



# Modelling the relationship between hotel perceived value, customer satisfaction, and customer loyalty

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## ABSTRACT

This study using structural equation modelling (SEM) investigates the relationship between the dimensions of customer perceived value, customer satisfaction, and customer loyalty in the context of hotels. The main procedure of this study was to conceptualise hotel perceived value as a multidimensional construct of seven dimensions with both cognitive and affective aspects. Five out of these seven dimensions; specifically, the self-gratification, price, quality, transaction, hedonic dimensions were then found to have a significant direct positive effect on customer satisfaction and/or customer loyalty. Two dimensions of hotel perceived value (aesthetics, prestige) were found to have no significant direct positive effect either on customer satisfaction or customer loyalty. It was also found that four hotel perceived value dimensions (hedonic, price, quality, transaction) had an indirect significant positive effect on customer loyalty through customer satisfaction as a mediator. Finally, customer satisfaction was found to have a direct positive effect on customer loyalty.

## 1. Introduction

The relationship between a customer's perception of value and both customer satisfaction and customer loyalty has long been studied in different sectors of the service industry (see for instance, Cronin et al., 2000; Choi et al., 2004; Gallarza and Saura, 2006; Chen, 2008; Chen and Tsai, 2008; Howat and Assaker, 2013; El-Adly and Eid, 2016). However, a question that may arise in this regard is: Which customer perceived value was studied in previous research that addressed this relationship? Most previous research that examines this relationship in the service context considers customer perceived value as a unidimensional construct that is concerned only with the customer's valuation of money or price or cost (e.g., Cronin et al., 2000; Kandampully and Suhartanto, 2000; Bei and Chiao, 2001; Choi and Chu, 2001; Sirdeshmukh et al., 2002; Hellier et al., 2003; Choi et al., 2004; Wang et al., 2004; Chen and Quester, 2006; Lin and Wang, 2006; Chen, 2008; Chen and Tsai, 2008; Ryu et al., 2008; Han and Ryu, 2009; Hu et al., 2009; Lai et al., 2009; Chen and Chen, 2010; Hume and Sullivan Mort, 2010; Yoon et al., 2010; Hsin Chang and Wang, 2011; Lai and Chen, 2011; Chen, 2012; Tanford et al., 2012; Howat and Assaker, 2013). Studying customer perceived value as a unidimensional construct that focuses only on cost, price, or money is, however, a very narrow and simplistic method, which ignores other important aspects that enrich the usefulness of the construct (Sweeney and Soutar, 2001; El-Adly and Eid, 2015). At one extreme, a very few researchers have considered it a

single item scale that measures overall customer value only (e.g., Oh, 1999; Murray and Howat, 2002), but using a single item construct does not often reflect the fullness of the theoretical construct and its reliability cannot be assessed (Wang et al., 2004). At the other extreme, a small number of researchers adopt customer perceived value as a multidimensional construct (e.g., Williams and Soutar, 2009; Wu and Liang, 2009; Chen and Hu, 2010; Ryu et al., 2010; El-Adly and Eid, 2016).

Specifically, in the hotel service industry, most research that studies the relationship between customer perceived value, customer satisfaction, and customer loyalty has considered customer perceived value as a unidimensional construct with emphasis on value for money. This limited perspective on customer perceived value ignores other important dimensions of value that could be derived from the complete hospitality experience that the hotel guest might get during his/her stay in the hotel and may have a great influence on his/her satisfaction with the hotel and consequently his/her subsequent loyalty to it. Therefore, this study aims to broaden the view of customer perceived value in the hotel context through studying it as a multidimensional construct that reflects the complete hospitality experience and to investigate its influence on both customer satisfaction and customer loyalty to the hotel. This study would add to the literature of hotel customer perceived value, customer satisfaction with it, and customer loyalty to it in several ways. First, it conceptualises and empirically validates the perceived value of hotels as a multidimensional construct to reflect the complete

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hospitality experience of hotel guests. Second, it investigates the effect of perceived value dimensions of the hotel customer on customer satisfaction and customer loyalty. Third, it assesses the mediating role of customer satisfaction in the hotel perceived value dimensions-loyalty relationship.

The remainder of this paper is organised as follows. First, we review the literature on the relationship between customer perceived value, customer satisfaction, and customer loyalty. Second, we conceptualise the model and formulate hypotheses about the relationship between the hotel perceived value dimensions, satisfaction, and loyalty. Third, we describe the research method. Then we present the main results of the tested model. Finally, we discuss the theoretical and managerial implications of the study as well as its limitations and possible directions for future research.

## 2. Literature review

Undoubtedly, customer satisfaction and customer loyalty are two vital behavioural outcomes that any service organisation strive to achieve them. Many studies point out that delivering superior value derived from the complete experience with the service is one of the most important means of generating customer satisfaction and customer loyalty (Cronin et al., 2000; Yang and Peterson, 2004; Gallarza and Saura, 2006; Kesari, and Atulkar, 2016). Studies that investigate the relationship between customer perceived value and both customer satisfaction and customer loyalty in different service contexts are reported in Table 1. As seen in Table 1, the majority of studies that examine the aforementioned relationship adopts customer perceived value as a unidimensional construct and to a lesser extent as a multidimensional construct. However, most studies in the hotel context adopt customer perceived value either as a single item scale of overall value (see: Oh, 1999; Worsfold et al., 2016) or as a unidimensional construct in investigating the above-mentioned relationship (see: Kandampully and Suhartanto, 2000; Choi and Chu, 2001; Hu et al., 2009; Tanford et al., 2012; So et al., 2013). In spite of the importance of the multidimensionality of customer perceived value to reflect the complete hospitality experience of hotel guest, only one empirical study to date in the hotel context (i.e., Gallarza et al., 2016) has adopted the customer perceived value as a multidimensional construct in examining its relationship with customer satisfaction and customer loyalty. This suggests a need for more studies in this important sector of the service industry to identify the appropriate dimensions of customer perceived value in the hotel context and to examine the relationship between these dimensions and both customer satisfaction and customer loyalty, as discussed in the following sections.

## 3. Conceptual framework: model and hypotheses

Our theoretical model is exhibited in Fig. 1. We claim that customer perceived value dimensions of hotels (i.e., self-gratification, aesthetics, price, prestige, transaction, hedonic, and quality) are antecedents of both customer satisfaction and customer loyalty. We also argue that customer satisfaction has direct positive influence on customer loyalty. In addition, the effect of customer perceived value dimensions on customer loyalty is mediated by customer satisfaction.

For the purpose of testing this model, the literature regarding the relationship between customer perceived value dimensions, customer satisfaction, and customer loyalty is reviewed in order to develop hypotheses about these relationships.

