response rate.

Research Instrument

The researcher(s) of this study reviewed various forms of data from literature relating to the subject matter. This was performed from September to November 2005. After a thorough literature review and interviews with several research faculty members in the area of hospitality management, a comprehensive literature review was conducted to extract determinants to be used in this study. Additional sources were also gathered to further validate and/or contribute to the study's originality. The interviews conducted helped to refine items relating to the questionnaire.

A 42-item survey instrument was developed following this extensive period of research in determining antecedents to assess the focus of this study. The instrument consisted of three sections. At the outset, the respondents were asked to select the upper-

upscale hotel which they visited during their last hotel stay; they were asked to exclude the property where they were currently staying. It is important to note that the upper-upscale hotels came from a hotel listing obtained from Smith Travel Research (2005).

The first section of the instrument was designed to allow guests to respond to questions based on the memory of their recent stay at the selected upper-upscale hotel brand. Guests were asked to respond based on a five-point, Likert type scale anchored from 1 (strongly disagree) to 5 (strongly agree). This section of the survey instrument was comprised of 22 survey questions. These questions represented the determinants of this study (perceived quality, trust, affect, satisfaction, and perceived value) that would be used to measure impact on guest loyalty. Based on the responses gathered and the measurement scale used, this section would provide findings to represent guests' collective thoughts on the value of these determinants. It is important to note that many questions asked in this section of the survey were adapted from research conducted by Taylor, Celuch, and Goodwin (2004).

The second section of the survey instrument was comprised of questions relating to guest loyalty; each question represented was also adapted by Taylor, Celuch, and Goodwin (2004). There were eight questions in this section and each allowed guests to respond as they did in section I of the survey instrument using the five-point, Likert-type scale. This section served three primary purposes: 1) to serve as the dependent variable for the study, 2) to assess guests' perspectives on the perception of guest loyalty, and 3) to measure the potentiality for a relationship or impact to exist as it relates to the prescribed determinants.

The third section of the instrument consisted of demographic and socioeconomic questions gathered primarily from Suh (1997). This section also asked questions that provide insight specifically to the property being used to reach our target population. The inclusion of these questions was to provide benefit to the property for allowing the research to be conducted on their property. These questions ranged from “reservation sources used” to “likeliness to return to the property-in-question.”

Data Analysis

This research study incorporated various statistical methods through SPSS in efforts to gather the necessary information. Based on the research designs, the multiple regression statistical method measured the cause-and-effect relationship between the independent and the dependent variables. One-way analysis of variance (ANOVA) assessed the relationship between elements of the independent variables and a chosen dependent variable. Both of these major statistical methods allowed for the ability to attest to the findings obtained and their validity. This study also incorporated frequency tests and factor analysis to further extrapolate additional information in efforts to meet the overall objectives for this study.

CHAPTER IV **FINDINGS**

After completing the factor analysis and reliability test to be discussed in this chapter, it was discovered that items relating to the determinant “affect” showed high cross loadings with other factors and does not truly discriminate from the other determinants. Upon deciphering reasoning for these results, it was found that items related to this particular determinant may have posed similarity to other questions in the survey instrument. In the best interest of illustrating findings that are most relevant to the purposes of this study, the three questions representing the “affect” determinant and any other related variables were eliminated from the data analysis conducted. The extraction of these three questions resulted in 19 questions being used for measurement purposes in this study.

Frequency Analysis

Characteristics of the Respondents

Based on findings gathered, it was determined that a majority of the respondents (31%) were between 45-54 years of age. Findings also indicated that 25% were 35-44 years of age, 19% were 25-34 years of age, 10% were 55-59 years of age, 4.9% were 20-24 years of age, 5.5% were 60-64 years of age, and 4.6% were 65 years of age or older, respectively. Further analysis determined that the average age of the respondents was 44 years. Results also indicated that 172 respondents (56%) were male and that 136 respondents (44%) were female. Descriptive statistical analysis of “income” showed that 10% of the respondents earned less than \$35,000, 14% earned \$35,001 to \$45,000, 17% earned between \$45,001 and \$60,000, 19% earned \$60,001 to \$75,000, 22% earned \$75,001 to \$100,000, and 18% earned \$100,001 or more. As findings attested to “ethnicity,” it was determined that 69% were Caucasian, 14% were African-American,

7% were Asian-American, 3% were Hispanic-American, and 2% were Native-American. It was also determined that 5% responded as being “other.”

Results further indicated that 47% of the respondents earned a college degree, 26% held master’s degrees, 19% earned high school diplomas, and 8% held Ph.D. degrees. With regard to geographical place of residence, 44% of the respondents were from the central part of the U.S., 23.5% resided in the southern U.S., 12% were from the western U.S., 10% resided in the eastern U.S., 8.5% lived in the northern part of the U.S., and 2% resided outside the United States. An illustration of the abovementioned can be found in table I.

Table I – Demographical and Geographical Characteristics of the Respondents

Variables	Frequency	Percentage (%)
<u>Age</u>		
20-24	15	4.9
25-34	59	19
35-44	77	25
45-54	95	31
55-59	31	10
60-64	17	5.5
65 and over	14	4.6
Median Age	44	
<u>Gender</u>		
Male	172	56
Female	136	44
<u>Income</u>		
<\$35K	31	10
\$35,001-\$45K	43	14
\$45,001-\$60K	52	17
\$60,001-\$75K	59	19
\$75,001-\$100K	68	22
\$100,001 or more	55	18
<u>Ethnicity</u>		
African-American	42	14
Asian-American	20	7
Hispanic-American	8	3
Native-American	7	2
Caucasian	213	69
Other	15	5
<u>Education</u>		
High School	58	19
College	144	47
Master's Degree	81	26
Ph.D.	25	8
<u>Geographical</u>		
Eastern U.S.	31	10
Southern U.S.	72	23.5
Western U.S.	37	12
Central U.S.	135	44
Northern U.S.	26	8.5
Outside U.S.	7	2

When it came to behavioral characteristics, it was determined that 36% of the respondents used the selected hotel's CRS system to make their hotel reservation. It was also determined that 23% used the hotel direct/walk-in, 22% used the hotel's website, 10.5% used an intermediary source, and 8% used a travel agency to make their hotel reservation. Results indicated that 52% of the respondents were business travelers and 48% of the respondents were leisure travelers. Upon reviewing the questions related to respondents' previous hotel stays, it was found that 24.5% of the respondents "most recently" stayed at a Marriott, 19.5% resided at an Intercontinental hotel, 17% stayed at a Starwood property, 16% resided at a Hyatt hotel, 16% stayed at a Hilton hotel, and 7% resided at a Wyndham hotel. Illustrations of these abovementioned findings can be found in table II.

