

# RELATIONSHIP OF SERVICE QUALITY AND CUSTOMER LOYALTY THROUGH THE MODERATING EFFECT OF SOCIO DEMOGRAPHIC CHARACTERISTICS

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**Abstract** *The perception of service quality is different from person to person by consuming good and services. There would be hardly any single service which equally valuable to customer. Previous researches regarding relationship of service quality and customer loyalty has been largely neglected the issue of socio-demographic variables. This research is carried out to evaluate that how socio-demographic factors can influence customer perception on their loyalty in hotel industry? A survey questionnaire was employed for data collection where multiple regression analysis was used for data analyses. The findings of this research show that the strength of relationship between service quality and customer loyalty strongly influenced by socio demographic characteristics of customers. Specifically, age, gender, marital status, education, occupation, income, length of stay, frequent stay and purpose of visit were important moderators of the service quality and customer loyalty.*

**Keywords:** *Service Quality, Socio-Demographic Profile, Customer Loyalty, and Hotel Industry.*

## INTRODUCTION

In the highly competitive hotel industry, service quality becomes important element of achieving a sustainable competitive advantage in the marketplace. Consequently, the task of services providers and academic researchers are directed towards customers perceived service quality. The relationship of service quality and customer loyalty has been widely explored in various service settings. The inseparability characteristic of service quality will be determined at the time the service is rendered, meaning that it will be determined by the consumers of the service and not the provider (Seay *et al.* 1996). Customer loyalty is ultimate goal of any service organization, where loyalty is considered to be certain behavioral intentions of the customers, such as repeated use and recommendation of the service to others (Cronin *et al.* 2000). The main ingredients of success in the hotel industry are to acquire and retain customers. The acquisition and retention of customers need identification, understanding and utilization of their perception on services (Delen, 2006).

Through economic development and advancement of technology have enabled customers to be informed from international and domestic markets, which make them increasingly demanding in the services that they engage in (Atilgan *et al.* 2003). Emphasis should be placed on improving service quality in order to stay in competitive environment. (Seth *et al.* 2005). Facing intense competition, the hotel industry has recognized this need to create strategies to improve their service quality. Due to the increasing importance placed on service quality many studies have embarked on examining how guests perceive service quality in the hotel industry (Ladhari, 2009; Kadampully and Hu, 2007). These studies have detailed further the understanding of perceived service quality by showing how these perceptions can be translated into an improved hotel image and customer loyalty. Understanding the aspect of loyalty is important as loyalty helps hotels to increase their market share (Tepeci, 1999) and profits (Kadampully and Suhartanto, 2000). The hotel business needs differentiation with services through achieving more profit than others. Researchers agree upon the perception that service quality influence customer loyalty (Jeong, 2004) and (Yang and

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Peterson, 2004). O'Neill and Palmer (2003) point out that customer's perception of service quality may be influenced to large extent by the degree of their prior experience with a particular service.

Previous researches carried out by Lau *et al.* (2005), Sidin *et al.* (2001), Kadampully and Suhartanto, (2000) and Awing *et al.* (2008) on service quality and customer loyalty in the Malaysian hotel industry. These studies in the Malaysian context however have ignored the mediating effect of socio demographic characteristics in examining customer loyalty. Moreover, these studies had focused only on the supply perspective by only eliciting the opinions from industry experts and managers. The studies had neglected the demand aspect of customer perspective. The present study therefore addresses the gap in service quality studies by comparing the perceived service quality and customer loyalty through multi-dimensional aspect of customers. .

## LITERATURE REVIEW

Service quality and customer loyalty is well documented in service and marketing literatures. And most of the researchers have reported that service quality have direct impact on customer loyalty, while others argued that service quality is indirectly affecting customer loyalty. Therefore both of theoretical and empirical side have to be studied to bring a clear picture to the context.

### Perceived Service Quality

In the highly competitive hotel industry, service becomes important element of achieving a sustainable competitive advantage in the marketplace. There is no single coincide definition of perceived service quality, therefore, there are different definitions reported by different scholars. In this regard Zeithaml (1987) defined perceived service quality is a consumer's judgment about an entity of overall excellence or superiority. Antony *et al.* (2004) believed that perceived service quality an intangible where measurement becomes difficult in this scenario and acknowledged that the challenge laying mostly in the managing appearances and perceptions. Asubonteng *et al.* (1996) argued that perceived service quality can be defined "the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service received". Service quality is the subjective comparison that customers make between the quality of the service they want to receive and what they actually get (Gefen, 2002).