### 3.1. Customer perceived value

Customer perceived value has in the past few decades received much attention from writers on service marketing since more customers have become value-driven (El-Adly and Eid, 2015) and since it has played the role of antecedent of many behavioural outcomes such as

patronage, re-patronage intention, customer satisfaction, and customer loyalty (Chen and Dubinsky, 2003). The definition of customer perceived value has changed over time. However, the definition of 'value' adopted in this study is: 'all factors, qualitative and quantitative, subjective and objective, that make up the complete consumption experience' (Schechter, 1984 as cited in Zeithaml, 1988). This definition identifies the subjective and multidimensional nature of customer perceived value. Based on this definition, we conceptualise customer perceived value in the hotel context as a multidimensional construct consisting of more dimensions than simply price and quality (i.e., cognitive dimensions). It also includes such affective dimensions as self-gratification, aesthetic pleasure, prestige, transaction, and hedonism. Indeed, positing a multidimensional construct better reflects the complete hospitality experience that guests can obtain during their stay in a hotel and hence powerfully predicts their behavioural outcomes such as customer satisfaction and loyalty than a unidimensional construct which focuses only on value for money or quality.

In this study, the self-gratification value of hotels is defined as the hotel guest's mood improvement and ability to relax with reduced tension and stress as a result of being in the hotel and using its facilities (Davis and Hodges, 2012; El-Adly and Eid, 2015, 2017). Aesthetic value and the pleasure in it indicate the guest's perception of and reaction to the ambience, architecture, interiors, and visual displays of the servicecape (Keng et al., 2007). As regards the price value, it is defined as the utility derived from the hotel due to a reduction of its costs (Sweeney and Soutar, 2001) and from obtaining accommodation, food and beverages, and other hotel services at reasonable prices. As for the prestige value of the hotel, it refers to the high status and feeling of belonging to a higher social class that a guest gets as a result of patronising a certain hotel (Hwang and Han, 2014). Regarding the transaction value, it is defined as the exhilaration gained from getting a good deal (Davis and Hodges, 2012; El-Adly and Eid, 2016) such as getting discounted or special rates for hotel rooms and restaurants. With regard to the hedonic value, it is the fun and enjoyment that a hotel guest gains from the hospitality experience (El-Adly and Eid, 2016). Finally, quality value is the utility derived from the reliability and superiority of the service performance (Sweeney and Soutar, 2001).

### 3.2. Customer satisfaction

Satisfying customer is one of the ultimate goals that service organisations seek, due to the long term benefits of having satisfied customers such as positive word of mouth comment, customer loyalty, and sustainable profitability (Greenwell et al., 2002; Liu and Jang, 2009). Customer satisfaction has generally been studied in past research as a unidimensional construct that measures the overall satisfaction with the service organisation as a result of the aggregate judgement of all interactions and touch points with the service organisation (Yang and Peterson, 2004; Chen and Tsai, 2008). In the present study, we also conceptualise customer satisfaction as a unidimensional construct that reflects a guest's overall impression, formed over time about the hotel's performance.

### 3.3. Customer loyalty

Customer loyalty has received marked attention in the service marketing literature, due to its contribution in creating sustainable competitive advantage for service organisations (Lee and Cunningham, 2001). Appreciating the importance of customer loyalty to a hotel's profitability, most hotel chain operators have designed reward and loyalty programmes to attract and retain hotel guests (Tanford et al., 2012). However, in examining a guest's willingness to repeat patronage and recommend a hotel positively to others, most customer loyalty research has adopted the attitudinal loyalty perspective rather than the behavioural one (e.g., Oh, 1999; Kandampully and Suhartanto, 2000; Choi and Chu, 2001; Hu et al., 2009; Tanford et al., 2012). In the

**Table 1**  
Customer perceived value dimensions in different service contexts.

Author(s)	Service context	Type of customer perceived value construct	Perceived value dimension(s)
Oh (1999), Worsfold et al. (2016)	Hotel	Single Item scale	Overall value
Murray and Howat (2002)	Sports and leisure	Single Item scale	Overall value
Choi et al. (2004); Moliner (2009)	Healthcare	Unidimensional	Customer value for money
Trasorras et al. (2009)	Professional services	Unidimensional	Customer value for money
Lewis and Soureli (2006); Vera and Trujillo (2013)	Banking	Unidimensional	Customer value for money
Hsin Chang and Wang (2011)	Online shopping	Unidimensional	Customer value for money
Chen (2012)	e-service	Unidimensional	Customer value for money
Sirdeshmukh et al. (2002); Chen and Quester (2006)	Retailing	Unidimensional	Customer value for money
Chen and Tsai (2008)	TV shopping	Unidimensional	Customer value for money
Tarn (1999); Ryu et al. (2008, 2012); Han and Ryu (2009)	Hospitality	Unidimensional	Customer value for money
Howat and Assaker (2013)	Sports and leisure	Unidimensional	Customer value for money
Hume and Sullivan Mort (2010)	Performing arts	Unidimensional	Customer value for money
Wang et al. (2004); Kuo et al. (2009); Lai et al. (2009)	Mobile telecommunication	Unidimensional	Customer value for money
Lin and Wang (2006)	Mobile commerce	Unidimensional	Customer value for money
Hellier et al. (2003)	Car insurance	Unidimensional	Customer value for money
Bei and Chiao (2001)	Car repair service	Unidimensional	Customer value for money
Lai and Chen (2011)	Public transport	Unidimensional	Customer value for money
Sirdeshmukh et al. (2002); Chen (2008)	Airlines	Unidimensional	Customer value for money
Yoon et al. (2010); Chen and Chen (2010)	Tourism	Unidimensional	Customer value for money
Kandampully and Suhartanto (2000); Choi and Chu (2001); Hu et al. (2009); Tanford et al. (2012); So et al. (2013)	Hotel	Unidimensional	Customer value for money
Cronin et al. (2000)	Multiple service industries	Unidimensional	Customer value for money
Gallarza and Saura (2006)	Tourism	Multidimensional	Positive value dimensions (i.e., efficiency, quality, play, aesthetics, and social value) and negative value dimensions (i.e., perceived monetary price, perceived risk and time and effort spent)
Williams and Soutar (2009)	Tourism	Multidimensional	Functional value, value for money, social value, emotional value, and epistemic value
Lee et al. (2007)	Tourism	Multidimensional	Functional value, overall value, and emotional value
Eid (2015); Eid and El-Gohary (2015)	Tourism	Multidimensional	Quality, price, emotional, social, and Islamic value
Sánchez-Fernández and Iniesta-Bonillo (2009)	Hospitality	Multidimensional	Efficiency and excellent values
Chen and Hu (2010)	Hospitality	Multidimensional	Symbolic value and functional value
Wu and Liang (2009)	Hospitality	Multidimensional	Fair price, time efficiency, excellent service, aesthetic, and escapism value
Ryu et al. (2010)	Hospitality	Multidimensional	Hedonic and utilitarian values
Yang and Mattila (2016)	Hospitality	Multidimensional	functional value, hedonic value, symbolic/expressive value and financial value
Stoel et al. (2004); Jones et al. (2006); Cottet et al. (2006)	Retailing	Multidimensional	Hedonic and utilitarian values
Keng et al. (2007)	Retailing	Multidimensional	Efficiency, service excellence, playfulness, and aesthetics
Lucia-Palacios et al. (2016)	Retailing	Multidimensional	Cognitive dimensions (efficiency and confusion) and affective dimensions (excitement, peacefulness, frustration, and stress).
El-Adly and Eid (2016)	Retailing	Multidimensional	Hedonic, self-gratification, utilitarian, epistemic, social interaction, time convenience, and transaction values
Deng et al. (2010)	Telecommunications	Multidimensional	Functional, emotional, social, and monetary value
Gallarza et al. (2016)	Hotel	Multidimensional	Entertainment, aesthetics, ethics and spirituality as relaxation