Table II – *Other Respondent Characteristics*

Variables	Frequency	Percentage (%)
<u>Reservation Source Used</u>		
Hotel Direct/Walk-In	70	23
Intermediary	32	10.5
CRS System	111	36.4
Travel Agency	25	8.1
Hotel Website	67	22
<u>Reason for Stay</u>		
Business Purposes	161	52
Leisure Purposes	147	48
<u>Hotel Selection</u>		
Hilton	49	16
Wyndham	21	7
Intercontinental	60	19.5
Marriott	76	24.5
Starwood	53	17
Hyatt	49	16

Factor Analysis

To determine the appropriateness of the data to be used for factor analysis, an investigation was made to decipher whether the determinants possessed any correlation between each other and to also ensure that the attributes were grouped properly with the appropriate determinant. For purposes of this analysis, Principal Component Analysis was used to discover or reduce the dimensionality of the data set. Varimax rotation, a method of orthogonal rotation that centers on simplifying the factor matrix by maximizing variance and producing conceptually pure factors, was applied with Kaiser Normalization to extract attributes and/or determinants not of significance to this study. To be valued as significant, each attribute must have loading cut-off value of .50 or greater. Only factors with an eigenvalue of >1 were considered as significant.

In conducting this analysis, it was determined that 15 of the 19 questions met the factor loading qualifications and that the questions had a value of .67 or better. The four questions removed related to “trust” and “satisfaction.” The 15 retained questions were categorized into five groups. Table III illustrates the coding symbol representing questions for each major determinant, based on number of responses gathered.

The findings from this analysis indicated that respondents felt each of the three questions relating to “membership program” were of major consideration, thereby, being classified as factor 1. These questions measured respondents’ perspective on the importance of tangible and intangible rewards offered through the hotel’s membership program and also their offering of affinity programs. This factor group accounted for 16.38% of the total variance and had an eigenvalue of 3.69, indicating a great level of variance and significance.

The analysis classified “satisfaction” as factor group 2. This determinant asked respondents questions relating to service renderings, their perception as to whether the hotel in-question is the highest amongst other hotel choices in the area, and whether the service received met every aspect of their personal expectations. “Satisfaction” represented 13.06% of the total variance and had an eigenvalue of 2.11, thereby, also signifying a great level of variance and significance.

Factor 3, “Perceived quality,” accounted for 12.59% of the total variance and had an eigenvalue of 1.57. This significant determinant asked respondents’ questions attesting to whether the overall tangible and intangible elements of service associated with the hotel’s rooms department and food and beverage (F&B) outlets were excellent. It also asked the respondents’ whether the tangible and intangible elements of service for the overall hotel were excellent.

“Perceived value,” factor 4, asked respondents to rate whether the hotel rendered good value in comparison to price paid, whether it provided customers with a good deal, and whether they felt the hotel was a bargain for the benefits received. This particular factor group accounted for 11.98% of the total variance and had an eigenvalue of 1.34.

Factor group 5, “trust,” represented 11.94% of the total variance and had an eigenvalue of 1.19. This factor group asked respondents to rate their agreement or disagreement to questions indicating their trust in the hotel and its staff, ability to rely on hotel associates to carry out requests made, and their perception of safeness as business was conducted with the hotel. It is important to note that both factor groups 4 & 5 indicated a respectable amount of total variance and both also possessed a level of significance.

Table III – Factor Analysis (Prescribed Determinants of Guest Loyalty)

Varimax Rotated Loading						
Factor and Variables	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	
F1 – Membership Programs						
Tangible rewards were important	.91					
Intangible rewards were important	.91					
Affinity program offerings were important	.86					
F2 – Satisfaction						
Service renderings met highest expectations		.78				
Hotel is the highest amongst other choices in the area		.75				
Service received met personal expectations		.78				
F3 – Perceived Quality						
Overall tangible/intangible elements for rooms were excellent			.75			
Overall tangible/intangible elements for F&B were excellent			.69			
Overall hotel tangible/intangible elements were excellent			.83			
F4 – Perceived Value						
Hotel value vs. price paid was good				.72		
Hotel provided good deal				.75		
Hotel was a bargain for benefits received				.78		
F5 – Trust						
I trust the hotel and its staff					.67	
I relied on associates to carry out requests made					.76	
I felt safe conducting business with the hotel					.79	
						Total Variance Explained
% of Variance explained	16.38	13.06	12.59	11.97	11.94	65.94
Cronbach's Alpha	.89	.73	.68	.66	.66	
Eigenvalue	3.69	2.11	1.57	1.34	1.19	

Note: Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy (MSA): 0.81
Bartlett's Test of Sphericity" $X^2 = 1294.41$, significance at $p=0.000$

The data findings from table III indicated that each question served as a representation of its related determinant and also provided a major contribution to the focus of this study. This statement is based on the value of each response illustrated in table III that resulted from factor loading, variance, Cronbach's reliability, and eigenvalue measurement testing. "Membership Programs," as a factor group, is of major use in this study, based on its findings, each of the other determinants also serves in the same intent. Although questions relating to each factor were valued higher than .67, thereby meeting loading cut-off qualifications, particular findings are important to illustrate for research purposes.

It was revealed during this form of analysis that respondents did not perceive "The overall tangible and intangible elements of service for the hotel's food and beverage outlets (i.e. restaurant, room service) were excellent" to be of the same regard as the other two questions relating to "perceived quality" (.69). Respondents also did not favor the question "I trust the hotel and its staff" to be of the same nature of context as the two other questions representing "trust" (.67). As mentioned earlier, "membership program" responses were of great favor. Two particular questions well-regarded were "The tangible rewards from joining a hotel rewards program is important in my decision making" (.91) and "The intangible rewards from joining a hotel rewards program are important in my decision-making." (.91). Attribute 3, relating to the offering of affinity programs, can afford relative improvement as findings indicated a value of .86 in comparison to the other two questions related to "membership program."

ANOVA Analysis

It was determined that no significant relationships ($p > .05$) existed as the demographic and socioeconomic variables were measured against overall loyalty. ANOVA test disclosed that respondents showed significant difference ($p < .10$) in the mean value of satisfaction, trust, and perceived quality among different upper-upscale brands. However, respondents did not show any significant differences in membership programs and perceived value among the six hotel brands at the .10 level.