According to Lee *et al.* (2000), service quality construct conceptualized mostly in the context of marketing literature. The concept of perceived service quality reported by Ghobadian *et al.* (1994) that the customer's expectations,

service delivery process have an impact on perceived service quality. Yoo and Park (2007) argue that employees are integral part of the service process and significant element of enhancing perceived service quality. Edvardsson (2005) pointed out that service quality perceptions are created by process of production delivery and consumption. The customers' fast experience, as well as their positive and negative feelings has an important impact on perceived service quality. O'Neill and Palmer (2003) have reported, that a customer perceptions of service quality into a large extent, influenced by degree of their prior experience with a particular service.

Service quality is the main factor that influences customers' loyalty, where without providing quality service to customers, will not bring precise perception of their loyalty. Therefore, Service quality has multiple aspects concerning with demands of customers and no single service is considered to be suitable for all kinds of customers (Zahorik and Rust 1992). In improvement of service quality, increase relationship marketing through overall loyalty of customers' patronisation, it would be important to narrow the gap between expectations and perceptions (De Ruyter and Bloemer 1998). Kumar *et al.* (2009) stated that high quality of service result in high customer satisfaction and increase in customers' loyalty.

In the hospitality industry, several studies have examined hotel attributes that guests may find important when evaluating the perceived service quality. The researches which are conducted by Atkinson (1988), Knutson (1988), Gundersen, *et al.* (1996), Choi and Chu (2001) and Barsky and Labagh (1992), evaluated service quality, such as security and safety, cleanliness, empathy and competence, physical facilities, convenient location and value for money. These attributes were also supported by Choi and Chu (2001) and Markovi'c, (2004), where they mentioned that perceived service qualities of the hotel are considered important by the guest. McCain *et al.* (2005) discussed that perceived service quality plays an important role in the assessment of customers' loyalty. Antony *et al.* (2004) stated that service quality is linked to the customers' loyalty. They further argued that perception of service like "what is delivered" and "how the service is delivered" would cover the different aspects regarding overall assessment of customer loyalty.

### Socio-demographic Profile of Customers

Regarding the socio-demography of the customers, and its relation with customer's loyalty are mixed findings given by researchers. The findings of the researched by Kim *et al.* (2004) and Serenko *et al.* (2006) showed that the demographic variables made differences in the perception of perceived quality, customers' satisfaction and retention.

Bigne *et al.* (2005) found that buying behaviour of customers can be predicted by age, social class and behaviour patterns.

The gender influences on buying behaviours have attracted researchers' interests, such as Jasper and Lan (1992), Slama and Tashlian, (1985) and Zeithaml (1985) where they mentioned that women's purchasing behaviours found strongly influenced by their evaluation of personal interaction processes. As compared to men, women are involved more in purchasing activities (Slama and Tashlian, 1985), and pay added attention to the consulting services of the sales personnel (Gilbert and Warren, 1995). Based on these arguments it leads to the suggestion that gender might moderate the linkages between determinant factors of loyalty dimensions. Since, service loyalty is intertwined with continuous social exchanges therefore some evidences that females might exhibit stronger service loyalty behaviour than males (McColl-Kennedy *et al.* 2003).

The income of a person assumed to have a strong impact on choice decisions (Zeithaml, 1985). In a general sense, it is assumed that people of higher income have achieved a higher level of education (Farley, 1964) where, usually they engage more with informative process prior to a decision (Schaninger and Sciglimpaglia, 1981). Similarly mentioned by Hoyer (1984), Spence and Brucks (1997) that due to their cognitive capacities, they are supposed to feel more comfortable in dealing and relying on new information inputs. Research conducted by East *et al.* (1995) indicated that consumers who are more concerned about prices are less loyal, with high income groups being more loyal than low income groups.