present study, we conceptualise customer loyalty as a unidimensional construct with focus on attitudinal loyalty and ask respondents about the likelihood that they will return to their present hotel in the future, will continue staying in the hotel, and will recommend the hotel to others.

### 3.4. Relationships between the variables

The antecedents of customer loyalty have been subject to substantial investigation in a considerable number of research studies on consumer service and retailing. Although there is no comprehensive theoretical framework for identifying the factors affecting customer loyalty, researchers agree that customer satisfaction is an important prerequisite of customer loyalty (Kandampully and Suhartanto, 2000). Customer satisfaction was found to have a significant positive direct influence on customer loyalty in such different contexts as retailing (Chen and Quester, 2006; El-Adly and Eid, 2016), hospitality (Tarn, 1999; Ryu et al., 2008, 2012), hotels (Kandampully and Suhartanto, 2000),

tourism (Gallarza and Saura, 2006; Lee et al., 2007; Chen and Chen, 2010; Eid, 2015) and other types of service organisation (Cronin et al., 2000; Bei and Chiao, 2001; Choi et al., 2004; Chen, 2008, 2012; Deng et al., 2010). It was also found to have indirect influence and play a mediating role in the customer perceived value-customer loyalty relationship (Bei and Chiao, 2001; Lam et al., 2004; Ryu et al., 2008; Williams and Soutar, 2009; El-Adly and Eid, 2016). Similarly, customer perceived value was found to have significant positive direct influence on customer satisfaction in many service and retailing organisations (e.g., Choi et al., 2004; Gallarza and Saura, 2006; Lee et al., 2007; Chen, 2008; Chen and Tsai, 2008; Chen and Chen, 2010; Deng et al., 2010; Williams and Soutar, 2009; Wu and Liang, 2009; Eid, 2015; El-Adly and Eid, 2016). However, customer perceived value in some past studies was found to have direct positive influence on customer loyalty (e.g., Cronin et al., 2000; Bei and Chiao, 2001; Choi et al., 2004; Gallarza and Saura, 2006; Chen, 2008; Chen and Tsai, 2008; Chen and Chen, 2010; Chen and Hu, 2010; Ryu et al., 2008, 2012; Eid, 2015) and in other research to have indirect influence on customer loyalty (e.g., Bei and

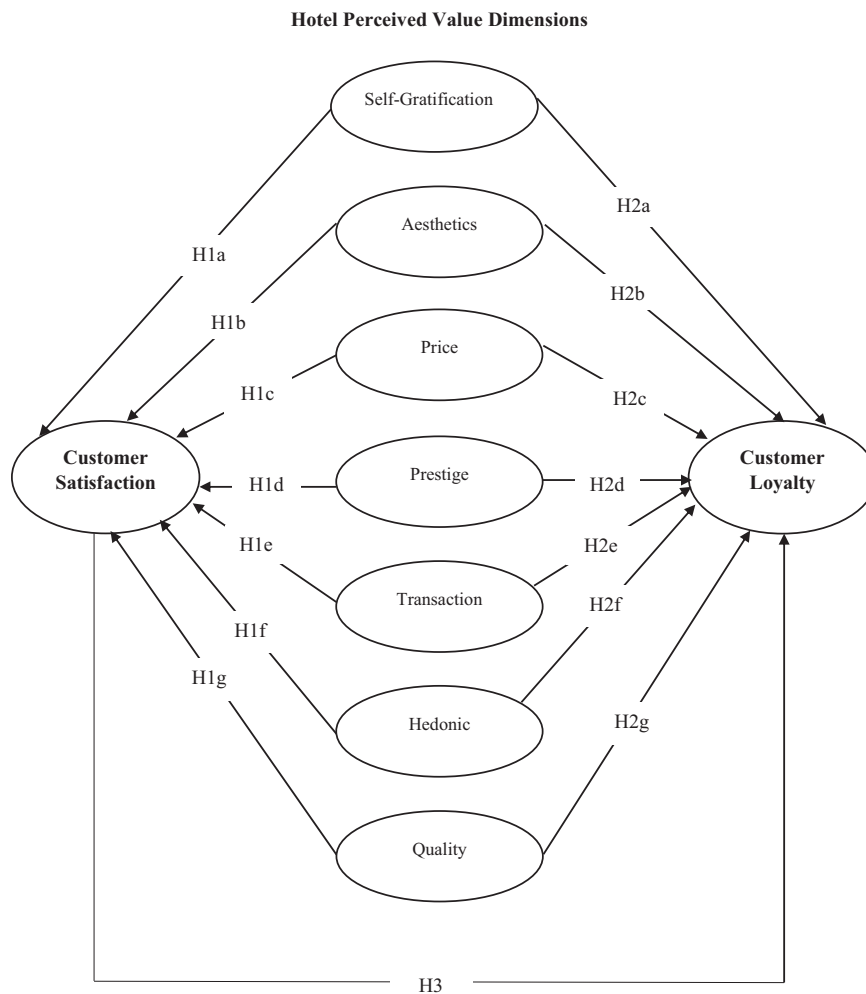


Fig. 1. Proposed generic model for the relationship between customer perceived value dimensions, customer satisfaction, customer loyalty.

Chiao, 2001; El-Adly and Eid, 2016).

Based on the review of the abovementioned studies, the hypotheses to be empirically tested are as follows:

**H1.** Hotel perceived value has a direct positive influence on customer satisfaction.

Taking into consideration that hotel perceived value is a multidimensional construct, H1 is divided into the following sub-hypotheses:

**H1a.** Self-gratification value has a direct positive influence on customer satisfaction

**H1b.** Aesthetic value has a direct positive influence on customer satisfaction

**H1c.** Price value has a direct positive influence on customer satisfaction

**H1d.** Prestige value has a direct positive influence on customer satisfaction

**H1e.** Transaction value has a direct positive influence on customer satisfaction

**H1f.** Hedonic value has a direct positive influence on customer satisfaction

**H1g.** Quality value has a direct positive influence on customer satisfaction

**H2.** Hotel perceived value has a direct positive influence on customer loyalty

Considering the multidimensionality of hotel perceived value, H2 is divided into the following sub-hypotheses:

**H2a.** Self-gratification value has a direct positive influence on customer loyalty

**H2b.** Aesthetic value has a direct positive influence on customer loyalty

**H2c.** Price value has a direct positive influence on customer loyalty

**H2d.** Prestige value has a direct positive influence on customer loyalty

**H2e.** Transaction value has a direct positive influence on customer loyalty

**H2f.** Hedonic value has a direct positive influence on customer loyalty

**H2g.** Quality value has a direct positive influence on customer loyalty

**H3.** Customer satisfaction has a direct positive influence on customer loyalty

**H4.** The customer satisfaction positively mediates the relationship between customer perceived value dimensions and customer loyalty.