With regard to responses based on hotel selection, favorable findings resulted. Hilton earned the highest mean average for a majority of the determinants measured in this study. However, it is important to note that each hotel earned responses relative in value to its competitors for each determinant. When it came to “perceived quality,” there was mean difference dispersion of .17 between Starwood (3.97) and Wyndham (3.80). In regard to “perceived value,” there was a dispersion of .32 between Hilton (3.55) and Wyndham (3.23). The mean difference dispersion for “trust” was .21, based on comparing the range between Hilton (3.89) and Hyatt (3.55). When it came to “satisfaction,” there was a dispersion of .49 between Hilton (4.25) and Intercontinental (3.76). Lastly, within “membership program,” there was a mean difference dispersion of .39 between Hilton (3.14) and Intercontinental (2.75). These findings can be found in table IV.

Table IV – *Determinant Responses (with respect to hotel brands)*

	Perceived Quality	Perceived Value	Trust	Satisfaction	Membership Program
Hilton	3.93 (n=49)	3.55 (n=49)	3.89 (n=49)	4.25 (n=49)	3.14 (n=49)
Hyatt	3.89 (n=49)	3.44 (n=49)	3.55 (n=49)	4.05 (n=4)	2.85 (n=49)
Intercontinental	3.62 (n=60)	3.44 (n=60)	3.60 (n=60)	3.76 (n=60)	2.75 (n=60)
Marriott	3.82 (n=76)	3.43 (n=76)	3.69 (n=76)	4.09 (n=76)	3.09 (n=76)
Starwood	3.97 (n=53)	3.52 (n=53)	3.78 (n=53)	4.06 (n=53)	3.01 (n=53)
Wyndham	3.80 (n=21)	3.23 (n=21)	3.68 (n=21)	3.88 (n=21)	2.82 (n=21)
F-value	1.87	.61	1.88	2.35	1.28
P-value	.09	.68	.09	.04	.273

a. Represents average mean score based on a five point, Likert-type scale

Based on these findings, there is a major need for each hotel to improve on the tangible and intangible rewards offered to guests through its membership programs, particularly the Wyndham (2.82). There is also a need to revisit offerings of affinity programs. Each hotel can also afford improvement to its service offerings as regards the remaining determinants of this study (perceived quality, perceived value, trust, and satisfaction). Results indicate that Intercontinental ranked the lowest when it came to “perceived quality.” Wyndham also underperformed when it came to “perceived value” (3.23). There was no indication of an outlying value when it came to “trust” and “satisfaction” and the responses received.

As the findings also indicate, there are hotels performing well as regards certain and/or all the prescribed determinants. Hilton has the highest mean responses for a

majority of the prescribed determinants. Aside from the results for this hotel brand, Wyndham is ranked well in its “perceived quality” and responses for Starwood’s “perceived value” were also favorable. Findings for Marriott were also regarded well when it came to “satisfaction” and “membership program.”

Based on the measurement of these responses on the five-point, Likert type scale, there is definitely a need for considering the effectiveness of the delivery of services provided to guests as it relates to guests’ assessment of each determinant.

Regression Analysis

To investigate the influence of each determinant upon guest loyalty, an analysis was performed to assess the significance of the relationships between each independent variable and the dependent variable. To further analyze and extract information regarding this measurement, the dependent variable (guest loyalty) was categorized into two sections, behavioral loyalty and attitudinal loyalty. This form of measurement allowed for categorizing dependent variable questions appropriately before analysis was conducted. It is important to note that this analysis also allowed for testing each respective hypothesis and determining whether significant relationships existed.

The impact of determinants on Attitudinal Loyalty

Based on the findings illustrated in table V in regard to the study’s determinants and attitudinal loyalty, the coefficient of the determinant (R^2) was .39 and the adjusted R^2 was .38. As it regarded attitudinal loyalty, the F-ratio value was 36.96 ($p < .01$), indicating that the results of this regression model could hardly have occurred by chance.

In order to assess the relative importance, beta coefficients are used: the higher the beta coefficients, the more important each determinant. It is important to note that all

five turned out to be statistically significant ($p < .01$) antecedents influencing attitudinal loyalty. The most important determinant affecting guest attitudinal loyalty was found to be “satisfaction” with a beta value of .38 followed by “trust” with .30, and “membership program” with .29. Perceived value with a beta value of .13 was found to be the least important determinant affecting guest attitudinal loyalty and perceived quality with .25 was the second least important one. Upper-upscale hotel guests perceive “satisfaction” to be of highest importance and “perceived” value to be least important, based on beta value and significance level.

To detect multicollinearity, variance influential factor (VIF) testing was conducted. No serious multi-collinearity is present with respect to the determinants against attitudinal loyalty components, since a variation inflation factor (VIF) of 1 is much smaller than the threshold value of 10 (Hair et al., 1995). It can be concluded that, in descending order, trust, satisfaction, membership program, perceived quality, and perceived value were found to be significant determinants of attitudinal loyalty.

Table V -- *Regression of Attitudinal Loyalty^a*

Independent Variable	b	Beta	t	Sig.	VIF
Constant	.04				
Satisfaction	.36	.38	8.24	0.000	1.00
Trust	.29	.30	6.43	0.000	1.00
Membership Program	.28	.29	6.35	0.000	1.00
Perceived Quality	.24	.25	5.39	0.000	1.00
Perceived Value	.13	.13	2.79	0.006	1.00

a. $R = .63$, $R^2 = .39$, adjusted $R^2 = .38$, $F = 36.96$, $p < .01$

The impact of determinants on Behavioral Loyalty

Results of the study's determinants' impact on behavioral loyalty indicated a coefficient of the determinant (R^2) of .528 and an adjusted R^2 of .520. In measuring importance, findings indicated a wide distribution of responses. "Satisfaction" (beta = .42) was again regarded as being most influential on behavioral loyalty followed by "Trust" (.41) and "Perceived quality" (.36). While "membership program" with a beta value of .29 was found to be the third most influential determinant on attitudinal loyalty, membership program has the least impact on behavioral loyalty with beta value of .13. When it came to the F-ratio, the value based on behavioral loyalty was 65.15, further indicating the regression results did not happen by chance. An illustration of these results can be found in table VI.

