



A Structural Model for Examining how Service Quality, Trust, Perceived Value, Customer Expectations Affect Customer Loyalty: A Case Study of 3- and 4-Stars Hotels in Durres, Albania

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Abstract

In the nowadays society, the tourism industry is rapidly expanding and becoming a global powerhouse. This study aims to determine the impact of service quality on trust, perceived value, and customer expectations within tourism sector, and its significant implications for customer loyalty. The primary objective is to investigate the relationships among these critical factors and their combined effect on customer loyalty. The focus is on the Albanian tourism industry, particularly on 3- and 4-star hotels in the city of Durres. Statistical analyses, including descriptive statistics, internal consistency, reliability, validity, correlation, and regression tests, were conducted to establish the relationships and validate the study. The survey was administered to 550 tourists who stayed in various 3- and 4-star hotels in Durres from May to July 2024. The study found positive relationships between service quality and trust, service quality and perceived value, and service quality and customer expectations. These variables are identified as precursors to customer loyalty.

Keywords: customer loyalty, service quality, trust, perceived value, customer expectation

1. Introduction

Over the time, managers understood the importance of customer loyalty and begun to be focused on customer relationship strategies to keep customer loyal to their services, brands, or products. Especially in tourism industry that the competition is hard loyalty and loyalty programs are an added value that help businesses in this industry to take competitive advantages through others. The concept of loyalty became one of the most investigated concepts both in academic research and in business studies. It is important to study and to predict factors that affect customers to become loyal. Nowadays companies have understood that is easier and more profitable to maintain long term customers than attract new ones. The aim of this study is to identify the impact of service quality through trust, perceived value, and customer expectations on customer loyalty.

The concept and dimensions of customer loyalty will be used during this research to explain the importance of customer loyalty on business that operates in Albanian tourism industry and how loyalty helps in the creation of competitive advantages. In tourism sector the interaction between customer and sellers is immediate and constant. This

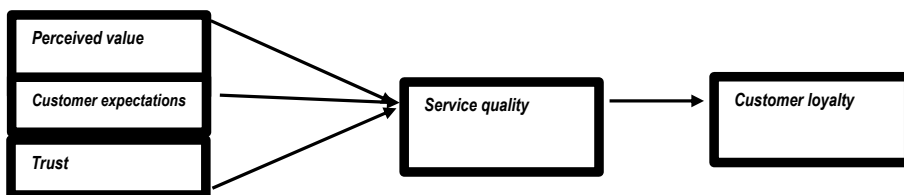
is the reason that customer loyalty is a key factor on tourism and service sector in general. Also, the level and interaction of feedback is higher for services than for products and customer loyalty can act like a barrier for changing the supplier. (Constantinescu, 2007).

This study explores how service quality toward its determinants trust, perceive value and customer expectations contributes to positive outcomes in terms of customer loyalty. Statistical tests included descriptive statistics, internal consistency, reliability, validity, correlations and regressions were conducted to determine the relationship and to validate the study. The survey for this study has been applied to 550 tourists that have been accommodated in different hotels of 3 and 4 stars in Durres, from May to July 2024. The study found that there is a positive relationship between service quality and trust, service quality and perceived value, service quality and customer expectation. All those variables are considered predecessors of customer loyalty. By examining these interrelationships, this research contributes valuable insights to the tourism industry, helping hotels in Durres to understand the dynamics that drive customer loyalty in the development of long-term loyalty to contribute to the sustainability and success of their businesses in this competitive industry.

2. Literature Review

This literature review highlights the interconnectedness of service quality, trust, perceived value, and customer expectations in shaping customer loyalty in the Albanian tourism industry, with a specific focus on 3- and 4-star hotels in Durres. As the hospitality sector in Albania continues to evolve, empirical investigations into these factors will provide valuable insights for hotel managers, policymakers, and researchers aiming to enhance customer loyalty and sustain the growth of the tourism industry in the region. Loyalty dimensions can be divided in different categories. The first category is related with perceptual factors such as satisfaction and trust. On the other hand, behavioural factors are related with quality services determined by two dimensions such as perceived value and customer expectations. All those dimensions of loyalty will be explained and interpreted in the Albanian tourism context.