#### 4. Research method

##### 4.1. Measures

Previous research yielded an initial list of forty-two items of consumers' hotel experience. During its preliminary stage, a survey was

thoroughly examined, amended, and approved by a group of experts in the fields of research methods, consumer behaviour, and hospitality. Amendments included the deletion of 4 items related to customer perceived value, and the inclusion of some modifications to the language of some items. The bilingual survey was made available in Arabic and English versions to provide convenience, attract respondents, and allow more to be reached. Both versions had exactly identical meaning as a result of using back-translation from English to Arabic. The survey items were then put under scrutiny by a pilot test involving 15 UAE residents (Arabic and non-Arabic speaking) who could show that they had stayed in hotels inside and/or outside the country. They were asked to report on their experience of the last hotel they had stayed in, and to provide any general comments they might have. Their remarks were taken into consideration, and very few subsequent changes were made to the survey.

After a series of Exploratory Factor Analysis (EFA) tests, thirty-three items were used in the final analysis. These allowed us to measure the constructs included in the proposed model (i.e., hotel perceived value dimensions, customer satisfaction, and customer loyalty) by multiple item scales adapted from previous studies. First, we conceptualised hotel perceived value as a multidimensional construct of seven factors, namely: *self-gratification* – 4 items adapted from Davis and Hodges (2012), El-Adly and Eid (2015, 2017), *aesthetic pleasure* – 4 items adapted from Keng et al. (2007), Wu and Liang (2009), Breiby and Slåtten (2015), *price* – 4 items adapted Kam Fung and King (2010), Ryu et al. (2012), Eid (2015), *prestige* – 4 items drawn from Nasution and Mavondo (2008), Hwang and Han (2014), Jin et al. (2016), *transaction* – 3 items derived from El-Adly and Eid (2015, 2016), *hedonism* – 4 items adapted from Diep and Sweeney (2008), Kesari and Atulkar (2016), El-Adly and Eid (2017), and *quality* – 4 items adopted from Nasution and Mavondo (2008). Second, customer satisfaction that reflects overall customer satisfaction was conceptualised as a unidimensional construct of 3 items adapted from Gallarza and Saura (2006), El-Adly and Eid (2016). Third, customer loyalty that focuses on attitudinal loyalty was conceptualised as a unidimensional construct of 3 items adapted from Gallarza and Saura (2006), El-Adly and Eid (2016). All of these items were measured using a five-point Likert scale anchored by *strongly agree* and *strongly disagree*. Demographic questions were also included at the end of the questionnaire.

#### 4.2. Sampling design and data collection

Two sub-samples were used for data collection. First, an intercept sample along with a self-administered method was used to collect the needed pieces of information from UAE residents about their experience of the last hotel they had stayed in inside/outside the UAE. A total of 153 answered surveys was collected, among which 26 surveys were incomplete, and so were disqualified from analysis. The remaining 127 surveys completed were accepted and used in the final analysis. Second, an online sub-sample was also used and a total of 202 online questionnaires were received among which 24 surveys were rejected for analysis, again due to the lack of internal consistency or completeness, and to the fact that some of them were received after analysis had ended. Thus 178 further questionnaires were used in the final analysis stage.

Non-response bias was shown to be absent. We compared responses from both sub-samples – the intercept sample and the online sample – to test the absence/presence of non-response bias. A *t*-test revealed no significant differences between the two groups of respondents at a 5% significance level, indicating that non-response bias should not be a concern. As a result, by summing the surveys from the two samples, a total sample of 305 usable questionnaires was collected and used in the final analysis. The demographic characteristics of all the sample respondents were that males preponderated slightly (53%). The age of 36% of the respondents was between 26 and 35; 27% were between 36 and 45 years old. Nearly two-thirds of the respondents were married

(64%). The sample was fairly well educated, with 39% having completed a university degree and 49% having a post-graduate degree. Most of the respondents (80%) were employees. The monthly income of 9% of the respondents was less than \$3000; 20% earned between \$3000 and \$5000; while the monthly income of 18% of the respondents ranged from \$5001 to \$7000; 20% had incomes ranging from \$7001 to \$10000; 14% had incomes ranging from \$10001 to \$15000; and finally, 19% of the respondents had incomes above \$15000 per month.

## 5. Analysis and results

### 5.1. Reliability and validity of the measurement model

As recommended by Anderson and Gerbing (1982), EFA was carried out to group the thirty-eight items left from the pre-testing stage of the questionnaire, using maximum likelihood analysis with Promax rotation. The data provided by the total sample of 305 respondents were found fit for EFA, since all statistical tests such as Bartlett's test of sphericity (approx. chi-square = 9374.49, *df* = 528, *p* = 0.0000) and Kaiser-Meyer-Olkin (KMO)'s measure of 0.957 were significant and had high value which indicated the high correlation essential for conducting EFA. The final result showed that 33 items out of 38 were loaded into their entitled 9 factors accounting for 75.442% of the total variance explained, as illustrated in Table 2.

Next, the psychometric proprieties (i.e., reliability, convergent and discriminant validity) of the nine factors were also assessed. The reliability coefficient ( $\alpha$ ) for each factor in the measurement model is presented in Table 2 and was found to range from 0.856 to 0.947, which exceeds the cut-off level of 0.70 set for basic research (Nunnally and Bernstein, 1994). Confirmatory Factor Analysis (CFA) was performed on the measurement model and found to be an excellent goodness-of-fit statistic, since  $X^2 = 881.92$ , *df* = 459, *p* 0.000;  $X^2/df = 1.921$ ; AGF = 0.818; CF = 0.954; IF = 0.955; RMSEA = .055. As illustrated in Table 2, the convergent validity of the measurement model was confirmed since the composite reliability (CR) for all constructs ranged from 0.856 to 0.947 – greater than 0.70, as recommended by Fornell and Larcker (1981); Hair et al. (2006). In addition, the average variance extracted (AVE) for all factors ranged from 0.655 to 0.831, exceeding the generally accepted value of 0.50 (Fornell and Larcker, 1981). Finally, maximal reliability MaxR(H) for all factors ranged from 0.948 to 0.990 exceeding the threshold of 0.8 (Hancock and Mueller, 2001) and thus supporting the convergent validity of all the factors included in the measurement model. The discriminant validity of the factors included in the measurement model was also confirmed, according to the criterion of Fornell and Larcker (1981), by the fact that the square root of the average variance extracted for each construct was greater than the square of the inter-construct correlations (see Table 3). However, since there were high correlations between some factors, for example, the correlation between customer satisfaction and customer loyalty and that between the hedonic and quality dimensions, it is recommended that the discriminant validity should be confirmed using the heterotrait-monotrait ratio of correlations (HTMT) as suggested by Henseler et al. (2015). Using SmartPLS (v.3.2.7), Table 4 illustrates that the heterotrait-monotrait ratio of correlations (HTMT) between each pair of constructs ranges from 0.374 to 0.836, lower than the conservative threshold (HTMT<sub>.85</sub>) of 0.85. This endorses the discriminant validity of the nine factors measurement model (Henseler et al., 2015).