Based on these findings, there is an indication of greater variability when it comes to guest behavioral considerations of loyalty versus attitudinal considerations; this is in considering the distribution of "beta" and "t-value" responses, as well as from assessing the "F-statistic" value. There is an indication to affirm, based on the responses, that these determinants play a major role when it comes to guest loyalty towards upper-upscale hotels. It can be believed that major consideration is placed on efforts to ensure effectiveness in delivering services that would encompass guests' measurement of this particular construct. Lastly, it is important to note, based on VIF, that no sign of multicollinearity is existent with respect to the determinants and their impact upon behavioral loyalty.

Table VI -- *Regression of Behavioral Loyalty^a*

Independent Variable	b	Beta	t	Sig.	VIF
Constant	.03				
Satisfaction	.41	.42	10.53	0.000	1.00
Trust	.40	.41	10.14	0.000	1.00
Perceived Quality	.35	.36	8.95	0.000	1.00
Perceived Value	.19	.20	4.94	0.000	1.00
Membership Program	.13	.13	3.24	0.000	1.00

a. $R = .73$, $R^2 = .53$, adjusted $R^2 = .52$, $F = 65.15$, $p < .01$

The impact of determinants on Overall Loyalty

As regards guests' measurement of the determinants and their impact on overall loyalty, the data indicated that an R^2 existed of .53; also that an adjusted R^2 resulted in a value of .52. For illustration purposes, additional data relating to the results can be found in table VII. The following illustration represents an equation to reflect the measurement encompassed in this section:

$$\text{Overall Loyalty} = \text{MP} + \text{PV} + \text{S} + \text{PQ} + \text{T}$$

Consistent with the previous two regression results, satisfaction and trust showed the highest influence on overall loyalty, with beta values of .44 and .38, respectively. Membership program (beta=.24) and perceived value (beta=.16) were the least influential determinants on overall loyalty. When it came to measuring the F-ratio, this statistically significant value was represented at 65.07. This was a clear sign of significance, based on the assessment of the determinants against overall loyalty ($p < .01$). It is important to note, for clarification purposes, that “overall loyalty” represents guests' cumulative

responses of both attitudinal and behavioral loyalty considerations. As regards the presence of multicollinearity, VIF indicated no correlation exists when considering the determinants against overall loyalty.

Table VII -- *Regression of Overall Loyalty^a*

Independent Variable	b	Beta	t	Sig.	VIF
Constant	.04				
Satisfaction	.41	.44	10.88	0.000**	1.00
Trust	.37	.38	9.51	0.000**	1.00
Perceived Quality	.32	.33	8.23	0.000**	1.00
Perceived Value	.16	.16	4.07	0.000**	1.00
Membership Program	.23	.24	5.91	0.000**	1.00

a. $R = .73$, $R^2 = .53$, adjusted $R^2 = .52$, $F = 65.07$, $p < .01$

In reviewing the three loyalty measurements illustrated in table VIII, it can be seen that satisfaction was found to have the strongest influence (Beta =.44) on the overall loyalty based on a pooled data. As it related to “beta,” “t,” “ R^2 ,” and “adjusted R^2 ,” the results indicated that by combining the two varying constructs of loyalty (behavioral and attitudinal), there is a stronger cohesion and this clearly shows that a relationship was existent when it came to guests’ loyalty towards upper-upscale hotels. Although the two respective constructs provided statistically sound results independently, it is pivotal to merge the two for purposes of this study. It can be concluded that, not only a positive relationship exists between each determinant and overall loyalty, but that greater statistically significant findings ($p < .01$) are derived from measuring determinants against overall loyalty (versus independently measuring attitudinal and behavioral loyalty components).

Table VIII – Regression of the three loyalty measurements

Dependent Variable	Regression Equation (Standardized Scores)	R ²
Behavioral Loyalty	.13 × Membership Program + .20 × Perceived Value + .42 × Satisfaction + .36 × Perceived Quality + .41 × Trust	.53
Attitudinal Loyalty	.29 × Membership Program + .13 × Perceived Value + .38 × Satisfaction + .25 × Perceived Quality + .30 × Trust	.39
Overall Loyalty	.24 × Membership Program + .16 × Perceived Value + .44 × Satisfaction + .33 × Perceived Quality + .38 × Trust	.53

a. $R=.73$, $R^2=.53$, adjusted $R^2=.52$, & $F= 65.07$, $p<.01$

Hypothesis Testing

To evaluate whether each determinant posed a positive impact on guest loyalty, the following section will be grouped according to the determinant used during the statistical analysis. Each category will discuss statistical findings to support the claim being made about the hypothesis being tested. It important to note that “loyalty” can be inferred to represent overall loyalty (both attitudinal and behavioral loyalty components).

Hypothesis I – Satisfaction has a positive impact on Loyalty

Findings indicated that when measuring the impact of “satisfaction” on “loyalty,” this determinant was classified as having a “beta” coefficient of .44 and a “t” score of 10.88. Both values are the highest of all other determinants measured. In accounting for the amount of variance, this determinant was responsible for 13.06% of the total variance. For reliability purposes, it is important to note that this determinant received a finding of .73 as regards the usage of Cronbach’s alpha measurement. When it comes to significance, there is a significant relationship between the two constructs (.000).

Based on these findings, it can be concluded that “satisfaction” has a positive impact on “loyalty.”

Hypothesis II – Perceived Quality has a positive impact on Loyalty

Guests perceived this determinant to play a major role in their loyalty considerations. The results indicated that a “beta” coefficient of .33 and a “t” score of 8.23 existed with respect to this assessment. Testing also revealed that this determinant encompassed 12.59% of the total variance. When it came to reliability, this determinant received a Cronbach alpha measurement score of .68. Lastly, in regard to significance, “perceived quality” and “overall loyalty” were found to have a statistically valid level of significance (.000).

Based on these findings, it can be concluded that “perceived quality” has a positive impact on “loyalty.”

Hypothesis III – Perceived Value has a positive impact on Loyalty

“Perceived value” received a “beta” coefficient of .16 and a “t” score of 4.07 in comparison to the responses related to other determinants. When it came to Cronbach’s reliability measurement, “perceived value” received a response score of .66. It also represented a variance level of 11.97%. Most importantly though, when it came to significance, the determinant was discovered to possess a level of significance ($p=.000$).

Thereby, it is concluded that “perceived value” does have a positive impact on “loyalty.”