According to Patterson (2007), lack of prior researches in marketing services has investigated links between demographics and loyalty related variables. He conducted a study which indicated association between occupation and loyal behaviours and repurchase intentions in service industry. The study further showed that the respondents related with profession and occupations were generally the least loyal across the selected services industries. By using the concept of social support, it may be argued that these occupational groups already have considerable social contacts on their working lives that receive sufficient salary would place a high value on the benefits of staying with a single service provider. Previous researches cried out by Chance and French (1972), Mittal and Kamakura (2001) and Murphy (1978) revealed that higher level of education associated with lower levels of the customer loyalty. People with higher education levels are believed to engage in greater information gathering and usage before decision-making (Capon and Burke 1980). Furthermore, highly educated consumers have greater awareness regarding alternative businesses. It is also proposed that people with higher levels of education tend to be associated with higher income levels

(Farley, 1964), that higher income can be associated with lower levels of loyalty.

Length of stay in the any destination can bring changes in the perception of loyalty, because those who stay longer have more experience in services. According to Shanka and Taylor (2004) and Li *et al.* (2008) studies regarding socio-demographics, the significant differences were found between first-time and repeat visitors based on age, spending patterns and length of stay and nationality. Zhang (2000) concluded that the visitors' income, duration of stay in the hotel were positively effected repeated visits, even though length of their stays were quite low. This study further concludes that the household income of visitors and the distance from visitors' destination are important factors for the repeat visit behaviour.

## Customer Loyalty

Consumer loyalty has been considered, as a significant asset to an organization. Previous studies on loyalty indicated, that a higher customer loyalty often results in higher profitability to the hotel industry. Customer loyalty is increasingly been recognized as a path to long term business profitable base and offers an important platform for developing a sustainable competitive advantage. In an increasingly competitive environment, hospitality industry must be customer oriented in order to gain their loyalty. Loyal customers not only represent a steady source of revenue, but also spread word-of-mouth (WOM) advertising channel that informally links with others potential consumers (Shoemaker and Lewis, 1999). Reichheld and Sasser (1990) argued that there were positive relationship exists between customer loyalty and business performance.

Furthermore, it has been argued by Rosenberg and Czepiai (1983), Richard and Larry (1996), Fornell and Wernerfelt (1987), that it is five to seven times more expensive to attract a new customer than to retain old ones. According to Reichheld (1996) a five percent (5%) increase in customer retention rate would yield a 25 – 95% profit growth of industries. Therefore, loyalty has been considered as one of the major driving forces in the competitive market (Dimanche and Havitz, 1994). For this reason, numerous studies have been focused on customer loyalty such as Bei and Chiao (2001), Butcher *et al.* (2001), Hellier *et al.* (2003), McDougall and Levesque (2000) and Sivadas and Baker (2000), where these studies had assisted many managers in making better decision while dealing with the market environment which is so complex and competitive.

Researches that concern with loyalty has gained an importance over years, as the benefits derived from loyal customers has become more widely recognized. The focus

of consumer research has been moved from satisfaction research to loyalty research (Geyer *et al.* 1991; Oliver, 1999). According to the studies of Bowen and Chen (2001), Bowen and Shoemaker (1998) and Buttle (1996), reported that customer loyalty creates higher levels of purchase, decreased price sensitivity, spread positive word of mouth, and decrease possibility to switch brands. The context of loyalty has particular importance for service industries that are influenced by the service characteristics of inseparability of production, consumption, heterogeneity and intangibility.

### Empirical Background of the Study

According to the different tests and demand of the customers would have different perception toward service quality. Previous researches, such as Gagliano and Hathcote (1994), Thompson and Kaminski (1993) and Webster (1989) have shown that demographic variables are related to the service quality expectations. More specifically, Thompson and Kaminski (1993) found a significant relationship between age and dimensions of service quality, while Gagliano and Hathcote (1994) reported significant relationships between income and customer loyalty. Further, Webster (1989) found that age, gender and income were significantly related to customer loyalty expectations for professional services.

Customers' nationality and culture result to differences in perception of hotel services and their loyalty. Hoon (1992)

mentioned that there is a cross-cultural difference in terms of expectations of hotel facilities and service. Further, he stated that nearly seventy percent (70%) of travellers to Asian countries came from the same region. Travellers in the Asia Pacific region are more contented with mid-range, moderately priced hotel rather than luxurious hotels. Bauer *et al.* (1993) examined the differences between Asian and non-Asian travellers in relation to their demand for a wide range of hotel facilities. They found that major differences between Asian and non-Asian travellers were that Asian travellers appeared more into entertainment facilities, while non-Asian appeared were concerned with the health facilities. A study carried out by Caneen (2004) found that the nationality of the visitors significantly influenced their decisions in returning to their tourist destination. However, no significant differences were found in the study of (Li *et al.* 2008) in terms of gender, education and income in relation to their loyalty. From the previous marketing and service literature, it is revealed that there is link among service quality, socio demographic profile of customer and their loyalty. Therefore for this study is proposed the same relationship for hotel industry in Malaysian context.

