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# Relationship Between Customer Perceptions and Customer Loyalty Among Star-Rated Hotels in North Rift, Kenya

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**ABSTRACT**: With business rivalry getting fiercer, the most essential challenge that organizations confront is how to acquire client loyalty in order to maximize customer lifetime value. Customer perception is vital in anticipating purchasing behaviour, achieving long-term competitive advantage, customer retention, and relationship management. A successful engagement with customers is likely to boost customer loyalty. Nonetheless, the formation and longevity of client loyalty are becoming increasingly difficult to attain as the competitive environment evolves. Thus, it is critical to assess the impact of customer perception on customer loyalty. As such, the purpose of this study was to assess the impact of consumer perceptions on customer loyalty in star-rated hotels in Kenya. The study was influenced by assimilation theory. A cross-sectional study approach was utilized to randomly select 384 hotel customers using the Multi-Stage Sampling Method. Data was acquired using a questionnaire distributed to respondents. The Cronbach Alpha Coefficient was used to assess the reliability of the questionnaire items, and it was found to be 0.7. The questionnaire items' validity was assessed by expert evaluations. The outcomes were presented using statistics that were both descriptive and inferential. Descriptive statistics were utilized to summarize the data, and simple regression analysis was employed to test the hypothesis regarding the influence of the relationship between customer perceptions and customer loyalty. The study indicated that customer perception has a positive and significant effect on customer loyalty (F 467.760, P<0.05, R=761,  $R^2=0.579$ ). The study found that customer loyalty has a favourable and significant impact on consumer loyalty. As a result, the study recommends that hotels continuously improve on their customer perceptions by improving the image, customer recognition, provision of social-relational benefits, being close to customers, prioritizing customer services, and supplying particular products and services to meet the expectations of client service quality.

KEYWORDS: customer perceptions, customer loyalty, relational benefits, hotel image

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#### INTRODUCTION

Present-day business is becoming extremely competitive and challenging, essentially continuous development of mutual long-term relationship strategy with consumers has been a significant concern for the majority of organizations (Abdullah, Putit & Teo, 2014). In today's competitive market place, customers' perceptions are becoming important for gaining a competitive advantage and as a tool for evaluating marketing strategies (Singh & Choudhury, 2017). Further, customer perceptions towards the image of the company and its products and services affect purchasing decisions (Singh & Choudhury, 2017). Customer perceptions, in this study, were measured by the perceived value, perceived image, and perceived relational benefits. Customer perceived value is a crucial factor in determining product and service attractiveness and customer satisfaction (Hur, Kim & Park, 2013). It plays an important role in predicting purchase behaviour, achieves sustainable competitive advantage, retention of customers and relationship management (Hsin Chang & Wang, 2011). Perceived corporate image influences both service quality and customer satisfaction, which in turn influence customer lovalty. Customers patronizing establishments with noble corporate image are likely to be emotionally contented since they trust that such businesses offer value for money (Tarus & Rabach, 2013). A favourable image can influence perceptions positively. Perceived relational benefits influence customer voluntary behaviours (Lee, Choi, Kim & Hyun, 2014). Special treatment benefits are used widely as ingredients of relationship marketing programmes to get positive financial returns. Special treatment benefits emerge as the main drivers of value (Ruiz-Molinam, Gil-Saura & Moliner-Velázquez, 2015).

#### **Problem statement**

The hospitality sector is particularly customer-sensitive. Organizational success and survival require a high degree of consumer perception for acquiring new consumers, growing customer loyalty, market share, and profitability. Customer loyalty offers a customer's lifetime value, which improves an organization's success through regular repurchases, and some consumers become business champions by sharing favorable word of mouth. As a result, the establishment and maintenance of customer loyalty is critical for competitive advantage (Yap, Ramayah, & Shahidan, 2012). Loyal customers are also valuable assets for the business (Upamannyu, Gulati, Chack, & Kaur, 2015). Customer Loyalty (CL) is also essential for an organization's financial stability, improved income, and market share (Laith & Al-Nazer, 2010). Nonetheless, developing and maintaining client loyalty has grown increasingly challenging in a competitive market, and the

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fundamental causes remain unknown (Auka, 2012). Furthermore, given the ever-increasing hurdles of obtaining excellent hotel sector performance, fostering favorable customer perception may help a firm strengthen its desired customer loyalty (Raza & Rehman, 2012; Mang'unyi, Khabala, & Govender, 2017; Ngoma & Ntale, 2019).

Unfortunately, most of the existing studies on customer perceptions have been done outside Kenya (Singh & Choudhury, 2017; Pric, Martinovic & Barac, 2018; Zauner, Koller & Hatak, 2015; Yee & Yazdanifard, 2014). Furthermore, much research into customer perception has utilized Service Quality (Ali, 2018; Ali & Raza, 2015; Lone & Rehman, 2017; Sagher & Nathan, 2013). Most of the studies were also done in banking (Pric et al, 2018). The few studies on hotels and marketing strategies have had a strong locality bias to Nairobi, yet due to the need for creating new hospitality corridors, such as in the culturally rich North Rift Region of Kenya, research would be very useful. Despite significant investments by hotels to obtain rating status, the average bed occupancy rate in the North Rift region has remained low, at only 25% since 2016 (KNBS, 2016; Cytonn, 2016, 2019; Nguyen, 2019). As a result, it is uncertain whether these star-rated hotels are achieving client loyalty and thus the proposition in terms of customer perception. As a result, this study used a survey of 14 star-rated customers to investigate the effects of consumer perception on customer loyalty in hotels in Kenya's Northern Rift Valley.