Hypothesis V – Trust has a positive impact on Loyalty

Data results indicated that the “trust” determinant received a “beta” coefficient response of .384 (second highest of all other determinants) and it also had a “t” score of 9.51. Cronbach’s reliability measurement indicated that determinant received a score of .66. Variance testing revealed that “trust” accounted for 11.94% of the total variance. As it regarded significance, findings revealed that a significant relationship does exist between the two constructs.

Based on these findings, it can be affirmed that “trust” has a positive impact on “loyalty.”

Hypothesis VI – Membership Programs has a positive impact on Loyalty

As the study discussed in chapter I, the focus of marketing efforts for hotels have shifted from being tactical to becoming more strategic in nature. The findings related to “membership program” revealed that a “beta” coefficient existed of .24 and that the determinant had a “t” score of 5.91. “Membership program” was also discovered to account for 16.38% of the total variance. For reliability purposes, Cronbach’s measurement revealed a score of .88 for the determinant. Based on significance testing, there is a significant relationship between the two constructs.

Thereby, based on the abovementioned findings, it can be inferred that “membership program” does have a positive impact on “loyalty.”

CHAPTER V
CONCLUSION

In the coming years, the hospitality industry will experience continued growth in the properties that are being constructed. With respect to the hotel segment highlighted through this study, Smith Travel Research (2005) reports that more than 17% of all hotels constructed in the U.S. hotel industry in 2006 will be upper-upscale. With this expected growth, it can be projected that the efforts of upper-upscale hoteliers to foster increased loyalty towards its hotels will be increasingly important as competition intensifies. As discussed in chapter I, the focus on relationship marketing will be of greater use in efforts to foster guest loyalty, more so than tactical approaches initially given. This is not to negate how these efforts, particularly the offering of loyalty programs, have leveraged upper-upscale hotels in being able to prompt such a connection with its guests.

Results from ANOVA test indicated that “perceived quality,” “trust,” and “satisfaction” were perceived to be statistically different between the various upper-upscale brands represented. The two remaining determinants, “perceived value” and “membership program,” however, were not found to be discriminant factors among the different upper-upscale brands represented. Based on the findings, there is also a disparate range of determinant mean responses, thus indicating that improvement is needed. Findings indicated that Intercontinental was valued least when it came to “perceived quality” (3.62). Wyndham received the lowest response value of 3.23 and 3.55 on “perceived value” and “trust,” respectively. When it came to satisfaction, Wyndham, again, earned the lowest response value (3.76). Lastly, Intercontinental received the least value in “membership program” responses. In counter-comparison, however, the results indicated that Hilton received the highest responses as it regarded “perceived value (3.55),” “trust (3.89),” “satisfaction (4.25),” and “membership program

(3.14).” Findings indicated Starwood received the highest response when it came to “perceived quality” (3.97). It is important to note that for “satisfaction,” the most valued determinant, Marriott followed closely behind Hilton with a mean response value of 4.09.

These particular findings are pivotal in that they provide each represented upper-upscale hotel’s management with knowledge of how each determinant is valued. The results from regression analysis further provide invaluable information to assist hoteliers in accurately measuring these determinants against guest loyalty for their respective upper-upscale properties.

From the regression analysis test performed, all determinants showed a significant impact on overall loyalty. Based on these findings, hoteliers must assess the role each form of loyalty plays when it comes to evaluating attributes of guest loyalty. It is no longer effective to measure guest loyalty based solely on their behavioral characteristics. Understanding the guests’ attitudes also plays a pivotal role in this assessment. This is affirmed as the “t-value” and “Beta” findings further indicate that disparity exists in both attitudinal and behavioral loyalties.

Among the determinants and their relationship against attitudinal and behavioral loyalty, “satisfaction” was consistently valued the most, followed by “trust.” Disparity, however, become apparent when it came to the remaining determinants (perceived quality, perceived value, and membership program). The attitudinal loyalty measurement regarded “membership program” as its third most valued while the behavioral loyalty positioned “perceived quality” as its third. Results for the fourth most valued determinant, indicated “perceived quality” from the attitudinal loyalty measurement, while “perceived value” was behavioral loyalty’s fourth most valued. The least valued

determinants for attitudinal and behavioral loyalty were “perceived value” and “membership program,” respectively. On a greater scale, in measuring overall loyalty, the determinants were ranked as follows, in descending order from most to least important: “satisfaction,” “trust,” “perceived quality,” “membership program,” and “perceived value.”

From this analysis, it is quite apparent that differences exist between attitudinal and behavioral loyalty components, and both differ from the overall assessment of guest loyalty. It is evident that similarities and differences exist as it regards both the ANOVA and regression analysis tests conducted. In reviewing both tests, variation existed with respect to the third, fourth, and fifth valued determinants. It will be important to decipher the reasoning for this occurrence. Through this assessment, insight can be gathered that could increase a hotel’s ability to foster guest loyalty.

The results from this study were found to comparably reflect the findings of notable researchers such as Taylor, Celuch, and Goodwin (2004, p. 223) as they found that “brand equity” and “trust” consistently appeared to be most influential in fostering both behavioral and attitudinal loyalty. The same was the case with Baloglu (2002, p. 54) as his study found that its “truly loyal” customers had more trust and emotional commitment to the casino than either of the other loyalty groups. It is based on the cross-comparison of these two findings that demonstrate how this particular study’s findings are somewhat similar in terms of classifying “trust” as an important determinant of guest loyalty.

It is important to note, however, that as was alluded from this study, “satisfaction” was found to be most valued by guests of upper-upscale hotels. This is believed to be

due to characteristics of the hotel industry. Unlike most industries, specifically the manufacturing industry, the hotel industry has evolved to the point that guests have greater options by which to choose their accommodation needs. With the number of hotels being developed, this will continue to be prevalent within the industry. It is very apparent that “satisfaction” is regarded as the salient dimension affecting customer loyalty among guests who patronize upper-upscale hotels. In other industries, as research indicates, “trust” has been prescribed as the determinant that affects customer loyalty. With the current state of the hospitality industry, this disparity serves as an important factor in the pressing matter of guest loyalty.