### 5.2. Structural analysis and model testing

Finally, following the procedures recommended by Joreskog and Sorbom (1982) in conducting path analysis using the maximum likelihood estimates (MLE) method, Structural Equation Modelling (SEM) in the AMOS 24 statistical package was used to investigate the hypothesised causal relationships between the different constructs of the

**Table 2**  
The measurement model.

Scale <sup>a</sup> /Items	EFA factor loadings	CFA standardised loadings
<b>Hotel perceived value dimensions</b>		
<i>Self-Gratification<sup>b</sup> (α = 0.919; CR = 0.920; AVE = 0.742; MaxR(H) = 0.968)</i>		
Staying experience at that hotel truly felt as an escape from life pressure	0.803	0.860
During my stay at that hotel, I was able to forget my problems	0.896	0.877
Staying experience at that hotel helped me to release stress and to relax	0.862	0.895
For me, staying at that hotel was a way to do something different from my daily routine	0.734	0.811
<i>Aesthetics<sup>b</sup> (α = 0.896; CR = 0.898; AVE = 0.688; MaxR(H) = 0.975)</i>		
The exterior appearance of that hotel was elegant	0.765	0.812
The furnishing of that hotel was aesthetically appealing	0.732	0.847
The view from that hotel was wonderful	0.635	0.784
The interior of that hotel was artistically designed and decorated	0.968	0.872
<i>Price<sup>b</sup> (α = 0.882; CR = 0.883; AVE = 0.655; MaxR(H) = 0.979)</i>		
That hotel provided good accommodation that is worth its price	0.741	0.856
The food and beverages served at that hotel worth its price	0.748	0.773
That hotel offered other good services (e.g., laundry, car rental, room service, spa, etc.) that was worth its price	0.759	0.775
In general, that hotel price was acceptable	0.932	0.829
<i>Prestige<sup>b</sup> (α = 0.923; CR = 0.924; AVE = 0.751; MaxR(H) = 0.984)</i>		
Staying at that hotel was considered prestigious	0.781	0.863
I consider staying at that hotel a status symbol	0.984	0.890
My staying at that hotel matched my social status	0.855	0.857
I feel proud when staying at that hotel	0.672	0.857
<i>Transaction<sup>b</sup> (α = 0.856; CR = 0.856; AVE = 0.665; MaxR(H) = 0.989)</i>		
I felt really smart when I got some real special rates, offers, or discounts at that hotel	0.778	0.775
I enjoy the thrill of finding that one expensive room or service at that hotel was really on special rate	0.830	0.822
I consider my staying experience at that hotel as fortunate when I found some bargains (e.g., special rates, offers, discounts, etc.)	0.755	0.847
<i>Hedonic<sup>b</sup> (α = 0.947; CR = 0.947; AVE = 0.817; MaxR(H) = 0.948)</i>		
For me, the ambience (atmosphere) of that hotel made my staying a sense of joy	0.828	0.887
It was fun to be at that hotel	0.722	0.898
I was happy during my stay at that hotel because of its ambience (atmosphere)	0.802	0.926
The time spent at that hotel was truly enjoyable	0.816	0.904
<i>Quality<sup>b</sup> (α = 0.919; CR = 0.920; AVE = 0.743; MaxR(H) = 0.988)</i>		
That hotel delivered services of the highest quality	0.655	0.837
The quality of that hotel service was consistently high	0.870	0.895
That hotel service was considered very reliable	0.823	0.840
That hotel is considered a “top quality hotel”	0.685	0.875
<i>Customer Satisfaction<sup>b</sup> (α = 0.890; CR = 0.890; AVE = 0.729; MaxR(H) = 0.986)</i>		
The staying experience at that hotel made me satisfied.	0.891	0.818
My choice to stay at that hotel was a wise one.	0.852	0.877
Overall, I feel satisfied about that hotel.	0.707	0.866
<i>Customer Loyalty<sup>b</sup> (α = 0.937; CR = 0.936; AVE = 0.831; MaxR(H) = 0.990)</i>		
There is high likelihood to return to that hotel in the future if there is a chance	0.776	0.931
I will continue staying at that hotel in the future	0.798	0.881
I would be willing to recommend that hotel to my friends	0.683	0.922

<sup>a</sup> Cronbach alpha (α), composite reliability (CR), average variance extracted (AVE), and maximal reliability MaxR(H) are calculated for each scale.

<sup>b</sup> Ranged from “strongly agree” to “strongly disagree”.

proposed model exhibited in Fig. 1. The results of the path diagram of the causal model are shown in Fig. 2. Table 5 demonstrates the standardised regression weights for the causal paths, the squared multiple correlations (R<sup>2</sup>), and the overall goodness of fit indices. The results indicate support for all the causal relationships except H1a, H1b, H1d,

H2b, H2d, H2f, along with excellent goodness-of-fit for the causal model. Therefore, it may be inferred that our conceptual model was partially supported. In-depth analysis shows that price had a significant direct positive effect on customer satisfaction H1c (standardised coefficient = 0.140, P < 0.05) and customer loyalty H2c (standardised