## LITERATURE REVIEW

In today's competitive market place, customers' perceptions are becoming important for gaining a competitive advantage and as tools for evaluating marketing strategies (Singh & Choudhury, 2017). Further, customer perceptions towards the image of the company and its products and services affect purchasing decisions (Singh & Choudhury, 2017). Perceptions measure aspects of the service as essentially provided or experienced. Perception is defined as the process of gathering information through our senses namely seeing, hearing, touching, tasting, smelling, and sensing. It is through these senses that customers can perceive things, events and relations. Perception also includes identifying stimuli, processing and storing them (Yee & Yazdanifard, 2014). Customer Perception is an important competitive tool in the banking industry. For success and survival of organizations, high level of consumer perception is necessary for attracting new customers, increasing customer loyalty, market share and profitability (Pric, Martinovic & Barac, 2018). The study by Pric *et al.* was done in a banking industry and it recommended that a similar study be done in another industry. Taking insight from that recommendation, this study focused on the hotel industry. The main goal of any company is to make profits and this can be achieved through

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customer perception. The significance of Customer Perception is used mainly to refer to how the customer views the quality of the service. On a wider perspective customer perception also means the customer's overall depiction of the company including the image, expectations, external influencers, and the quality of service among others. Service Quality perception is defined as need and desires of customers that permit them to realize precisely what service providers ought to offer based on buyers' previous experience and interaction (Ali, 2018). Customer Perception of a service is regularly made during and after the service has been delivered. Much research into clients' perspectives has utilized Service Quality (Ali, 2018; Ali & Raza, 2015; Lone & Rehman, 2017; Sagher & Nathan, 2013). However, this study measured Customer Perceptions using three items: Customer Perceived Value, Perception of Image and Perceived of Relational Benefits.

Customer Perceived Value is a source of competitive advantage in the context of Relationship Marketing and business models (Zauner, Koller & Hatak, 2015). It is a crucial factor in determining product and service attractiveness and customer satisfaction (Hur *et al.*, 2013). One study has shown a direct relationship between perceived value and customer loyalty (Siu, Zhang, Dong & Kwan, 2013). Another study has shown that value is connected to Customer Loyalty and that Customer Perceived Value is integral to inducing positive responses from the customers (Chang, 2013). Customer Perceived Value is an important element of Relationship Marketing Orientation and it reflects the dedication the organization has to its customers, which is a strategy for differentiation. Further, Customer Perceivide Value gives the organization a competitive advantage (Grönroos & Ravald, 2011). Moreover, Customer Perceived Value provides the organization with the opening to reinforce its relationship with consumers and develop long lasting Customer Loyalty with them (Kandampully, Zhang & Bilgihan, 2015).

The key to retention of customers to become loyal is customer satisfaction, and satisfaction is because of providing greater customer value (Weinstein, 2012). Customers who are more satisfied become loyal, engage in positive word of mouth, they also pay less attention to the competition, are price insensitive, offer ideas to the organization and it is cheaper to serve them than to recruit new customers (Weinstein, 2012). Hur *et al.* (2013), conceptualize that a client's perceived worth is his or her generalised estimation of the usefulness of a purchased item informed by perspectives on what is received and what is given. Perceived value is defined as a consequence concept that results after numerous benefits received and costs devoted to attain a specific exchange of a service (Mayr & Zins, 2012). Perceived value results in consumer behaviour patterns such as loyalty. Auka, Bosire and Matern (2013), and Curtis, Abratt, Dion and Rhoades (2011), have also indicated

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that Customer Loyalty can be earned consistently through delivering superior value. Customers' positive perceptions of value have a positive influence on their behaviour intentions.

Researchers have defined image differently. Image is an attitude that reflects a blend of product attributes (Amin, Isa & Fontaine, 2013; Liat, Mansori & Huei, 2014). From the organizations' point of view, image is a series of associations that come to the mind of the customer, when he or she hears the name of the firm (Amin et al., 2013; Nguyen & Leclerc, 2011). Image has been categorized into two key components (Amin et al., 2013). The functional component is about the tangibility dimensions that can easily be recognized and measured; the emotional part is about the psychological facets that are expressed by individual experiences and attitude towards an organization (Amin et al., 2013). Most scholars agree that image is the outcome of a process; hence, it is the result of a collective process where customers compare and contrast the various characteristics of the organization (Agyei & Kilika, 2013; Nguyen & Leclerc, 2011). Neupane (2015), found that organizational image has a high relationship on Customer Loyalty. Hsiong-Ming, Ching-Chi and Cou-Chen (2011), define image as the net outcome of the interaction of all the experiences, impressions, beliefs, feelings and knowledge that individuals have about an organization. Scholars have established that a better company image influences Customer Loyalty in the hotel industry (Agyei & Kilika, 2013; Amin et al., 2013; Liat, Mansori & Huei, 2014; Kandampully & Hu, 2007). Therefore, Liat et al. (2014), supported the inclusion of company image in the integration model to measure Customer Loyalty.

Hotel image is alleged to play a crucial role on a customer's choice of hotel. Hotel image is essentially determined by the customers' past experiences (Nikou, Selamat, Che & Yusoff, 2017). As a result, a consumer's experience with the hotel's services is believed to be the most important element in determining his or her image of the hotel. Further, image is considered as a crucial variable in defining marketing activities. Image is a key element for any business, due to its ability to influence consumers' perceptions of the goods and services offered (Zeithaml, Bitner & Gremler, 2012). Since image influences consumers' buying behaviour, upholding a desirable image is vital for any organization (Nikou *et al.*, 2017).

