

Chapter 8

Conclusion, Implications, Limitations and Future Research

8.1 Introduction

This chapter is divided into four sections. Conclusions of the results of the hypotheses testing to confirm the relationship between the antecedents of loyalty and value to its consequences on luxury hotels are discussed in the first section. In the second section, managerial implications are suggested. The third section discusses the limitations of this study and, in the fourth and final section, directions for future research are outlined.

8.2 Conclusions: Research Issues and Hypotheses Testing

The objective of this dissertation is to empirically investigate the relationship between the antecedents (functional performance, technical performance, brand trust and brand affect) and customer service loyalty and value in luxury hotels. In addition, this dissertation aims to test the contribution of customer loyalty and value to its consequences (price insensitivity, positive word-of-mouth and perceived brand image). The moderating effects of collectivism and two situation specific variables (business and leisure) are also examined for the relationship between the antecedents and customer loyalty and value in the hotel industry.

The 22 hypotheses are tested (without moderating effects) by using a SEM (structural equation modeling) method. According to Table 7.1, the results indicate that only 15 (H1A, B; H2A, H3A, H4A, H5B, H6B, H7, H8A, B, C; H9C; H10A, B, C) from 22 hypotheses are statistically significant in the direction as expected. Additionally, 8 hypotheses on the moderating effect of collectivism and two situation specific variables are investigated. According to Table 7.7, the results show that only the moderating effects of collectivism are important in driving the relationship between the antecedents and customer loyalty and value. Only three hypotheses of the moderating effect of collectivism (H11A, H11B and H11D) on the

relationship between the antecedents and customer loyalty and value are statistically significant in the direction as expected. Furthermore, the result of hypotheses testing and its implications are discussed separately in sections 8.2.1 – 8.2.11.

8.2.1 Relationships between Functional Performance and Attitudinal Loyalty (H1A) and between Technical Performance and Attitudinal Loyalty (H1B)

The strong relationship between functional performance and attitudinal loyalty (standardized parameter estimate = 0.34) and the relationship between technical performance and attitudinal loyalty (standardized parameter estimate = 0.18) indicate that functional performance and technical performance are the major contributing factors in driving attitudinal loyalty. Furthermore, the magnitude of functional performance has almost twice the impact of technical performance on attitudinal loyalty. Functional performance is equivalent to the SERVQUAL dimensions of assurance, empathy and responsiveness, whereas technical performance is equivalent to the reliability dimension (Parasuraman, Zeithaml et al., 1988; Patterson and Smith, 2001). The dimension which is most related to people, is responsiveness. Therefore, customers pay more attention to functional performance, which leads to a stronger impact compared to technical performance in driving attitudinal loyalty. These findings are consistent with the previous findings in the service sector in which high quality services increase customer retention rates, help attract new customers through word-of-mouth advertising, enhances productivity and so on (Lewis, 1993; Julian and Ramaseshan, 1994; Llosa, Chandon et al., 1998). These findings support a positive relationship between service quality and attitudinal loyalty in a Southeast-Asian context. The results also enable the generalizability of the results across cultures and nations.

8.2.2 Relationships between Functional Performance and Behavioral Loyalty (H2A) and between Technical Performance and Behavioral Loyalty (H2B)

In previous studies, perceived service quality is known to have an effect on behavioral intentions (Parasuraman, Zeithaml et al., 1988, , 1994; Zeithaml, Berry et al., 1996; Lee and Hwan, 2005). However, only the positive relationship between functional performance and behavioral loyalty is statistically significant (standardized parameter estimate = 0.18) in this dissertation. On the other hand, the relationship between technical performance and behavioral loyalty is negatively related and is statistically insignificant at any level. Therefore, the results are partially consistent with the previous studies because only H2A is supported. The reason is that most luxury hotels have already set their own standards and their customers understand this. If the service is not delivered as promises by a hotel or as expected by a customer, this might lead to a negative relationship between these two constructs. Concerning functional performance, however, customers interact with hotel employees during several service related processes, which can create a positive feeling for the customers even though they might face an unfavorable situation such as a late check in, etc. Brown (2004) also concluded that the hotel chain can earn or enhance loyalty by conducting a better dialogue with its guests and by giving frontline staff members incentives to note their observations if technical performance is difficult to evaluate by customers. It appears that only functional performance has an impact in driving behavioral loyalty in Southeast-Asia.