**Table 3**  
Discriminant validity for the measurement model according to Fornell-Larcker criterion.

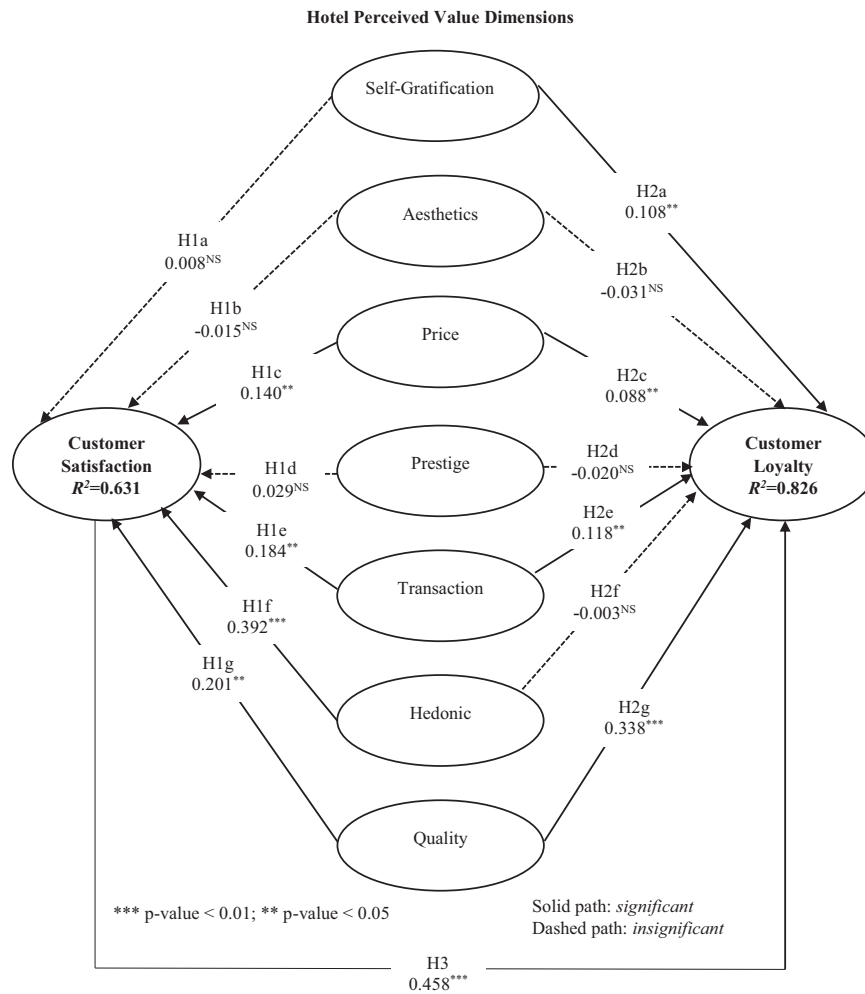
	Correlations <sup>a</sup>								
	Self-gratification	Aesthetics	Price	Prestige	Transaction	Hedonic	Quality	Customer satisfaction	Customer loyalty
Self-gratification	<b>0.861</b>								
Aesthetics	0.621	<b>0.829</b>							
Price	0.373	0.402	<b>0.809</b>						
Prestige	0.642	0.744	0.441	<b>0.867</b>					
Transaction	0.542	0.493	0.467	0.583	<b>0.815</b>				
Hedonic	0.761	0.767	0.489	0.733	0.602	<b>0.904</b>			
Quality	0.665	0.775	0.509	0.777	0.502	0.804	<b>0.862</b>		
Customer satisfaction	0.601	0.614	0.529	0.635	0.600	0.748	0.695	<b>0.854</b>	
Customer loyalty	0.677	0.662	0.579	0.691	0.638	0.777	0.797	0.847	<b>0.912</b>

The diagonals represent the square root of average variance extracted (AVE) and the lower cells represent the correlation among constructs.

<sup>a</sup> Correlation is significant at the 0.001 level (2-tailed).

**Table 4**  
Discriminant validity of constructs according to Hetrotrait-Monotrait ratio of correlations (HTMT).

	Aesthetics	Hedonic	Loyalty	Price	Prestige	Quality	Satisfaction	Self-Gratification	Transaction
Aesthetics									
Hedonic	0.769								
Loyalty	0.654	0.771							
Price	0.403	0.490	0.578						
Prestige	0.753	0.735	0.695	0.454					
Quality	0.771	0.803	0.801	0.520	0.781				
Satisfaction	0.621	0.748	0.836	0.518	0.641	0.703			
Self-Gratification	0.640	0.767	0.675	0.374	0.652	0.671	0.609		
Transaction	0.485	0.596	0.638	0.470	0.581	0.501	0.593	0.538	



**Fig. 2.** Structural model with parameter estimates.

coefficient = 0.088,  $P < 0.05$ ). It also shows that transaction had a significant direct positive effect on customer satisfaction **H1e** (standardised coefficient = 0.184,  $P < 0.05$ ) and customer loyalty **H2e** (standardised coefficient = 0.118,  $P < 0.05$ ). In the same way, quality had significant direct positive effects on both customer satisfaction **H1g** (standardised coefficient = 0.201,  $P < 0.01$ ) and customer loyalty **H2g** (standardised coefficient = 0.338,  $P < 0.01$ ). Meanwhile, the hedonic dimension had a significant direct positive effect on customer satisfaction **H1f** (standardised coefficient = 0.392,  $P < 0.01$ ) but not on customer loyalty. Moreover, self-gratification showed a significant direct positive effect on customer loyalty **H2a** (standardised coefficient = 0.108,  $P < 0.05$ ) but not on customer satisfaction. **Table 5** also shows that customer satisfaction had a direct positive effect on

customer loyalty **H3** (standardised coefficient = 0.458,  $P < 0.01$ ). However, both aesthetics value and prestige value showed no significant effect on customer satisfaction and customer loyalty. The results empirically go some way to support the above theoretical framework that hotel perceived value as a multidimensional construct is an antecedent to both customer satisfaction and customer loyalty. Only two dimensions of hotel perceived value out of seven were proved not to have a significant direct positive effect on both customer satisfaction and customer loyalty: specifically, aesthetics value and prestige value. The results also show that customer satisfaction is a direct antecedent of customer loyalty. However, the direct, indirect (i.e., the mediating effect), and total effects of the above constructs were calculated for the purpose of testing the fourth hypothesis about the mediating effect of

**Table 5**  
Standardised regression weights for the causal paths.

Predictor variables	Criterion variables	Hypothesised relationship	Standardised coefficient	Result	R <sup>2</sup>	
Self-Gratification value	Customer Satisfaction	H1a	0.008 <sup>NS</sup>	Not supported	0.631	
Aesthetics value	Customer Satisfaction	H1b	– 0.015 <sup>NS</sup>	Not supported		
Price value	Customer Satisfaction	H1c	0.140 <sup>**</sup>	Supported		
Prestige value	Customer Satisfaction	H1d	0.029 <sup>NS</sup>	Not supported		
Transaction value	Customer Satisfaction	H1e	0.184 <sup>**</sup>	Supported		
Hedonic value	Customer Satisfaction	H1f	0.392 <sup>***</sup>	Supported		
Quality value	Customer Satisfaction	H1g	0.201 <sup>**</sup>	Supported		
Self-Gratification value	Customer Loyalty	H2a	0.108 <sup>**</sup>	Supported		0.826
Aesthetics value	Customer Loyalty	H2b	– 0.031 <sup>NS</sup>	Not supported		
Price value	Customer Loyalty	H2c	0.088 <sup>**</sup>	Supported		
Prestige value	Customer Loyalty	H2d	– 0.020 <sup>NS</sup>	Not supported		
Transaction value	Customer Loyalty	H2e	0.118 <sup>**</sup>	Supported		
Hedonic value	Customer Loyalty	H2f	– 0.003 <sup>NS</sup>	Not supported		
Quality value	Customer Loyalty	H2g	0.338 <sup>***</sup>	Supported		
Customer Satisfaction	Customer Loyalty	H3	0.458 <sup>***</sup>	Supported		
Statistic			Suggested	Obtained		
X <sup>2</sup> /df			≤ 5	1.921		
Adjusted goodness-of- fit index (AGFI)			≥ 0.80	0.818		
Comparative fit index (CFI)			≥ 0.90	0.954		
Incremental fit index (IFI)			≥ 0.90	0.955		
Root mean square residual (RMSEA)			≤ 0.10	0.055		

\*\*\* p-value < 0.01.  
\*\* p-value < 0.05.