2.1 Conceptual model of the research



2.1.1 Service quality model /SERVQUAL

The Service Quality Model or the SERVQUAL Service Quality Model is a model developed and implemented by marketing gurus Valarie Zeithaml, A. Parasuraman and Leonard Berry in 1988. It is a model that helps to measure service quality related with customer perception and expectation toward the service that they ask for. (Parasuraman, Zeithaml and Berry, 1988). This model is an important tool that helps to measure service quality, because it was realized that improving the quality of service can give organizations a competitive advantage through the others. The success of this model is that it can be applied in different cultural contexts. In this research I am going to use this model in the Albanian tourism context, to be precise in the hotels that operate in the city of Durres. (Parasuraman, Zeithaml and Berry, 1988). The aim of this model is to study the gap between what was expected and what was perceived from the service that the customer has taken.

2.1.2 Trust

Trust is a fundamental component of any successful customer-business relationship. In the hospitality industry, trust is built through consistent, reliable, and transparent interactions between the customer and the service provider. In terms of business relationship trust is explained as a simultaneous relationship between buyers and sellers in which the seller promises that will fulfil customer needs and obligations. (Schurr and Ozanne 1985). There are different aspects that are

related with the level of trust. The first one is related with the long-lasting life in the market of product or service.

2.1.3 Perceived value

Another important variable that has been studied during this research is perceived value. Perceived value is related with an amount of money that a customer is willing to pay for a product or service. This perception is directly related with the ability that has one product or service to meet customer expectations and needs. It is crucial for businesses, especially business that operates in service industries, to understand customer perceptions by studying consumer behaviour. This help business to build a competitive advantage towards their competitors and to improve their marketing strategy. (Sweeney & Soutar, 2001).

2.1.4 Customer expectations

Understanding and managing customer expectations is crucial for service providers in the hospitality industry. Customer expectations act as a benchmark against which actual experiences are compared, influencing overall satisfaction and loyalty (Oliver, 1980). Customer expectations are important to be studied because are the ones that influence customer behaviours and the willingness to buy a certain product or service. (Kotler, 2000). Managing and fulfilling the customer expectations is a good tool to maintain the customers satisfied. (Pitt & Jeantrout, 1994).

Overall, in this study we noticed that each dimension of service quality, trust, perceived value, customer expectations could influence customer loyalty. Therefore, we proposed the following hypotheses:

- H1: There is a positive relationship between customer loyalty service quality.
- H0: There is not a positive relationship between customer loyalty service quality.
- H2: There is positive relationship between service quality and trust.
- H0: There is not a positive relationship between service quality and trust.
- H3: There is positive relationship between service quality and perceived value.
- H0: There is not a positive relationship between service quality and perceived value.
- H4: There is positive relationship between service quality and customer expectation.
- H0: There is not a positive relationship between service quality and customer expectation.

3. Methodology

A quantitative survey has been studied to measure the relationship between the variables that has been taken into consideration during the literature review. All the data has been gathered from a questionnaire that has been made to customers that has been accommodate in the hotels of 3-4 stars in Durres during May-July 2024. The questions in the survey were adapted to identify the relationship that exists between the variables taken into consideration such as trust, perceived value and customer expectation toward service quality and customer loyalty. The questionnaire was designed based on Likert scale analyses in a Five Point Scale where number 1 stands for strongly disagree (Completely Disagree) and number 5 stands for strongly agree (Completely Agree) and number 3 stands for no opinion or not important (Natural Opinion). The survey for this study has been applied to 550 tourist that has been accommodated in different hotels of 3 and 4 stars in Durres, from May to July 2024. The population has answers to the questionnaire were customers of those businesses in the city of Durres. The survey has been divided into 5 dimensions. These four dimensions are consisted of Service Quality (SQ), Customer Perceived Value (CPV), Trust (T) and Customer Loyalty (CL) and customer expectations. The survey questionnaire design is derived from multiple-item measurement scales.