To make the concept of socio-demography and their relationship with service quality and loyalty needs to have empirical support. In this regards Table 1 shows the pervious researches on socio-demographic attributes, service quality and relationship with customer loyalty, where these studies incorporated that socio-demographic characteristics

**Table 1. Previous researches on service quality, socio-demographic characteristic and its relationship with customer loyalty**

Authors	Service context	factors	Data analysis	Findings
Juwaheer, 2011	Hotel	SQ, SD, CL	Chi-square MANOVA	The study has shown that the interpretation of good service quality is partly influenced by the gender of the hotel guests, and the analysis of male and female travellers showed obvious differences in the future intention to reuse the services.
Patterson, 2007	Service industry	SD,SQ CL	ANOVA	The finding of this study indicated that socio-demographic characteristic (age, sex, occupation) were significantly influenced by their repeat purchase behaviour to the particular service provided
Patterson and Prasongsukarn, 2001	Service industry	SD, CL	ANOVA <i>t</i> -Test	There were significant association between occupation and both intention and behavioural loyalty. And in case of age the older age group were exhibited most loyalty than young group, while gender showed no effects according to their loyalty.
Choi and Chu, 2000	Hotel	SD,SQ CL	VARIMAX rotation technique	The result of this study showed that nationality and culture of the travellers were significantly influence by their perception on service quality and loyalty.
Snyder, 1992	Service industry	SD, CL	ANOVA	Finding indicate that like brand loyalty, service loyalty has some demographic correlates, but they are few and weak.

\* SQ-service quality; SD- socio demography; CL- customer loyalty

**Table 2. Multiple Regressions for socio-demographic variables and perceived service quality explaining customer loyalty: Repeat Patronage Dimension**

Explanatory Variables	<i>b</i>	Std. Error	Beta ( $\beta$ )	<i>t</i>	<i>P</i>
Gender	-.192	.076	-.098	-2.516	.856
Age	-.025	.030	-.035	1.631	.584
Marital Status	.025	.044	.024	.890	.559
Your Continent	.051	.029	.074	1.773	.077
Annual household income in U.S. Dollars	.040	.033	.061	1.194	.234
Education Level	.048	.042	.053	1.146	.253
Your Occupation	-.060	.028	-.086	-2.121	.035
Purpose of Visit to Penang	.011	.054	.008	.200	.841
Length of stay in this hotel	.047	.026	.079	1.847	.066
Frequently stay	.164	.029	.245	5.733	.000
Service quality	.122	.110	.170	2.102	.027

*N* = 680 Adjusted  
 $F=52.606$   $df = 17$   $p = .000$   $R^2 = .575$   $R^2 = .564$

**Table 3. Multiple Regressions for socio-demographic variables and perceived service quality explaining customer loyalty: Word of mouth Dimension**

Explanatory Variables	<i>b</i>	Std. Error	Beta ( $\beta$ )	<i>t</i>	<i>p</i>
Gender	-.085	.089	-.040	-.955	.340
Age	.024	.034	.031	.710	.478
Marital Status	.029	.050	.025	.567	.571
Your Continent	.009	.033	.011	.262	.794
annual household income in U.S. Dollars	.040	.038	.056	1.064	.288
Education Level	-.001	.048	-.001	-.019	.984
Your Occupation	-.078	.032	-.102	-2.426	.016
Main Purpose of Visit to Penang	-.009	.062	-.006	-.139	.889
Length of stay in this hotel	.045	.030	.068	1.503	.134
How frequently did you stay in this hotel	.086	.033	.117	2.629	.009
Service quality	.232	.127	.222	2.817	.050

*N* = 680 Adjusted  
 $F = 48.486$   $df = 15$   $p = .000$   $R^2 = .523$   $R^2 = .512$

influence their perception on service quality and customer loyalty. Based on the review of literatures related to personal characteristics are supposed to have moderate impact on the linkage among service quality, and loyalty.