**Table 6**  
Direct, indirect, and total effect of hotel perceived value and customer satisfaction.

Criterion variable	Predictor variables	Direct effect	Indirect effect	Total effect
Customer Satisfaction	Self-Gratification value	0.008	0.000	0.008
	Aesthetics value	– 0.015	0.000	– 0.015
	Price value	0.140	0.000	0.140
	Prestige value	0.029	0.000	0.029
	Transaction value	0.184	0.000	0.184
	Hedonic value	0.392	0.000	0.392
	Quality value	0.201	0.000	0.201
Customer Loyalty	Self-Gratification value	0.108	0.004	0.112
	Aesthetics value	– 0.031	– 0.007	– 0.038
	Price value	0.088	0.064	0.152
	Prestige value	– 0.020	0.013	– 0.007
	Transaction value	0.118	0.084	0.203
	Hedonic value	0.003	0.180	0.183
	Quality value	0.338	0.092	0.430
	Customer Satisfaction	0.458	0.000	0.458

customer satisfaction in the relationship between hotel perceived value dimensions and customer loyalty; they are presented in Table 6.

## 6. Discussion

This study aims to (a) provide some valuable and practical insights for hotel managers who strive to satisfy and retain their loyal customers; and (b) to realise the relationships between hotel perceived value dimensions, customer satisfaction, and customer loyalty for the purpose of identifying the antecedents of customer loyalty in the hotel context; and (c) to identify the mediating role of customer satisfaction in the hotel perceived value-loyalty relationship.

### 6.1. Customer perceived value in the hotel context

As mentioned earlier, three prominent concepts of customer perceived value can be found in the literature: a single item scale of overall

value, a unidimensional construct with focus on money, and a multidimensional construct. The first conception is too simplistic and lacking in reliability, while the second one neglects other important dimensions of perceived value, whereas the latter concept is marked by a greater elaboration of perceived value. The present study endorses the multidimensional conception of perceived value. However, from the experiential marketing perspective, customer perceived value is contextual in nature (Holbrook, 2006; El-Adly and Eid, 2016); hence, different dimensions for this construct are found in different service sectors. Still, a few common dimensions are pointed out in many studies, such as functional, utilitarian, hedonic, monetary, and the emotional value dimension. In the hotel context, the studies that have conceptualised and/or operationalised customer perceived value as a multidimensional construct are very few (e.g., Nasution and Mavondo, 2008; Jiang and Kim, 2015; Gallarza et al., 2016). Therefore, this study contributes to the sparse literature in the context of hotel perceived value since it adopts the experiential view of customer perceived value and offers a more developed construct of hotel perceived value which includes seven dimensions: those of self-gratification, aesthetic pleasure, price, prestige, quality, transaction, and hedonism.

Recognising customer perceived value in the hotel context not as a single item scale or a unidimensional construct that focuses only on value for money but as a multidimensional construct gives a clearer and more comprehensive picture of the complete hospitality experience that a hotel guest might gain from staying in a hotel. This experiential view of customer perceived value, which includes several dimensions of customer value (cognitive and affective) reminds hotel managers that hotel guests consider not only the economic value of staying in the hotel (i.e., price and quality) but are also seeking more values of an affective nature, such as self-gratification, aesthetic pleasure, prestige, transaction, and hedonism. The present study supports the findings of Nasution and Mavondo (2008), who conceptualise customer value in terms of three dimensions: reputation for quality, value for money, and prestige. It also supports to some extent the findings of Gallarza et al. (2016), who conceptualise the same value in four dimensions; namely, entertainment, aesthetics, ethics and spirituality as relaxation. The multidimensional construct of seven value dimensions conceptualised in the present study is revealed in conventional hotels, and so is not congruent with the findings of Jiang and Kim (2015), who conceptualise perceived value in green hotels in terms of four dimensions of green benefits (functional, emotional, social and epistemic benefits)



and three dimensions of perceived green costs (monetary, explicit and implicit costs).

### 6.2. Antecedents of customer satisfaction and customer loyalty in the hotel context

The study concludes that hotel perceived value dimensions and customer satisfaction, as illustrated in Tables 5 and 6 as well as in Fig. 2, are antecedents to customer loyalty. It also demonstrates that five out of seven dimensions of hotel perceived value have direct significant positive effects on customer satisfaction and/or customer loyalty supporting H1c, H1e, H1f, H1g and H2a, H2c, H2e, H2g respectively. However, only four dimensions of hotel perceived value out of seven, specifically, the price, transaction, hedonic, and quality dimensions, are considered strong predictors of customer satisfaction, since they share 63.1% of the variance explained.

A closer look at these four value dimensions shows that they belong to both cognitive (i.e., price and quality) and affective (i.e., transaction and hedonic) aspects of hotel perceived value. This means that the satisfaction of a hotel guest is a result of getting accommodation, food and beverages, and other hotel services that are worth the price paid and through getting consistently high and reliable hotel service. Not only do guests feel this, but they also feel that they are being smart and enjoying the thrill of getting special rates, offers, and discounts on hotel rooms, food, and other services, in addition to the fun and enjoyment that hotel guests experience from staying there. This result is consistent with the findings of Eid (2015); Eid and El-Gohary (2015), who found that price, quality, and emotional value have significant direct positive effects on customer satisfaction with the tourism package. It also supports the findings of Gallarza and Saura (2006), who noted that play was a strong antecedent of satisfaction; but it contradicts the finding of Gallarza and Saura (2006) about service quality, which was not found to be an antecedent of satisfaction in a travel-related context. In addition, it matches to some extent the findings of Wu and Liang (2009) which postulated that experiential value directly and positively affects customer satisfaction. Meanwhile, self-gratification, aesthetics, and prestige were not shown in the present study to be sources of satisfaction with the hotel. This could be related to the fact that this study surveyed hotel guests about their experience in the hotel where they stayed regardless of the purpose of their stay (i.e., business or leisure) or the hotel star rating (5, 4, or 3 stars), which may affect their judgements about these three value dimensions and their effect on satisfaction.