As a result of the accommodation choices provided, there is a relatively lower switching cost (if any) incurred by the guest in choosing to stay with a different hotel or companies for its accommodations. This hinders hoteliers’ abilities to retain guests, to foster “trust” and, ultimately, to promote guest loyalty towards its hotel and/or company. Since this study focuses on hotels, unlike other studies testing customers who patronized manufacturing products, particularly, it can be intuitively believed that findings relating to loyalty will vary as the customers and their perceptions differ from the other industries. This, thereby, serves as reasoning as to guests’ valuing of “satisfaction” over “trust;” it also serves as testament to hoteliers’ efforts to measure and assess “trust” through surveys disseminated to hotel guests. Based on the abovementioned, it can be concluded that this study can serve as a new and greater way to measure guest loyalty. This particular study differs from other loyalty studies in the fact that it adapts determinants from loyalty studies, not only within the hospitality industry, but also from other industries, as well. Since the purpose of this study focuses on examining the

determinants of guest loyalty, we treated each determinant in the same level and assumed that each determinant does not have any causal relationship with other determinants regardless of the sequential interrelationships validated by numerous researchers. With the design of this particular study, each determinant was able to provide greater effectiveness in measuring guests' loyalty towards upper-upscale hotels. This, again, is based on the findings that were gathered.

Implications

In reviewing and deciphering key findings from this study, the following implications are presented for upper-upscale hoteliers to consider as they undergo efforts to foster guest loyalty.

Based on the findings, the management of upper-upscale hoteliers can afford greater attention to the attitudinal component of guest loyalty. As results indicated, this component accounts for 39% of the total variance (R^2) in comparison to results from the behavioral loyalty measurement (53%). To improve guest loyalty, hoteliers can improve upon their service delivery efforts. These hoteliers can also further build upon their brand images through advertisement and marketing efforts. Lastly, hoteliers can focus on providing positive guest experiences along with the other suggestions to thereby help improve the attitudinal component of loyalty toward becoming equally valued with behavioral loyalty.

Hotel managements can also provide greater attention to improving the “membership program” component as findings from regression indicated room for improvement. Through strategic efforts to market both tangible and intangible benefits to members of the respective loyalty programs, along with the offering of affinity programs, guest loyalty can, thereby, be increased. If these efforts can also be directed at the determinant’s impact on behavioral loyalty, upper-upscale hotels can further increase their ability to foster guest loyalty.

Findings indicated that guests who showed high perceived responses to “membership program” were highly likely to recommend that hotel to those who seek their advice. They were also susceptible to paying a higher rate to stay with this hotel

over a nearby competitor, stay with the hotel-in-question in the future, to not switch to another competitor if a bad experience was encountered, and to continue patronizing the hotel in the future. This particular implication would be of the most interest to each upper-upscale hotel, particularly of Wyndham, Starwood, and Intercontinental hotels. In efforts to effectively utilize “membership programs” and their positive impact on guest loyalty, it will be very important to strongly consider this implication.

To succeed in fostering guest loyalty, upper-upscale hotels should direct marketing efforts at increasing “perceived value.” Regression analysis indicated a level of significance ($p < .05$). However, the ANOVA test, when it regarded the measurement of this determinant as relating to “hotel choice,” determined that it possessed no significance. Based on these findings, there is a pressing need for upper-upscale hoteliers to assess their deficiencies as they impact guests’ “value perception.” It is particularly important to focus on this determinant as it applies to attitudinal loyalty. In order to improve upon this low level of value perception, it will be necessary to foster a greater perception of “value” from the guests’ perspective, specifically when it comes to value received in comparison to price paid and whether the hotel is a bargain for the benefits received.

From a continuous improvement standpoint, each upper-upscale hotel can afford to re-evaluate its service renderings. Regression analysis indicates a disparity between the determinants and their measurement against attitudinal, behavioral, and overall loyalty, respectively. The findings from these comparisons indicate a gap in the guests’ perception of these determinants’ importance. It is evident that guests perceive the prescribed determinants to have a positive impact on guest loyalty. At the same time, it is

apparent that these upper-upscale hotels are not performing to their fullest extent in regard to attitudinal and behavioral loyalty. To alleviate this gap, it will benefit each upper-upscale hotel to re-evaluate its service renderings. This can be done through a survey assessment of guests' responses to the determinants' perceived quality, perceived value, satisfaction, and trust. Based on these findings, it is apparent that these determinants are significant aspects of guests' attitudinal, behavioral, and overall loyalty towards upper-upscale hotels. Therefore, it would be highly encouraged that these hoteliers consider this particular assessment.

Hoteliers can also consider adapting "trust" into their current customer satisfaction surveys to assess and monitor guests' perceptions of items relating to this determinant. As findings from loyalty measurements conducted outside the hotel industry indicate, "trust" is regarded as one of the most valued determinants (Taylor, Celuch, & Goodwin (2004); Baloglu (2002)). However, it is apparent that many hotels do not measure this determinant through its surveys; this is due to the fact that most studies conducted are focused specifically on measuring "satisfaction." Through this adaptation, hoteliers can derive greater insight into the level of "trust" guests have towards its hotel and/or company. They can also decipher how it factors with guest satisfaction.

It will be through the abovementioned implications that efforts can be made to improve guests' loyalty towards upper-upscale hotels. The management staff of upper-upscale hotels will have to strongly factor the findings from this study into current service operations, membership programs offered, and marketing/advertisement efforts exerted. In giving greater attention to the attitudinal loyalty component, "membership program,"

and “perceived value,” in addition to the remaining determinants and continuous improvement efforts, these hotels will be able to measure guest loyalty. For an upper-upscale hotel, it is expected that efforts be made to improve the response values of determinants that indicate non-significance, also that all the determinants lie in the same relative range. Failure to consider the findings from this study will hinder the ability to adequately foster or enhance guest loyalty. As competition between hotels in the upper-upscale hotel segment intensifies, it will be in the best interests of hotel management to assess the findings from this study and any other considerations if efforts are to be made to foster guest loyalty.

This study can serve as a contribution to hotel-related managers (i.e. rooms’ division manager, general manager, etc.) or hotel owners/investors. As mentioned, the ability to foster guest loyalty can, thereby, ensure a steady stream of revenue to the hotel. To assist in achieving this endeavor, the assessment of guest loyalty and the adaptation of findings from this measurement to each respective, upper-upscale hotel can serve as an enabler in deriving the desired financial return. With the increasing competition currently existent and the growth that is anticipated, it will be advantageous for hotel owners/investors and hotel-related managers to collaborate in efforts to brainstorm and construct strategic efforts that are necessary.