Image is an important element that allows hotels to achieve a competitive advantage above the others. As image is crucial feature of a hotel, a brand acts as the most powerful factor in services due to its characteristics of perishability, inseparability, tangibility and heterogeneity (Dhillon, 2013). Saleem and Raja (2014), define brand image as a consideration of a brand held in the memory of the customer. Hotel operators believe that a strong brand image leads to increased company image, hotel room occupancy, revenue generated and profitability of the hotel (Fung So,

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King, Sparks & Wang, 2013). Perceived corporate image influences both service quality and customer satisfaction, which in turn leads to customer loyalty (Kandampully, Devi & Hu, 2011). The most important thing to Customer Loyalty is by nurturing a positive image of the hotel through Service Quality and Customer Satisfaction. Service cape components have a positive effect on overall image, which has the same effect on word-of-mouth (WOM) publicity and re-visiting (Ufuk, Bekir & Sevgi, 2015). Buyers patronizing businesses with a good company image are expected to be emotionally satisfied since they trust that such companies offer value for money (Tarus & Rabach, 2013).

A good image can influence perceptions positively vis-à-vis a service. Image and reputation which are referred to as the set of perceptions is reflected in the associations held in the memory of the customer (Kandampully, Zhang & Bilgihan, 2015). Customers cannot judge service quality before the service is performed. In such instances, image can influence the development of standards as well as customer expectations. Image is regarded as the "overall impression" planted on the minds of clients, a *gestalt* and an *idiosyncratic cognitive configuration* (Singh & Nika, 2019). Most definitions and theories behind corporate image typically describe it as an overall impression made in the minds of the public about an organization (Hemsley-Brown, Melewar, Nguyen & Wilson, 2016). Therefore, image can be one of the most reliable indicators of a service organization's ability to satisfy customer desires (Hemsley-Brown, Melewar, Nguyen & Wilson, 2016). Image is also a vital signifier of considered service quality. Corporate image serves as a filtering mechanism that impacts customer perceptions. Hence, company image is among other customer perceptions, which ought to impact their perception of value and also indirectly influence their satisfaction with the hotel experience. Empirical research in tourism shows a positive relationship between image and customer satisfaction and loyalty (Abd-El-Salaam, Shawky & El-Nahas, 2013).

According to Chu and Kang (2014), customers' perceived functional benefits from service suppliers and their perceived social benefits considerably and positively impact their opinion of service suppliers. Perceived social benefits are expected to have a positive impact on customer satisfaction, as the interaction between customers and employees is central to the customer's quality perception in many services (Kim, OK & Gwinner, 2010). A study by Gao, Liu and Qian (2016), showed a positive relationship between commercial friendship, as a key element of social benefits and satisfaction. Gremler and Gwinner (2015), indicate that customer-employee rapport is positively related to satisfaction with the service provider. Special Treatment Benefits are commonly used as a component of Relationship Marketing programs in with an aim of getting positive financial earnings. It may also increase the cost of switching for consumers (Evanschitzky,

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Ramaseshan, Woisetschläger & Verena, 2011). Once an organization delivers extra and superior treatment benefits, such as monetary saving or personalized service, emotional and cognitive switching barriers are improved (Evanschitzky et al., 2011). This might lead to improved Customer Loyalty.

## METHODOLOGY

The study used cross-sectional research design. The target population was made up of 446 customers based on bed occupancy. The sample size was 384. A two multi stage sampling was used to select the respondents. Questionnaire was used to collect the data. The validity of the research instrument was done using expert and reliability was done using Cronbach alpha coefficient.

## FINDINGS OF THE STUDY

#### **Descriptive Results of Customer Perceptions**

#### **Table 1: Descriptive Results of Customer Perceptions**

		Ν	Mean	Std.
				Deviation
PVL1	The price for the service was fair.	342	1.82	.937
PVL2	I received value for my money.	342	4.24	.749
PVL3	I was satisfied with the price of the hotel services.	342	4.27	.683
PIM4	I think most people have a positive opinion about this hotel.	342	4.26	.706
PIM5	The staff in this hotel are friendly towards guests.	342	4.20	.700
PIM6	This hotel has a unique image.	342	4.23	.701
PIM7	I think this Hotel is popular.	342	4.11	.743
PIM8	The staff in this hotel always puts guests first.	342	4.13	.753
PIM9	This hotel's employees are perfectly honest and truthful.	342	4.20	.707
PIM10	This hotel's employees can be trusted.	342	4.11	.806
PIM11	This hotel's employees of this hotel have high integrity.	342	4.15	.778
PRB12	I am recognized by certain employees of this hotel.	342	4.06	.833
PRB13	I enjoy certain social aspects of the relationship with employees of this hotel.	342	3.69	1.050
PRB14	I have developed a friendship with the contacted employee(s) of the hotel.	e 342	3.54	1.105
PRB15	I am familiar with the employee(s) that perform(s) the service in the hotel.	e 342	3.45	1.087

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PRB16	I am usually placed higher on the priority list when there is a line ir this hotel.	n 342	3.47	1.092
PRB17	They do services for me that they do not do for most customers in this hotel.	342	2.85	1.010
PRB18	I get discounts or special deals that most customers do not get in this hotel.	342	2.77	1.014
PRB19	I know what to expect when I come to this hotel.	342	2.99	1.097
Samaa	Descende Data 2021			

Source: Research Data 2021

Customers were requested to rate their Perceptions on the hotels services provided. Customer Perceptions were measured using perceived value, perceived image and perceived relational benefits. Perceived value was measured using three items, which were coded as: PVL 1, PVL 2 and PVL 3. The results indicated that PVL 1 "The price for the service was fair" had a mean of 1.82; PVL 2 "I received value for my money" had a mean of 4.24, and PVL 3 "I was satisfied with the price of the hotel services" had a mean of 4.27, as shown in Table 1. Since the average of SD was small (0.790), then it means that customers' rating of perceived value concentrated around the mean. These findings showed that customers were happy with the pricing of the hotel services, and that they got value for their money. The findings agree with those of other researchers (Kim, Holland & Han, 2013; Li & Petrick, 2010 & Ryu, Han & Kim, 2008).