4. Results and conclusions

Table 1: Cronbach Coefficient Alpha

Variables	Alpha
Raw	0.876218
Standardized	0.875738

Source: SAS Statistics, 2024

The first test that has been made toward this questionnaire was to adapt Cronbach Alpha to study the reliability of the questionnaire and variables that has been taken in consideration. According to the table above Cronbach Alpha is 0.875738 that means that the questionnaire is reliable, and the data can set a trustable correlation and dependency of the hypothesis stated during the literature review.

Table 2: Explaining the descriptive statistics of the variables: Customer Loyalty, Trust, Service Quality, Perceived Value, Customer Expectation

Simple Statistics						
Variable	N	Mean	Std Dev	Sum	Minimum	Maximum
Customer Loyalty	583	4.28431	0.84207	2498	1.25000	5.00000
Trust	583	4.24057	0.87203	2472	1.25000	5.00000
Service Quality	583	4.66123	0.67394	2718	1.25000	5.00000
Percived Value	583	4.39751	0.84437	2564	1.25000	5.00000
Custmomer Expectation	584	4.17551	0.77883	2439	0.50000	9.50000

Table 3: Explaining the correlations between the 5 variables: Customer Loyalty, Trust, Service Quality, Perceived Value, Customer Expectation.

Correlations between variables of the sample					
	Customer Loyalty	Trust	Service Quality	Percived Value	Custmomer Expectation
Customer Loyalty	1.00000	0.68881	0.48980	0.66422	0.63904
Trust	0.68881	1.00000	0.44315	0.58149	0.64888
Service Quality	0.48980	0.44315	1.00000	0.54654	0.51771
Percived Value	0.66422	0.58149	0.54654	1.00000	0.63015
Custmomer Expectation	0.63904	0.64888	0.51771	0.63015	1.00000

Source: SAS Statistics, 2024

In table 2 indicates that the variables have different means and standard deviations, indicating variations in responses. Service Quality has the highest mean, suggesting that, on average, respondents rated service quality more positively than the other variables. Customer Loyalty has an average score of approximately 4.28, with a standard deviation of 0.84. The scores range from a minimum of 1.25 to a maximum of 5.00, indicating variability in responses.

Table 3 explain the correlation between different variables that I am going to study in this research. Each column and row provide a variable and the intersection between them provide the correlation coefficient. The statistics above shows that customer loyalty have a positive correlation with trust (0.68881), perceived value (0.66422), customer expectations (0.63904). On the other hand, it explains a moderate positive correlation with service quality. On the other hand, service quality has a moderate positive correlation with customer loyalty (0.48980) and perceived value (0.54654) and has also a weak positive correlation with trust and customer expectation. Those correlation can provide only an insight of the dependency between the variables; further analyses should be done to verify the hypothesis.

Table 4: Dependent Variable: Customer Loyalty, Independent Variable: Service Quality

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	3	100.0279964	33.3426655	61.75	<.0001
Error	579	312.6608973	0.5400015		
Corrected Total	582	412.6888937			
Square		Coeff Var	Root MSE	Customer Loyalty Mean	
0.242381		17.15209	0.734848	4.284305	

H1: There is a positive relationship between customer loyalty service quality.; H0: There is not a positive relationship between customer loyalty service quality.

Source: SAS Statistics, 2024

Hypothesis H1 proposed that there is a positive relationship between customer loyalty and service quality. In summary, the overall model, with "Service Quality" as an independent variable, is statistically significant and explains a significant portion of the variance in "Customer Loyalty." The specific variable "SQ" also shows a significant impact on "Customer Loyalty" based on R-squares and associated with F-statistic. The model is statistically significant ($p < 0.0001$), as indicated also by the F-statistic (61.75). The R-square value is 0.2424, indicating that the model explains 24.24% of the variance in the dependent variable. By those conclusions it can be deduced that first hypothesis is verified.