From an academic perspective, this study can serve as a model to be adopted for years to come in the determinants of loyalty in upper-upscale hotels. The constructs, specifically “perceived value,” “perceived quality,” “satisfaction,” and “trust” have been of use for years, through various industries. These particular determinants will continue to be of use across industries as efforts are made to measure customer loyalty. However,

as regards current practices of the hotel industry, the adaptation of “membership program,” will be beneficial as can be affirmed by the findings from this study. Loyalty programs have been developed with the purpose of inspiring loyalty efforts. However, as the study indicates, this determinant can provide greater loyalty assessment through its inclusion with the other prescribed determinants. This topic serves as a rare study relating to guest loyalty that includes the “membership program” determinant, which is an industry-specific variable. Researchers can build upon what has been done in this study to further assist in providing insight to hotels desiring to foster guest loyalty.

Limitations

Although detailed efforts have been made to ensure effectiveness in conducting this study through the usage of the most appropriate upper-upscale property, a clear understanding of the study's goals and objectives, the usage of determinants as prescribed by researchers to impact overall loyalty, the most appropriate methodology components, and statistical methods to use that would provide the necessary findings, a few limitations were discovered that are important to highlight.

First, through the usage of convenience sampling, it is foreseen that sample representativeness may be of concern. Although less than 55% of the respondents were 45 and over, it is felt a more "balanced" distribution of age responses could have been provided. Secondly, with the varying types of services that exist within the upper-upscale hotel segment, there is no certainty that items' relating to each determinant best reflect the appropriateness to each upper-upscale hotel segment. Although questionnaire items were adapted by notable researchers and can be construed to be general questions relating to each determinant, this limitation does pose some degree of consideration for upper-upscale hotels in using this model to measure guest loyalty. Future researchers should develop more industry-specific variables that could significantly contribute to the explanation of guest loyalty.

Lastly, the usage of one upper-upscale hotel to gather responses poses potential to be a limitation. It is important to note the limitation that this particular region selected does not provide the ability to choose amongst a large number of qualified, upper-upscale hotels.

Suggestions for Future Research

Based on the findings gathered from this study, it would be a great contribution to hospitality education that a research study be conducted on adapting this loyalty measurement to other hotel segments. The pressing need for hotels to foster guest loyalty efforts does not apply exclusively to upper-upscale hotels. Hoteliers of other hotel segments are experiencing the same challenge and this assessment would be of great benefit to these segments, as well. It will be important, however, to adapt questions corresponding to the prescribed factors that take into account the service offerings associated with the hotel segment(s).

It would also be of great benefit for upper-upscale hoteliers to develop a study to reflect loyalty as it relates to guests' perception of marketing and advertisement efforts made. This would enable the ability to gather insight as to whether the tailoring of marketing and advertisement efforts to the prescribed determinants are effective. By comparing the findings of this proposed research study with the results from the loyalty assessment, it can be determined whether the marketing and advertisement efforts effectively provide the desired guest responses and, thereby, foster guest loyalty.

The adaptation of another set of items relating to the "affect" determinant would be of great consideration for hospitality researchers. Although items in this study relating to "affect" posed similarity to items of other determinants, the addition of this determinant would provide insight relating to the "emotional" responses guests' receive as regards their stay with the hotel in question and guest loyalty measurement. This inclusion of questions would provide additional insight, as researchers have determined in other loyalty studies conducted.

Lastly, it would be of great benefit to re-conduct this study in the future to measure and compare the findings over two or more occurrences. Although findings from this study do not illustrate concerns to consider as regards reliability, validity, and statistical significance, it is of great assurance to re-conduct this study before implementing the model constructed from this study. This is to ensure relative consistency in the findings derived. An additional study could also be conducted to measure guest loyalty with and without the inclusion of the determinant “affect,” and this particular measurement would provide insight as to its contribution to this assessment.

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Appendix I

Oklahoma State University Institutional Review Board

Date: Friday, December 16, 2005
IRB Application No: HE0631
Proposal Title: A Quantitative Look at Determinants of Guest Loyalty for Upper-Upscale Hotels

Reviewed and Processed as: Exempt

Status Recommended by Reviewer(s): Approved Protocol Expires: 12/15/2006

Principal Investigator(s)

James Thomas Gordon 131 E Bennett Stillwater, OK 74077	Woo Gon Kim 210 HES Stillwater, OK 74078
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The IRB application referenced above has been approved. It is the judgment of the reviewers that the rights and welfare of individuals who may be asked to participate in this study will be respected, and that the research will be conducted in a manner consistent with the IRB requirements as outlined in section 45 CFR 46.

The final versions of any printed recruitment, consent and assent documents bearing the IRB approval stamp are attached to this letter. These are the versions that must be used during the study.

As Principal Investigator, it is your responsibility to do the following:

1. Conduct this study exactly as it has been approved. Any modifications to the research protocol must be submitted with the appropriate signatures for IRB approval.
2. Submit a request for continuation if the study extends beyond the approval period of one calendar year. This continuation must receive IRB review and approval before the research can continue.
3. Report any adverse events to the IRB Chair promptly. Adverse events are those which are unanticipated and impact the subjects during the course of this research; and
4. Notify the IRB office in writing when your research project is complete.

Please note that approved protocols are subject to monitoring by the IRB and that the IRB office has the authority to inspect research records associated with this protocol at any time. If you have questions about the IRB procedures or need any assistance from the Board, please contact Beth McTernan in 415 Whitehurst (phone: 405-744-5700, beth.mcternan@okstate.edu).

Sincerely,



Sue C. Jacobs, Chair
Institutional Review Board

Appendix II



Survey Overview

This survey is part of a thesis research study and is designed to measure your loyalty towards upper-upscale hotels, based on where you most recently stayed.

Please do not make your choices based on your CURRENT stay with the Ambassador Hotel, unless your last stay was at this hotel.

About the Researcher and his Team

This study is being conducted by Mr. James Thomas Gordon. He is a Master's Degree candidate at Oklahoma State University's (OSU) School of Hotel and Restaurant Administration. His faculty advisor is Dr. Woody Kim. In addition, two other faculty committee members are helping with this research project. The Chair and all committee members are part of the faculty at OSU's School of Hotel and Restaurant Administration.

Your benefit from this Study

Through your completion of the attached survey, the ability to obtain firsthand insight regarding factors used to measure guest loyalty will be provided. This information will provide upper-upscale hotels of the U.S. hotel industry with insight on your ratings of importance. These ratings are with regard to determinants highly attributed to guest loyalty measurement.