Perceived image was measured using eight items, which were coded as PIM 4, PIM 5, PIM 6, PIM 7, PIM 8, PIM 9, PIM 10 and PIM 11. Customers were called upon to rate their perceptions on the image of the hotel. The average mean for perceived image was 4.17. All the eight items were rated above mean of 4; this implied that the respondents had positive perceptions of the hotel image. PIM 4 "I think most people have a positive opinion about this hotel" had a mean of 4.26; PIM 5 "The staff in this hotel are friendly towards guests" had a mean of 4.20; PIM 6 "This hotel has a unique image" had a mean of 4.23; PIM 7 "I think this Hotel is popular" had a mean of 4.11; PIM 8 "The staff in this hotel always put guests first", a mean of 4.13; PIM 9 "This hotel's employees are perfectly honest and truthful" had a mean of 4.20; PIM 10 "This hotel's employees can be trusted" had a mean of 4.11, and PIM 11 "This hotel's employees of this hotel have high integrity" had a mean of 4.15. The average SD was small (0.763), meaning that customers' rating of the perceived image was concentrated around the mean. The findings suggested that employees have a great role in influencing the image of the organization, which results in increased Customer Loyalty. These findings support those of Kandampully and Hu (2007), that determined that corporate image influences both Service Quality and Customer Contentment, which in turn influence Customer Loyalty. Moreover, Tarus and Rabach (2013), in European Journal of Business and Innovation Research Vol.12, No.4, pp.,55-78, 2024 Print ISSN: 2053-4019(Print) Online ISSN: 2053-4027(Online) Website: <u>https://www.eajournals.org/</u> Publication of the European Centre for Research Training and Development -UK

their study, found that clients who patronize companies with a good corporate image are likely to be psychologically satisfied because they hold a belief that such firms offer value for money.

The average mean for the perceived relational benefits was 3.35. This meant the customers remained neutral on perception on relational benefits. PRB 12 "I am recognized by certain employees of this hotel" had a Mean of 4.06; PRB 13 "I enjoy certain social aspects of the relationship with employees of this hotel" had a mean of 3.69; PRB 14 "I have developed a friendship with the contacted employee(s) of the hotel" had a mean of 3.54; PRB 15 "I am familiar with the employee(s) that perform(s) the service in the hotel" had a mean of 3.45; PRB 16 "I am usually placed higher on the priority list when there is a line in this hotel" had a Mean of 3.47; PRB 17 "They do services for me that they do not do for most customers in this hotel" had a mean of 2.85; PRB 18 "I get discounts or special deals that most customers do not get in this hotel" had a mean of 2.77, and PRB 19 "I know what to expect when I come to this hotel" had a mean of 2.99. The average SD was large (1.036), meaning that Customer Perception of Relational Benefits rating deviated away from the mean. The item on recognition of the customer by hotel employees carried the highest mean of 4.06. This finding indicates that the customers already know the services they expect from hotels and that they prefer specific hotels because they are always recognized by hotel employees. These findings support those of Reynolds and Beatty (1999), who maintain that social benefits are expected to have a positive impact on customer satisfaction, as the interaction between employees and customers is central to the customer's quality perception in many services.

## **Factor Analysis Performed for Customer Perceptions**

#### Table 2: Factor Analysis for CP Before Removing items that never Loaded

Kaiser	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.915
Bartlet	t's Test of Sphericity			3202.096
Chi-Sq	uare df			105
	Significance			.000
	Items of Customer Perception	Factor	Eigen	%
	(n = 342)	Loadings	Values	Variance
PVL1	The price for the service was fair.		8.505	56.698
PVL2	I received value for my money.	.607		
PVL3	I was satisfied with the price of the hotel services.	.807		

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PIM4	I think most people have a positive opinion about this hotel.	.801
PIM5	The staff in this hotel are friendly towards guests.	.818
PIM6	This hotel has a unique image.	.831
PIM7	I think this hotel is popular.	.819
PIM8	The staff in this hotel always put guests first.	.809
PIM9	This hotel's employees are perfectly honest and truthful.	.828
PIM10	This hotel's employees can be trusted.	.786
PIM11	This hotel's employees of this hotel have high integrity.	.815
PRB12	I am recognized by certain employees of this hotel.	.798
PRB13	I enjoy certain social aspects of the relationship with employees of this hotel.	.711
PRB14	I have developed friendship with the contacted employee(s) of the hotel.	.615
PRB15	I am familiar with the employee(s) that perform(s) the service in the hotel.	.597
PRB16	I am usually placed higher on the priority list when there is a line in this hotel.	.561
PRB17	They do services for me that they do not do for	
	most customers in this hotel.	
PRB18	I get discounts or special deals that most	
	customers do not get in this hotel.	
PRB19	I know what to expect when I come to this hotel.	
C	Dessearch Data 2021	