8.2.3 Relationships between Functional Performance and Perceived Value (H3A) and between Technical Performance and Perceived Value (H3B)

In an East-Asian context, Wang, Lo et al. (2004) find that customer perceived service quality drives customer value in the telecommunication industry. The result using SEM methodology indicates that only functional performance and perceived value had a positive relationship (standardized parameter estimate = 0.17) at a statistically significant level of 0.01. Technical performance and perceived value

also have a positive relationship although this is not statistically significant at any level. The findings support only H3A. The reason is that customers pay more attention to functional performance, which service quality dimensions most related to them. Technical performance refers to delivery of the core service although this might be of a lower standard than promised or expected. Hence, functional performance has a stronger impact in driving perceived value than technical performance.

According to the above, the results confirm that only functional performance is a major contributing factor in driving loyalty and value in luxury hotels in Southeast-Asia. It also has a stronger impact on loyalty and value than technical performance on loyalty and value. Technical performance seems to drive only attitudinal loyalty.

8.2.4 Relationships between Brand Trust and Attitudinal Loyalty (H4A), between Brand Affect and Attitudinal Loyalty (H4B), between Brand trust and Behavioral Loyalty (H5A) and between Brand Affect and Behavioral Loyalty (H5B).

Based on the findings of Chaudhuri and Holbrook (2001), brand trust has a stronger effect on purchase loyalty and attitudinal loyalty than brand affect. However, they found in their 2002 study that brand affect has a stronger effect on brand commitment than brand trust. Combining these two findings, brand trust and brand affect are positively related to commitment (loyalty). In this dissertation, the results show that brand trust has a positive impact on attitudinal loyalty (standardized parameter estimate = 0.23). Brand affect also has a positive impact on attitudinal loyalty but it is statistically insignificant at any level. Therefore, the result supports only H4A.

The results in Table 7.1 indicate that brand trust and brand affect have a positive impact on behavioral loyalty. However, the impact of brand affect (standardized parameter estimate = 0.20) to behavioral loyalty is much stronger than brand trust to behavioral loyalty (standardized parameter estimate = 0.08). The result only supports H5B and not H5A. According to this finding, the result is consistent

with Chaudhuri and Holbrook's (2001, 2002) findings that brand trust and brand affect have a positive relationship with behavioral loyalty and attitudinal loyalty. The results in this dissertation however, indicate that brand trust only has an impact on attitudinal loyalty, whereas brand affect has an impact on behavioral loyalty. The effects of brand trust and brand affect on loyalty in this dissertation are of almost the same magnitude. The reason is that in Chaudhuri and Holbrook's (2001) and 2002' papers, the results are derived from consumer and industrial products, and thus are different from those in this dissertation. In addition, this dissertation focuses on luxury hotels in Southeast-Asia, which is quite a different context from their study.

8.2.5 Relationships between Brand Trust and Perceived Value (H6A), between Brand Affect and Perceived Value (H6B)

Several earlier studies found that trust creates value (Morgan and Hunt, 1994; Sirdeshmukh, Singh et al., 2002). In addition, Chaudhuri and Holbrook (2001) also find that hedonic value has a positive relationship with brand affect, while utilitarian value has a negative relationship to brand affect. The result in this dissertation shows that there is a strong relationship between brand affect and perceived value (standardized parameter estimate = 0.55), which supports only H6B.