Figure 1 describes the proposed conceptual model of the research, where independent variables show a link with dependent variable through the affect of mediating variables. In fact, service quality and customer socio-demographic profile are considered interrelated variables and ultimately affecting customer overall loyalty by different dimensions. There are three hypotheses of this study.

H1: Perceived service quality, customer socio-demographic profile explaining customer loyalty: Repeat Patronage

Dimension.

H2: Perceived service quality, customer socio-demographic profile explaining customer loyalty: Word of Mouth.

H3: Perceived service quality, customer socio-demographic profile explaining customer loyalty: Price Insensitivity

## METHODOLOGY OF THE RESEARCH

The study is designed to use quantitative research methods. A quantitative approach is helped to explain present circumstances, or examine relationship among the variables (Gay, 1996). The research design of this examines the relationship among hotels' customer experience, on service

quality and customer loyalty with reference to the socio-demographic variables. For the purposes of this study, a survey questionnaire was employed. Data collection by survey questionnaires save time because they allow respondents to complete them without any direct assistance or intervention from the researcher. The target population of this research was 5-star hotels customers in Penang, where the hotel occupancy was estimated 12,697 at the time of data collection. A systematic random sample was applied and a total of 680 usable questionnaires were collected from the five star hotel customers during the period from 20<sup>th</sup> March 2010 to 25<sup>th</sup> July 2010.

Prior to data collection a pilot study was conducted for reliability test, where coefficient alphas were applied. Overall the study instruments showed acceptable reliability, which were greater than .85. A factor analysis was applied for validity, which occur between .40-.68 for determinant variables, and between .57-.78 for loyalty dimensions. Functional relationship between two variables a correlation matrix was used, which showed that all the study determinants were significantly explanatory variables of customer loyalty. For the final data analysis multiple regressions was employed to test the hypotheses of the study.

## FINDING AND DISCUSSION

The findings of this study showed that majority of hotels' customers were male. The Majority numbers of customers' age were between 36-45 years. For marital status, majority were married. Most of the hotel customers were from Europe. For the annual income, hotel customers' incomes were considered the highest annual average income "between" \$65,001-\$80,000. For educational level, the largest group of hotels customers had master degree. Regarding occupation, majority of the hotel customers engaged with private company. For the length of stay at the hotel, the largest group of hotels' customers stayed at the hotel in Penang, Malaysia about 5 days. Concerning the main purpose of visit to Penang the majority of the customers visited for leisure. In addition, the question of their frequent stay at the hotel, most of them had first time stayed in the hotel. Testing of hypothesis multiple regression analyses were employed and the results are following

*H1: Perceived service quality, customer socio-demographic profile explaining customer loyalty: Repeat Patronage Dimension.*

Examining the relationships among socio-demographic variables (gender, age, marital status, continents, income, education, occupation, purpose of visit, length of stays and frequent stays at the hotel, with perceived service quality, and repeat patronage, measured by the 3-item modified customer loyalty. Table 1 show the  $F$  value ( $F=52.606$ ) for overall regression equation was significant ( $p=.000$ ).

The adjusted  $R^2$  (Coefficient of determination, adjusted of sample size and the number of predictor variables) indicate that the regression equation using the ten socio-demographic variables and perceived service quality explained about 57% (.575) of the variation in customers' loyalty. Analyzing individual predictors of socio-demographic variables, the  $t$ -statistic, which is the regression coefficient and divided by the standard error ( $b/SE$ ) was significant. These ten socio-demographic variables were proved to be the explanatory variables of the repeat patronage, where  $t$ -test showed that gender ( $t=-2.516$ ,  $p=.012$ ), occupation of respondent ( $t=-2.121$ ,  $p=.035$ ) and frequent stay of customer in the hotel ( $t=5.733$ ,  $p=.000$ ).

To analyze the perceived service quality,  $t$ -statistic was employed. The regression coefficient, divided by the standard error ( $b/SE$ ), were significant for perceived service quality ( $t=2.102$ ,  $p=.027$ ). In terms of relative importance of these predictors, based on the values of the beta ( $\beta$ ) coefficients, the order of importance was the perceived service quality ( $\beta=.170$ ). In conclusion, perceived service quality was positively related to the repeat patronage. These variables acknowledged as the significant explanatory variables of repeat patronage. Perceived service quality, was significant explanatory variables of repeat patronage dimensions of customer loyalty of hotel in Penang, which was measured by Modified Customer Loyalty Model (MCLM). This determinant would be major areas of interest for hotel managers to increase customer loyalty in terms of repeat patronage.