Source: Research Data 2021

Factor Analysis was performed on Customer Loyalty to check the construct validity. Before the statistical procedure was performed, Kaiser-Meyer-Olkin (KMO) and Battelett's test of Sphericity were done. The results in Table 4.19 indicate that KMO was 0.915. This value was above 0.5; therefore, it was recommended. According to Kaiser (1974), any KMO value that is near 0.5 is endorsed as the lowest while values between 0.7 and 0.8 are accepted. Values above 0.9 are superb. The results in Table 2 reveal that KMO was 0.915; it fell in the superb category. The researcher, therefore, determined that Factor Analysis was appropriate for this data. Bartlett's Test of

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sphericity was also executed to establish the strength of the link among variables. The outcomes in Table 4.19 indicate Bartlett's Test as significant (P<0.000). Therefore, Factor Analysis was suitable for this data and was performed. Sixteen factors with Eigen Values greater than 1 were determined by applying Varimax Rotation Method. Factor loading showed that three factors did not load as indicated in Table 2 above; hence, they were removed. These factors were: They do services for me that they do not do for most customers in this hotel; I get discounts or special deals that most customers do not get in this hotel, and I know what to expect when I come to this hotel. The Eigen Value in Table 2 indicates that one factor was extracted, which accounted for 56.698% of the variance.

			<b>T</b> ( ) <b>T ( T ( T )</b>
Table 3. Factor	Analysis for (	'P after Removing	Items that never Loaded
I able 51 I actor	mary sis for C	or area randomis	nemb mat never Louucu

Kaiser-N	/leyer-Olkin M	<b>Ieasure of Sampling Adequacy.</b>			.91
		Approx. Chi-Square			3232.918
Bartlett'	s Test of	Df			120
Spherici	ty	Sig.			.000
	Items of Cust	tomer Perception	Factor	Eigen	%
	(n = 342)		Loadings	Values	Variance
PVL1	The price for	the service was fair.	8.587	53.667	53.667
PVL 2	I received val	lue for my money.	1.783	11.145	64.812
PVL3	I was satisfied services.	d with the price of the hotel	1.010	6.313	71.125
PIM4	I think most p about this hot	people have a positive opinion tel.	.797		
PIM5	The staff in th guests.	his hotel are friendly towards	.768		

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PIM6	This hotel has a unique image.	.530
PIM7	I think this hotel is popular.	.392
PIM8	The staff in this hotel always puts guests first.	.386
PIM9	This hotel's employees are perfectly honest and truthful.	.372
PIM10	This hotel's employees can be trusted.	.292
PIM11	This hotel's employees have high integrity.	.259
PRB12	I am recognized by certain employees of this hotel.	.210
PRB13	I enjoy certain social aspects of relationship with employees of this hotel.	.190
PRB14	I have developed friendship with the contacted employee(s) of the hotel.	.169
PRB15	I am familiar with the employee(s) that perform(s) the service in the hotel.	.149
PRB16	I am usually placed higher on the priority list when there is a line in this hotel.	.106

Source: Research Data 2021

Table 3, shows the results of the Factor Analysis that was done after removing the three items (items 17, 18 and 19) that never loaded. The analysis of the principal component with Varimax Rotation Method was performed to determine how 19 customer emotions variables clustered. These variables were: The price for the service was fair; I received value for my money; I was satisfied with the price of the hotel services; I think most people have a positive opinion about this hotel; the staff in this hotel are friendly towards guests; This hotel has a unique image; I think this hotel is popular and The staff in this hotel always put guests first. Others were: This hotel's employees are perfectly honest and truthful; This hotel's employees can be trusted; The employees of this hotel have high integrity; I am recognized by certain employees of this hotel; I enjoy certain social aspects of the relationship with employees of this hotel; I have developed a friendship with the contacted employee(s) of the hotel; I am familiar with the employee(s) that perform(s) service in the hotel; I am usually placed higher on the priority list when there is a queue in this hotel; They do services for me that they do not do for most customers in this hotel; I get discounts or special deals that most customers do not get in this hotel, and I know what to expect when I come to this hotel. The idea of independent sampling, normality, linear relationships between pairs of a variable and correlation of variables was met. Three components were rotated, supported the Eigen Values European Journal of Business and Innovation Research Vol.12, No.4, pp.,55-78, 2024 Print ISSN: 2053-4019(Print) Online ISSN: 2053-4027(Online) Website: <u>https://www.eajournals.org/</u> Publication of the European Centre for Research Training and Development -UK

over 1 criterion and the Screen Plot. After rotation, the primary component accounted for 53.667% of the variance, the second component accounted for 11.145% and the third component accounted for 6.313% of the variance. Table 3, shows the items loading for rotated components, with loading below .30 being omitted to enhance clarity.

		Component		
		1	2	3
PVL1	The price for the service was fair.	303	.210	.733
PVL2	I received value for my money.	.602	106	.529
PVL3	I was satisfied with the price of the hotel services.	.807	151	.245
PIM4	I think most people have a positive opinion about this hotel.	.800	201	.244
PIM5	The staff in this hotel are friendly towards guests.	.820	225	
PIM6	This hotel has a unique image.	.832	194	
PIM7	I think this hotel is popular.	.820	156	
PIM8	The staff in this hotel always puts guests first.	.808	239	
PIM9	This hotel's employees are perfectly honest and truthful.	.828	190	
PIM10	This hotel's employees can be trusted.	.788	235	106
PIM11	This hotel's employees have high integrity.	.815		156
PRB12	I am recognized by certain employees of this hotel.	.799		149
PRB13	I enjoy certain social aspects of the relationship with employees of this hotel.	.708	.493	
PRB14	I have developed friendship with the contacted employee(s) of the hotel.	.612	.652	
PRB15	I am familiar with the employee(s) that perform(s) the service in the hotel.	.594	.654	
PRB16	I am usually placed higher on the priority list when there is a line in this hotel.	.558	.550	

## **Table 4: Factor Analysis on Customer Perceptions – Component Matrix**

Source: Research Data 2021

Table 4, shows the loadings (extracted values of every item under one variable) of the 14 variables on the two factors extracted. The uppermost value of the loading, the more the factor contributes to the variable. The study extracted three variables. Items 2 to 16 loaded highly and positively on Factor 1 and lower on Factor 2 and 3. Items 13 to 16 loaded highly on Factor 2 and fewer on Factor 3. Finally, item 2 and 3 loaded highly on Factor 3.