With regard to the antecedents of customer loyalty, the study reveals that self-gratification, price, transaction, and quality have significant direct positive effects on customer loyalty, supporting H2a, H2c, H2e, H2g. Again, these four dimensions of hotel perceived value belong to the cognitive (price and quality) and affective (self-gratification and transaction) aspects of perceived value. Thus, for guests to be loyal to the hotel, they must receive high quality service that is worth its price, as well as feeling relaxed in the hotel and being away from daily problems and life pressure, plus the enjoyment of getting special rates on rooms, food, and other hotel services. This result is congruent with the findings of Gallarza and Saura (2006) and Eid (2015), in that service quality has a significant direct positive effect on customer loyalty. In the present study, hedonic, aesthetic, and prestige values were not found to have significant direct positive effects on customer loyalty, so it contradicts the findings of Gallarza et al. (2016) that play and aesthetics are direct antecedents of customer loyalty in hotels.

Moreover, customer satisfaction has a significant direct positive effect on customer loyalty, supporting H3. The hotel perceived value dimensions and customer satisfaction are considered strong predictors of customer loyalty, since they share together 82.6% of the variance explained. This means that perceiving high value, from the hotel guests' perspective, is an essential prerequisite of being satisfied and becoming loyal to the hotel. This result is congruent with the findings of Lee et al.

(2007); Trasorras et al. (2009); Williams and Soutar (2009); El-Adly and Eid (2016). Therefore, the final conclusion in this regard can be summarised as follows: identifying why hotel guests are loyal (or disloyal) should be the first step in maintaining or increasing loyalty and warranting customer retention (Trasorras et al., 2009).

### 6.3. The mediating role of customer satisfaction in the relationship between hotel perceived value and customer loyalty

For the purpose of testing the fourth hypothesis about the mediating effect of customer satisfaction on the relationship between hotel perceived value dimensions and customer loyalty, Fig. 2 and Tables 5 and 6 show that customer satisfaction plays a mediating role fully or partially between only four dimensions of hotel perceived value and customer loyalty, supporting H4 in part. Specifically, customer satisfaction fully and positively mediates the hedonic value-customer loyalty relationship since there is an insignificant relationship between the hedonic value and customer loyalty, while the relationships between customer satisfaction and both hedonic value and customer loyalty are significant, as illustrated in Fig. 2. Thus, the relationship between hedonic value and customer loyalty is better explained through customer satisfaction. This means that being satisfied as a hotel guest is a necessary and sufficient condition for the hedonic value to make its effect on loyalty to the hotel. Similarly, customer satisfaction partially and positively mediates the relationship between three dimensions of hotel perceived value (namely, price, quality, and transaction) and customer loyalty, since the mutual relationships among these three dimensions of hotel perceived value, customer satisfaction, and customer loyalty are significant, as illustrated in Fig. 2. This means that in addition to the significant direct positive effect of these three dimensions of hotel perceived value on customer loyalty, customer loyalty is indirectly influenced through customer satisfaction. The general interpretation of this mediation is that customer satisfaction is fundamental to the effect of the hotel's perceived value dimensions on customer loyalty. This result is consistent with previous research in other service industries (see, for instance, Bei and Chiao, 2001; Lam et al., 2004; Ryu et al., 2008; Williams and Soutar, 2009; Howat and Assaker, 2013; El-Adly and Eid, 2016). It also endorses the findings of Lam et al. (2004) that the relationship between customer perceived value and customer loyalty can be better explained by the mediating role of customer satisfaction. The mutual relationship between these four dimensions of hotel perceived value (namely, hedonic, price, quality, transaction), customer satisfaction, and customer loyalty means that the greater the customer perceived value gained from the complete hospitality experience of staying in a hotel, the more satisfaction with the hotel the customers feel, and consequently the more attitudinally loyal to the hotel they become through their greater willingness to re-patronise the same hotel and positively recommend it to others.

## 7. Conclusion, research limitations, and future research

This study contributes to the literature of service marketing in general and hotel service in particular in various ways: First, it enhances our understanding of customer perceived value in the hotel context not as a single item scale nor a unidimensional construct of value for money but as a multidimensional construct of seven dimensions: cognitive dimensions (i.e., price and quality) together with affective ones (i.e., self-gratification, aesthetic pleasure, prestige, transaction, and hedonism). This should persuade hotel managers to develop and maintain hotel attributes and a hospitality environment that delivers the range of seven value dimensions considered in this study. Second, it offers a better understanding of the relationships between customer perceived value dimensions, satisfaction, and loyalty in the hotel context, since we found considerable support for the hypotheses posited in this study.

The model findings indicate that: (a) four out of seven hotel

perceived value dimensions (price, transaction, hedonic, quality) significantly and positively affected customer satisfaction, supporting H1c, H1e, H1f, H1g. These four dimensions of hotel perceived value together strongly predict customer satisfaction since they share 63.1% of the variance explained. However, three dimensions of hotel perceived value (self-gratification, aesthetics, prestige) were found to have an insignificant effect on customer satisfaction. This could be explained by the possibility that the perception of a hotel's aesthetics and prestige might be influenced by the hotel's star rating (5, 4, or 3 stars), which was not considered in this study. Similarly, the perception of self-gratification might be influenced by the purpose of the hotel stay (business vs. leisure) which was not considered in this study either. In addition, four out of the seven dimensions of hotel perceived value (self-gratification, price, transaction, quality) significantly and positively affected customer loyalty, supporting H2a, H2c, H2e, H2g respectively, while the aesthetic, prestige, and hedonic dimensions were found to have an insignificant direct effect on customer loyalty. This meant that hypotheses H2b, H2d, and H2f respectively were rejected; (b) that customer satisfaction directly affects customer loyalty significantly and positively, supporting H3; (c) that four hotel perceived value dimensions (hedonic, price, quality, transaction) also significantly affected loyalty positively but indirectly through customer satisfaction, because of the fully or partially mediating role of customer satisfaction in the perceived value-loyalty relationship, partially supporting H4.

However, the study has some limitations. This study was completed without taking the purpose of the stay in the hotel (business vs. leisure) into consideration, which may have affected the guests' judgement of the self-gratification value. Nor was the hotel star rating taken into consideration in conducting this study, which may have affected the perception of the hotel's aesthetic and prestige values. Therefore, future research should incorporate the purpose of the hotel stay (business or leisure) and the hotel star ratings (5, 4, or 3 stars) as moderators when studying such relationships. In addition, this study considered seven dimensions of hotel perceived value, five of them were found to have significant effects on customer satisfaction and/or customer loyalty. Two value dimensions were found to have insignificant effects on both customer satisfaction and customer loyalty. Thus, other value dimensions could be added to the hotel perceived value, such as social interaction, health and wellness. Finally, future research might elaborate on the model presented in this study by including the impact of the hotel environment (atmospherics) on the customer perceived value dimensions, satisfaction, commitment, and loyalty.

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