*H2: Perceived service quality, customer socio-demographic profile explaining customer loyalty: Word of Mouth.*

Multiple regression analysis was used to examine the relationship among socio-demographic characteristics and perceived service quality with the dependent variable of world-of-mouth dimension. As shown in Table 2 the  $F$  value (48.486) for the overall regression equation was significant ( $p=.000$ ). The adjusted  $R^2$  (coefficient of determination, adjusted for sample size and the number of predictor variables) indicates regression equation using ten socio-demographic variables and perceived service quality explained about 52% (.523) of the variation in customer loyalty. To analyze the individual predictors of socio-demographic variables, the  $t$ -statistic, is the regression coefficient divided by the standard error ( $b/SE$ ), was significant. Two items of socio-demographic variable: occupation ( $t=-2.426$ ,  $p=.016$ ), frequent stay ( $t= 2.629$ ,  $p= .009$ ) were the significant explanatory variables of world-of-mouth.

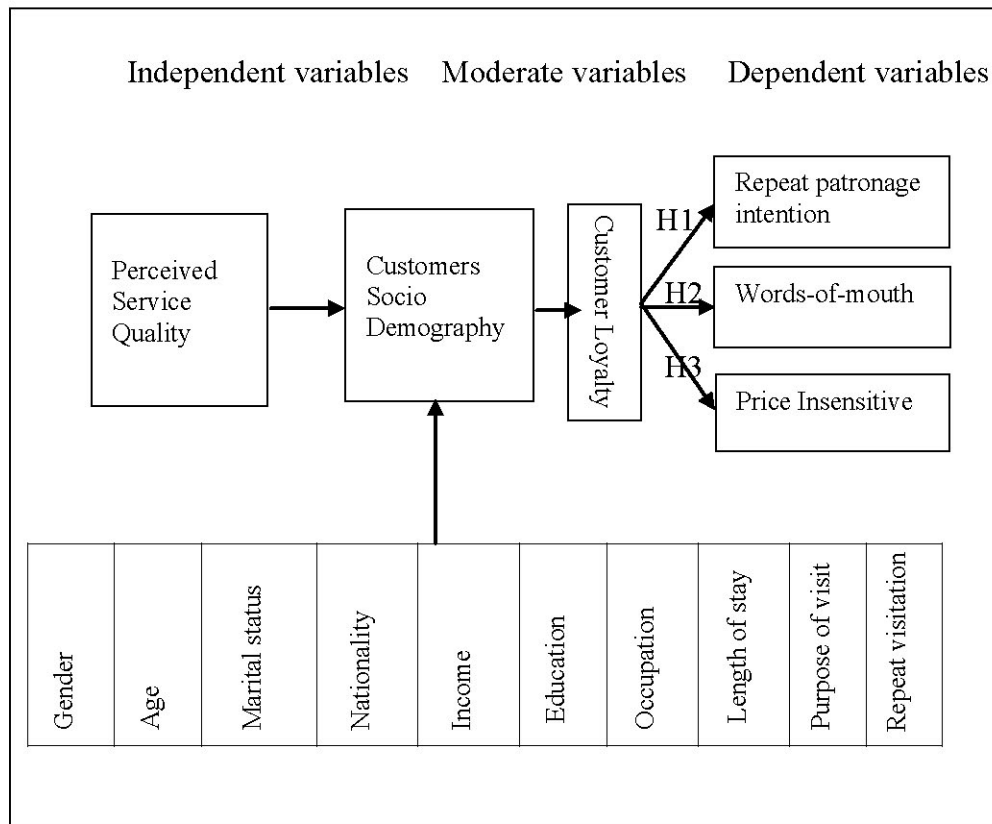
To analyze the predictor on customer loyalty by applying the  $t$ -statistic, perceived service quality ( $t=2.817$ ,  $p=.050$ ) has shown significant difference. In terms of relative importance of loyalty predictor based on the values of the beta ( $\beta$ ) coefficients, the order of importance was perceived service

**Table 4. Multiple Regressions for socio-demographic variables and perceived service quality explaining customer loyalty: Price insincerity**