## Table 5: Factor Analysis on Customer Perceptions – Rotated Component Matrix

Component

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		1	2	3
PIM4	I think most people have a positive opinion about this hotel.	0.829		
PIM5	The staff in this hotel are friendly towards guests.	0.82		
PVL3	I was satisfied with the price of the hotel services.	0.811		
PIM6	This hotel has a unique image.	0.805		
PIM8	The staff in this hotel always put guests first.	0.805		
PIM9	This hotel's employees are perfectly honest and truthful.	0.789		
PIM10	This hotel's employees can be trusted.	0.77		
PIM7	I think this hotel is popular	0.768		
PIM11	This hotel's employees have high integrity.	0.702	0.36	
PVL2	I received value for my money	0.666		0.427
PRB12	I am recognized by certain employees of this hotel	0.642	0.439	
PRB13	I enjoy certain social aspects of the relationship with employees of this hotel	0.371	0.778	
PRB14	I have developed a friendship with the contacted employee(s) of the hotel		0.87	
PRB16	I am usually placed higher on the priority list when there is a line in this hotel		0.757	
PRB15	I am familiar with the employee(s) that perform(s) the service in the hotel		0.861	
PVL1	The price for the service was fair			-0.789
	Method: Principal Component Analysis. Rotation Met ion. <sup>a</sup> a. Rotation converged in 4 iterations	hod: Vari	max wit	h Kaiser

Source: Research Data 2021

The Rotated Component Analysis, as shown in Table 5, sorted the 16 customer emotions (items 1 to 16) into three overlapping groups of items. The items were sorted in order from the highest to the lowest (not considering whether the correlation is positive or negative). From Factor 1, all the items within the analysis were listed and were sorted from the one with the best factor loading to the one with rock bottom loading. Every item contained a loading from every factor. The study had requested for loadings above 0.30; any loading below was to be excluded from the output. From the output, all the items had loadings above 0.30; hence, they were included within the output. The first 12 items that had their highest loadings from Factor 1 were listed from highest

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loading (item 4) to the last (item 12). Secondly, four items on which Factor 2 loaded most highly were listed as items 13, 14, 16 and 15. Finally, the one item on which Factor 3 loaded most highly was listed as item 1. Loadings resulting from an orthogonal rotation are correlation coefficients between each item and also the factor; so, they vary from -1.0 through 0 to +1.0. A negative loading means the question has to be rotation interpreted within the other way from the way it was written for that factor. Usually, factor loadings under 0.30 are considered low, that is why the study suppressed loadings below 0.30. On the opposite side, loadings of 0.40 or greater are typically considered high.

From the analysis, items 4, 5, 6, 8, 9, 10, 7 and 11 were assumed to measure Perceived Image. Since all of them had strong loadings from the identical factor, they provided support for it being conceptualized as the identical construct, "Perceived Image." Items 3 and 12 were assumed to measure the perceived value and item 12 was assumed to measure Perceived Relational Benefits though they relate highly with Factor 1. Observing these factors, they were all about the value of the hotel services and the importance of employees' behaviour in delivering service. So, it was possible for the researcher to determine them as part of items that helped to improve hotel image. On the opposite side, items 14, 16 and 15 loaded highly on Factor 2. This measure was to support the "perceived relational benefits." Since all of them had strong loadings from the identical factor, they supplied support for the item being conceptualized. Finally, item 1 loaded highly on Factor 2. This factor was to support "perceived value". Since it had a strong loading on Factor 3, it provided support for this item to be conceptualized. Since Factors 11, 2 and 13 had high loadings on Factors 1, 2 and 3, they were undesirable since the researcher wanted just one item to predict one item.

		Com	Component	
		1	2	
STRT1	I prefer five-star hotels because they offer better services.	.625		
STRT2	I prefer a four and five-star hotels because they have more facilities.	.863		
STRT3	I prefer two and three-star hotels because they are fairly priced.	.880		
STRT4	Star-rating of hotels improves the image of the hotel.	.878		
STRT5	Star-rating of hotels guides me in making decision on which hotel I should select; hence it saves my time.	.867	185	
STRT8	Star-rating of the hotel reflects the quality of the services I expect to receive from the hotel.	.827	371	
LOC9	I like this hotel because it is located near the Central Business District.	.795	372	

#### Table 6: Factor Analysis on Customer Perceptions – Component Matrix

European Journal of Business and Innovation Research Vol.12, No.4, pp.,55-78, 2024 Print ISSN: 2053-4019(Print) Online ISSN: 2053-4027(Online) Website: https://www.eajournals.org/ Publication of the European Centre for Research Training and Development -UK I prefer coming to this hotel because it easily accessed by public service vehicles. .860 LOC10 SIZ15 I prefer staying in small hotel because it is more secure. .727 .577 SIZ16 I prefer big hotels because they offer a variety of services. .734 .555 Extraction Method: Principal Component Analysis.a a. 2 Components Extracted.