Table 5: Dependent Variable: Service Quality, Independent Variable: Trust

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	4	52.4528075	13.1132019	35.77	<.0001
Error	578	211.8911033	0.3665936		
Corrected Total	582	264.3439108			
R-Square	Coeff Var		Root MSE	Service Quality Mean	
0.198426	12.98947		0.605470	4.661235	

H2: There is positive relationship between service quality and trust.; H0: There is not a positive relationship between service quality and trust.

Source: SAS Statistics, 2024

This output suggests that "Trust" variable has a significant effect on the dependent variable "Service Quality" as the p-value is less than the conventional significance level of 0.05. The R-squared value of 0.198426 indicates that the model explains about 19.8% of the variance in the dependent variable. The F-test for the overall model is highly significant, suggesting that the model is a good fit. By those conclusions it can be deduced that also the second hypothesis is verified.

Table 6: Dependent Variable: Service Quality, Independent Variable: Perceived value

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	3	88.2021434	29.4007145	96.64	<.0001
Error	579	176.1417674	0.3042172		
Corrected Total	582	264.3439108			
R-Square	Coeff Var		Root MSE	Service Quality Mean	
0.333664	11.83289		0.551559	4.661235	

H3: There is positive relationship between service quality and perceived value.; H0: There is not a positive relationship between service quality and perceived value.

The overall model is highly significant with an F value $< .0001$, indicating that at least one of the predictors, in this case "Perceived Value", has a significant effect on the dependent variable "Service Quality". The R-Square value of 0.333664 suggests that the model explains approximately 33.37% of the total variance in the dependent variable. The F-test for the "PV" predictor is also highly significant ($Pr > F < .0001$), indicating that this variable significantly contributes to explaining the variance in "Service Quality". Overall, it seems like the model is a good fit for the data, and "PV" is an important predictor of "SQ." In this case also the third hypothesis is verified.

Table 7: Dependent Variable: Service Quality, Independent Variable: Customer Expectation

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	11	88.3373017	8.0306638	26.05	<.0001
Error	571	176.0066091	0.3082427		

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Corrected Total	582	264.3439108			
R-Square	Coeff Var	Root MSE	Service_Quality Mean	R-Square	
0.334176	11.91092	0.555196	4.661235	0.334176	

H4: There is positive relationship between service quality and customer expectation., H0: There is not a positive relationship between service quality and customer expectation.

Source: SAS Statistics, 2024

This analysis suggests that the model, with customer expectations as a variable, is statistically significant in explaining the variation in service quality. The low p-value (<.0001) indicates that the relationship is highly unlikely to be due to chance. The R-squared value suggests that around 33.42% of the variability in service quality is explained by the model. In this case also the fourth hypothesis is verified.

5. Conclusions

This study explains the role of service quality, trust, perceived value, customer expectations in shaping customer loyalty within the Albanian tourism industry especially in 3- and 4-star hotels in Durres. The result of this study shows that the relationship between service quality and trust is stronger than service quality and perceived value while, the relationship between perceived value and customer loyalty is stronger than trust and customer loyalty. Additionally, the scale reliability was confirmed for service quality, trust, perceived value, and customer loyalty. The results of this study also show that improving service quality leads to increase appropriate customer loyalty. A good service quality could improve customer perceived value, trust and customer expectation. Using the results of this documentary research, managers can gain a better perspective of the importance of loyalty determinants.

Identifying and analysing factors affecting loyalty is a very important step for every company that implements customer relationship management strategies and loyalty programs, no matter what industry they work in. Using the results of this research, managers can gain a better perspective of the importance of loyalty determinants. Knowing and understanding the factors with the greater impact on customer loyalty, the sellers can adjust their relational programs, for every target group or marketing segment.

Hotels should adopt an integrated approach, recognizing the relationships between these factors to create a comprehensive and satisfactory guest experience. Practical recommendations for hotel managers include investing in employee training to enhance service quality, implementing transparent practices to build and sustain trust, revising pricing strategies for optimal perceived value, and employing continuous customer feedback mechanisms. The study sheds light on the competitive landscape of the Albanian tourism industry, emphasizing the need for hotels to differentiate themselves through exceptional service, reliability, and customer-centric strategies.

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