Disclosure

The information provided will not be privileged to any sources not involved with this study. There are no questions asked in this study that will disclose your personal identity in any manner and should you VOLUNTEER to participate in this study, the information provided will ONLY be used for educational purposes.

Other Pertinent Information

For questions or comments regarding this study, please request contact information of the investigator and advisor from a front desk associate.

**Thank you for VOLUNTEERING to participate in this Thesis Research Study.
It is greatly appreciated!**

Appendix III

Please place an “X” on the line corresponding to the upper-upscale hotel you were with during your MOST RECENT hotel stay. PLEASE DO NOT SELECT THE AMBASSADOR HOTEL, unless it was your most recent hotel stay (not to include this current stay).

_____ Hilton Hotels (i.e. Hilton or Doubletree)	Starwood Hotels (i.e. Westin, Sheraton, or W) _____
_____ Wyndham Hotels	Ambassador Hotel _____
_____ Intercontinental Hotels (i.e. Holiday Inn or Crowne Plaza)	Hyatt Hotels _____
_____ Marriott Hotels (i.e. Marriott or Renaissance)	Other Hotel _____

On a scale of 1 to 5 (with 1 being strongly disagree and 5 being strongly agree), place an “X” indicating your response to the following statements. This is with consideration of the hotel selected from above.

Determinants of Loyalty

Statement	(1)	(2)	(3)	(4)	(5)
Perceived Quality					
1. The overall tangible and intangible elements of service in the rooms department (i.e. front desk, housekeeping, bellstaff) of the hotel were excellent.					
2. The overall tangible and intangible elements of service for the hotel’s food and beverage outlets (i.e. restaurant, room service) were excellent.					
3. The intangible and intangible elements of service for the overall hotel were excellent.					
Trust					
4. I trust the hotel and its staff.					
5. I relied on associates of the hotel to carry out requests made.					
6. I felt safe conducting business with the hotel.					
7. The hotel was interested in more than selling a guest room and making a profit.					
8. (If applicable) The communication received (letters, promotional material, etc.) and/or reviewed (via the hotel’s website) were credible.					
Affect					
9. I felt good staying with the hotel.					
10. I do not feel disappointment with my decision to stay with the hotel.					
11. It gives me pleasure knowing I made the decision to stay with the hotel.					
Satisfaction					
12. The service renderings of the hotel met my highest expectations.					
13. The hotel is the highest amongst other choices in the area.					
14. The service I received as a guest met every aspect of my personal expectations.					
15. I am satisfied with my decision to stay with the hotel.					
16. Staying with this hotel was a wonderful experience.					
Perceived Value					
17. The hotel rendered good value in comparison to the price paid.					
18. The hotel provides customers with a good deal.					
19. I consider the hotel to be a bargain for the benefits received.					

Membership Program					
20.	The tangible (i.e. amenities) rewards from joining a hotel rewards program is important in my decision-making				
21.	The intangible rewards (i.e. membership check-in line) from joining a hotel rewards program are important in my decision-making				
22.	The offering of affinity programs (i.e. airline partnerships) is an important criterion for my hotel choice.				

Guest Loyalty

Statement	(1)	(2)	(3)	(4)	(5)
23. I stay with the hotel because it is the best choice for me.					
24. I consider myself to be a loyal guest of the hotel.					
25. I would recommend this hotel to those who seek my advice.					
26. I would be willing to pay a higher rate to stay with the hotel over its nearby competitors.					
27. I consider the hotel to be my first choice when choosing a hotel in the area.					
28. In the future, I would stay with the hotel.					
29. I will continue to patronize the hotel in the future.					
30. I would not switch to another competitor if I ever encountered a bad experience.					

The following section provides us with general background information to use for data interpretation purposes. Please fill in or mark an "X" next to the corresponding selection.

31. What is your age? _____
32. What is your gender? _____
33. What best represents your nationality? _____ American _____ International
34. What best represents your ethnicity?
 _____ African American _____ Hispanic American _____ Caucasian
 _____ Asian American _____ Native American _____ Other
35. What best represents your educational background?
 _____ High School Graduate _____ College Graduate
 _____ Master's Graduate _____ Ph.D. Graduate
36. What best represents your level of income?
 _____ Less than 35K _____ 35,001 to 65K
 _____ 65,001 to 100K _____ 100,001 or more
37. What best represents your place of geographic residence?
 _____ Eastern U.S. _____ Western U.S. _____ Northern U.S.
 _____ Southern U.S. _____ Central U.S. _____ Outside U.S.
38. What source did you use to make your reservation with the hotel?
 _____ Hotel Direct/Walk-In _____ Reservations System _____ Hotel Website
 _____ Intermediary (i.e. Orbitz) _____ Travel Agency
39. What category corresponds with the reason for your stay with the hotel?
 _____ Corporate _____ Meeting and Group _____ Leisure
40. On an annual basis, how often do you stay with the Ambassador Hotel? _____
41. How likely are you to return to the Ambassador Hotel during your next visit?
 _____ Not Likely _____ Less Likely
 _____ More Likely _____ Most Likely
42. What best represents your purpose for staying with the Ambassador Hotel?
 _____ Business _____ Leisure

VITA

James Thomas Gordon

Candidate for the Degree of

Master of Science

Thesis: DETERMINANTS OF GUEST LOYALTY FOR UPPER-UPSCALE HOTELS

Major Field: Hospitality Administration

Biographical:

Personal Data: The younger son to Mr. Eldridge and Ms. Doris Gordon of Oklahoma City, Oklahoma

Education: Received Bachelor of Business Administration in Management and Marketing with a minor in African/African-American Studies from the University of Oklahoma (Norman, Oklahoma), May 2004; Completed requirements for Master of Science degree in Hospitality Administration from Oklahoma State University (Stillwater, Oklahoma), July 2006.

Experience: Employed as a graduate assistant for Blair Dining at Oklahoma State University in Stillwater, Oklahoma (August 2004 to May 2006); Summer Rotational Intern at the Westin Tabor Center in Denver, Colorado (June 2005 to August 2005); Summer Intern at the Westin (now Sheraton) Oklahoma City in Oklahoma City, Oklahoma (May 2004 to August 2004);

Professional Memberships: Phi Kappa Phi Honor Society, National Society of Minorities in Hospitality, Kappa Alpha Psi Fraternity, Inc., and Alpha Phi Omega Service Fraternity.