Source: Research Data 2021

Table 6, shows the loadings (extracted values of every item under one variable) of the 10 variables on the two factors extracted. The uppermost the value of the loading, the more the factor contributes to the variable. The study extracted two variables. Items 2 to 10 loaded highly and positively on Factor 1 and lower on Factor 2. Items 9 and10 loaded highly on both Factors 1 and 2.

		Component	
		1	2
STRT1	I prefer five-star hotels because they offer better services.	.445	.446
STRT2	I prefer four and five-star hotels because they have more facilities.	.655	.563
STRT3	I prefer two- and three-star hotels because they are fairly priced.	.683	.556
STRT4	Star-rating of hotels improves the image of the hotel.	.674	.565
STRT5	Star-rating of hotels guides me in making decision on which hotel I	.801	.380
STRT8	should select; hence it saves my time. Star-rating of the hotel reflects the quality of the services I expect to receive from the hotel.	.882	
LOC9	I like this hotel because it is located near the Central Business District.	.857	
LOC10	I prefer coming to this hotel because it is easily accessed by public service vehicles.	.836	.323
SIZ15	I prefer staying in small hotel because it is more secure.		.900
SIZ16	I prefer big hotels because they offer a variety of services.		.886
Extraction	on Method: Principal Component Analysis. Rotation Method: Varimax	with Kais	er
Normali	zation. <sup>a</sup> a. Rotation converged in 3 iterations.		

#### Table 7: Factor Analysis on Customer Perceptions – Rotated Component Matrix

Source: Research Data 2021

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The rotated component analysis, as shown on Table 7, sorted the 10 hotel characteristics (item 1 to 10) into two overlapping groups of items. The items were sorted from the best to the lowest loading (not considering whether the correlation is positive or negative). From Factor 1, all the items within the analysis were listed from the one with the best factor loading to the one with rock bottom loading. Each item contained a loading from every factor; the study had requested for loadings above 0.30. Any loading below 0.30 was to be excluded from the output. From the output, all the items have loadings above 0.30; hence, they have been included within the output. The first 8 items that had their highest loadings from Factor 1 were listed from highest loading (Item 1, 2, 3, 4, 5, 8, 9 and 10), to the bottom (item 15 and 16). Secondly, two items on which Factor 2 loaded most highly were listed as 15 and 16. Loadings resulting from an orthogonal rotation are correlation coefficients between each item and also the factor; so, they vary from -1.0 through 0 to +1.0. A negative loading means the question has to be rotated interpreted within the other way from the way it was written for that factor. Usually, factor loadings under 0.30 are considered low; that is why the study suppressed loadings below 0.30. On the opposite side, loadings of 0.40 or greater are typically considered high.

From the analysis, items 6, 5, 3, 4, 2 and 1 were assumed to measure the star-rating of the hotel. Since all of them had strong loadings from the identical factor they provided support for or it being conceptualized as the identical construct "star-rating". Items 9 and 10 were assumed to measure location. Observing these factors, they were all about the location of the hotel. Most star-rated hotels were located in areas that are easily accessible and mostly in the Central Business District. So, it was possible for the researcher to determine them as part of items that help to improve star-rating. On the opposite side, items 15 and 16 loaded highly on Factor 2. This result was to support the characteristic of "size", since all of them had strong loadings from the identical, factor they support the item being conceptualized. As items 8, 1, 5, 3, 4, 2 and 1 had high loadings on both Factors 1 and 2, they were undesirable, because the researcher wanted just one item to predict each factor so they are dropped.

## Effect of Customer Perceptions on Customer Loyalty

 $H_{03}$ : There is no significant effect of Customer Perceptions on Customer Loyalty among star-rated hotels in North Rift, Kenya.

#### **Table 8: Effect of Customer Perceptions on Customer Loyalty**

**Model Summary** 

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Model	R	R	Adjusted	Std. Error	Change Statistics				
		Square	R	of the	<b>R</b> Square	F	df1	df2	Sig. F
1			Square	Estimate	Change	Change			Change
	.761ª	.579	.578	.428	.579	467.760	1	340	.000
a Predictors: (Constant) CustPerc									

a. Predictors: (Constant), CustPerc

b. Dependent Variable: CustLoyalt

Source: Research Data 2021

The regression results revealed a positive and significant effect of Customer Perception on Customer Loyalty, *F* 467.760, *P*<0.05, *R*= 761,  $R^2 = 0.579$ , as indicated in Table 4.31. This indicated that Customer Perceptions contributed 57.9% of Cutomer Loyalty. Therefore, the third hypothesis (*Ho3: There is no significant effect of Customer Perceptions on Customer Loyalty among star-rated hotels in North Rift, Kenya*) was rejected. All the three variables of Customer Perception (Perceived Value, Perceived Image and Perceived Relational benefits) were found to have a significant relationship with Customer Loyalty. Further, this finding confirmed that if customer perception increased by one unit, customer loyalty was expected to increase by 0.829, as indicated in Table 8. The findings of this study agreed with those of Li and Petrick (2010) and Kim *et al.* (2013), who found that Perceived Value had both direct and indirect effects on Customer Loyalty. The results also confirmed the findings of a study by Wang, Yang, Han and Shi (2016), which revealed that perceived value and satisfaction are the direct antecedents of CL.