Explanatory Variables	<i>b</i>	Std. Error	Beta ( $\beta$ )	<i>t</i>	<i>p</i>
Gender	-.121	.081	-.062	-1.499	.135
Age	-.020	.031	-.028	-.648	.518
Marital Status	-.023	.046	-.022	-.494	.622
Your Continent	.052	.030	.076	1.720	.086
How much is your annual household income in U.S. Dollars	.077	.035	.118	2.184	.030
Education Level	.013	.044	.014	.286	.775
Your Occupation	-.010	.030	-.014	-.334	.538
Main Purpose of Visit to Penang	-.064	.057	-.050	-1.118	.264
Length of stay in this hotel	.021	.027	.035	.787	.432
How frequently did you stay in this hotel	.078	.030	.117	2.589	.010
Service quality	-.035	.117	-.020	-.299	.765

N = 680 Adjusted  
*F* = 53.230 *df* = 15 *p* = .000 *R*<sup>2</sup> = .546 *R*<sup>2</sup> = .536

**Figure 1. Conceptual Model of the Research**



quality ( $\beta=.222$ ), It concludes that perceived service quality was positively related to the word-of-mouth by mediating affect of customer occupation and frequent stay at the hotel. These determinant factors could be the most important area for hotel consultants to target strong customers' loyalty in terms of word-of-mouth recommendation of the customer.

H3: Perceived service quality, customer socio-demographic profile explaining customer loyalty: Price Insensitivity

Multiple regression analysis was applied to examine the relationship between the ten socio-demographic characteristics and perceived service quality with dependent variable price insensitivity measured by the 3-items

modified customers' loyalty. As shown in the Table 3 the  $F$  value (53.230) for the overall regression equation was significant ( $p = .000$ ). The adjusted  $R^2$  (coefficient of determination, adjusted for the sample size and number of the predictor variables) indicates the regression equation using the ten socio-demographic variables and perceived service quality explained about 54% (.546) of the variation in customer loyalty. To analyze the individual predictors of socio-demographic variables, the  $t$ -statistic, is the regression coefficient divided by the standard error ( $b/SE$ ), were significant with two items of the socio-demographic variable: annual income ( $t=2.184$ ,  $p=.030$ ), frequent stay ( $t= 2.829$ ,  $p=.010$ ). In conclusion, these two variables of the socio-demographic characteristics were significant explanatory variables of price insensitivity.

To analyze the individual predictors of perceived service quality on customer loyalty, the  $t$ -statistic, was proved no significant difference. In conclusion, perceived service quality was not significant explanatory variable of price insensitivity dimensions of customers' loyalty of hotel guests in Penang.

## CONCLUSION

The findings of the study showed, that the study independent variable (perceived service quality) and dependent variables (customer loyalty dimensions) have significant relationship. The mediating variables (socio-demography) of the customers have significantly affected their perception on perceived service quality and customer loyalty. For hypothesis of the study multiple regression analyses were employed. The first two hypotheses occurred to the acceptance level while the last one was not accepted by this study findings. The model for this study was a new type of customer-based measurement system for evaluating and enhancing the performance of hotel industry. It measured the quality of products and services as experienced by the customers who had used the services. Previous researches have noticed the customers' perception on service quality while this study along with customer perception, look at the customers' status. This study was tested on different class of customers and found differences in loyalty according to their socio-demographic characteristics.

In this current study, the model was tested in the Malaysian environment, particularly in the hotel industry. It tested the relationship among customer loyalty dimensions with the mediating affect of customer socio demographic profile. This study proved that perceived service quality has closely significantly correlated with customer loyalty. These results were concurred with the researches of Wilkins *et al.* (2010), Gordon, (2006), Taylor *et al.* (2004), Siguaw and Skogland, (2004) and Cronin *et al.* (2000). Providing excellent service must be the first task of the managers. Quality services are

highly depended on the direct and indirect interaction of personnel with the customers. The contact personnel must be trained to serve customers better and understand their important in establishing a hotel good image perceived by the customers. Besides, the contact personnel should be given reasonable authority to deal effectively with the complaints that arises during the services thought to be encountered. Effectiveness in dealing with customers' complaint would ensure high service quality and foster customer satisfactions which further lead to their loyalty (Zeithml (1998), Andreassen, (2002). The hotels in Penang should place greater emphasis on improving service quality, as this study found this factor to be significant explanatory variable of repeat patronage and word of mouth dimension of customer loyalty.

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