Customer Perception of image also affects Customer Loyalty. This confirmed the findings of Singh and Choudhury (2017), who established that Customer Perceptions towards the image of a company and its products and services affect purchasing decisions. Customers patronizing businesses with a noble corporate image are likely to be emotionally gratified since they trust that such companies offer value for money (Tarus & Rabach, 2013). Therefore, among hotel guests their perceptions of image should also impact their perception of value and indirectly, their satisfaction with the hotel experience. Empirical research in tourism shows a positive relationship between image and customer satisfaction and loyalty (Abd-El-Salaam *et al.*, 2013). As universally acknowledged, subjective perception, tourist destination, tourist experience and destination familiarity are affected by customer perception of image. In turn, image will affect customers' decision-making on the choice of destination, in their subsequent evaluation and future revisit intentions. Image also has fundamental impact on perceived value, customer fulfilment and consequently customer loyalty (Stylos, Vassiliadis, Bellou & Andronikidis, 2016). European Journal of Business and Innovation Research Vol.12, No.4, pp.,55-78, 2024 Print ISSN: 2053-4019(Print) Online ISSN: 2053-4027(Online) Website: https://www.eajournals.org/

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Perceptions of Relational Benefits have a positive effect on loyalty. The relational benefits prompt customers' perceptions of being positively treated and this in turn, encourages consumers to form an effective binder and repurchase intention with respect to a specific service provider (Kim & Ok, 2009). The findings of this study were also in agreement with those of Chu and Kang (2014) who state that customer perceived functional benefits from service providers and their perceived social benefits significantly and positively influence their perception of service providers. Perceived social benefits are expected to have a positive impact on customer satisfaction, as the interaction between customers and employees is central to the customer's perception of quality in many services (Kim, Ok & Gwinner, 2010). Therefore, this study supported the strategic importance of relational benefits in promoting relationships with long-term customers in the contexts of starrated hotels in the North Rift region of Kenya.

The findings on customer perceptions pointed that overall image, perceived worth and relational benefits had a vital effect in influencing customer loyalty. Additionally, image, perceived value and customer contentment were significant determiners of customers' behavioural loyalty. Regression of customer perceptions constructs (Perceived Value, Perceived Image and Perceived Relational Benefits) on both attitudinal and behavioural loyalty revealed a significant bond between the two. The findings of this study agreed with those of Li and Petrick (2010) and Kim *et al.* (2013), who found perceived value to have both direct and indirect effects on customer loyalty. The results also affirmed the findings of a study by Wang *et al.* (2016), that perceived value and satisfaction are the direct antecedents of CL. These findings were further in line with the view of the Social Exchange Theory, which states that if customers get value for their money, they will prefer to remain for long with the organization, hence become faithful customers.

Customer Perceptions affect the satisfaction of the customer and hence loyalty. Customers' Perceived Value determines Customer Loyalty. Therefore, perceived value creates consumer behaviour patterns that generate Customer Loyalty. Customers' positive perceptions of value have positive outcomes on the intentions of the behaviour of the clients, hence loyalty. This study also confirmed the findings of Singh and Choudhury (2017), who established that customer perceptions towards the image of the company and its products and services affect their purchasing decisions. Customers patronizing businesses with a noble corporate image are likely to be emotionally satisfied since they trust that such companies offer value for money (Tarus & Rabach, 2013). Consequently, among guests' perceptions of image influence customer perception of value and, indirectly, satisfaction with the hotel experience. Empirical research in tourism shows a positive relationship between image and customer satisfaction and loyalty (Abd-El-Salaam *et al.*, 2013).

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The study further found that customer perception of Relational Benefits positively affected Customer Loyalty. The findings agreed with those of Chu and Kang (2014), that Customer Perceived Functional Benefits from service providers and their Perceived Social Benefits significantly and positively influence their perception of service providers. Perceived social benefits are expected to have a positive impact on customer satisfaction, as the interaction between customers and employees is central to the customer's quality perception in many services (Kim *et al.*, 2010).

## **Implication to Research and Practice**

The study found a significant effect of Customer Perceptions on Customer Loyalty. The study recommendation to hotel managers is to provide services that exceed customers' expectations, provide value for money and offer competitive prices. In terms of perceived image, hotels should develop positive emotions, effective staff training, use unique and appealing image, and popularize their services using honest employees. Similarly, the staff should be trained to promote and encourage integrity and trustworthiness. Star-rated hotels should hire employees who understands their customers' needs. Customer perception should be promoted through customer recognition, provision of social relational benefits, being close to customers, prioritizing customer services and providing specific services in order to meet the anticipation of client service quality. On Customer Perceived Value, the study recommends that hotels provide competitive prices that will give customers value for their money. While on Customer Perceived Relational Benefits, the hotel managers should identify their loyal customers and their preferential activities, for example discounts, special offers, club membership as incentives to retain them.

## CONCLUSION

Based on the data collected, the study concludes that Customer Perception (Reputation, Perceived Value and Perceived Relational Benefits) has a significant effect on Customer Loyalty. Therefore, price, value, unique image, positive image, friendliness of hotel employees, trust, friendship with hotel employees, discounts and special deals, perceived relationship benefits and being given good treatment by employees among other variables are significant in creating Customer Loyalty.

## **Recommendation for further study**

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The study examined Customer Perceptions as the antecedents of customer loyalty. There may be other factors affecting client loyalty, apart from Customer Perception. The study, therefore, recommends the possibility of other potential antecedents to be explored in future studies.

The study used perceived image, perceived relational benefits and perceived value as the constructs of customer perception. Future studies should explore other constructs of customer perceptions.

There are few studies in the area of Customer Perceived Value with respect to relationship marketing mainly due to lack of suitable models. Therefore, this study recommends other constructs such as customer involvement and perceived competence of the hotel employees that might leverage Customer Loyalty, to be identified in order to gain a better insight into this problem and develop other meaningful models.

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