According to the above, the author can conclude that brand trust has a positive impact on attitudinal loyalty, whereas brand affect has a positive impact on behavioral loyalty and perceived value. Furthermore, brand affect has a much stronger impact on perceived value than on behavioral loyalty, which is consistent with Chaudhuri and Holbrook (2002) that value is related to brand affect and not brand trust. Therefore, the results of this dissertation confirm Chaudhuri and Holbrook's view that brand trust and brand affect are important as separate constructs, because both brand trust and brand affect impact loyalty and value differently. This dissertation though, concentrated on luxury hotels in Southeast Asia, a context which is quite different from Chaudhuri and Holbrook's (2002) study.

8.2.6 Relationship between Attitudinal Loyalty and Behavioral Loyalty (H7)

Several studies indicate a strong positive relationship between attitudinal and behavioral loyalty (Jarvis and Mayo, 1986; Pritchard and Howard, 1997; Chaudhuri and Holbrook, 2001; Bennett and Rundle-Thiele, 2002). However, the notion that value drives customer loyalty, albeit imperfectly, has received wide support among marketing practitioners and scholars (Chang and Wildt, 1994; Neal, 1999). This dissertation, therefore, considers only the interrelationship between attitudinal and behavioral loyalty. Analyses using SEM has in this dissertation confirmed that there is a strong relationship between attitudinal and behavioral loyalty (standardized parameter estimate = 0.53) in luxury hotels in Southeast-Asia.

8.2.7 Relationships between Attitudinal Loyalty and Positive Word-of-Mouth (H8A), between Behavioral Loyalty and Positive Word-of-Mouth (H8B), between Perceived Value and Positive Word-of-Mouth (H8C)

In the service sector, it is important to concentrate on reference customers, who are willing to give favorable recommendations about brands to customers (Moore, 2002; Reichheld, 2003). The results of this dissertation show that there is a strong positive relationship between attitudinal loyalty and positive word-of-mouth (standardized parameter estimate = 0.46), which is consistent with expectations. Furthermore, there is a positive relationship between behavioral loyalty and positive word-of-mouth (standardized parameter estimate = 0.21). This result supports that of many previous studies; that brand loyalty leads to positive word-of-mouth (Lau and Lee, 1999; Gounaris and Stathakopoulos, 2004).

There is a positive relationship between perceived value and positive word-of-mouth (standardized parameter estimate = 0.26) which is consistent with previous findings (Wang, Lo, and Yang, 2004). The confirmation of these three relationships (H8A, H8B, and H8C) demonstrate that loyalty and value play an important role in driving positive word-of-mouth in the luxury hotel industry in Thailand.

8.2.8 Relationships between Attitudinal Loyalty and Price Insensitivity (H9A), between Behavioral Loyalty and Price Insensitivity (H9B), between Perceived Value and Price Insensitivity (H9C)

Chaudhuri and Holbrook (2001) find a positive relationship between attitudinal loyalty and relative price, whereas behavioral loyalty has a positive relationship with market share. Generally, brand loyalty leads to market share when the same brand is repeatedly purchased by loyal customers (Assael, 1998). The foreign customers in this dissertation, do not travel and stay in luxury hotels as often as they purchase consumer products. Therefore, the author considers only price insensitivity because market share is not applicable in the luxury hotel industry. The findings in this dissertation indicate that although attitudinal loyalty has a strong negative relationship with price insensitivity (standardized parameter estimate = -0.31), behavioral loyalty has a positive relationship with price insensitivity, statistically insignificant at any level. These findings do not support the hypotheses. The reason is that hotels have offered worldwide discounts, especially during the difficult periods and high competition since September 11, 2001. For example, Intercontinental Hotel launched a Priority Privilege Card in 2005 to offer its members special rates and accommodation privileges as well as some favorable dining options all year round (Corp., 2005). Many luxury hotels in New York such as Peninsula has been discounted over \$200 per night for a deluxe room (Aline, 2002). Shangri-La hotel in Asia was also discounted by 40 percent to enhance its occupancy rate.

The results of this dissertation support a positive relationship between perceived value and price insensitivity (standardized parameter estimate = 0.27), which is consistent with expectations. One explanation could be that in recent years, hotel chains have recognized customer value by introducing many campaigns such as loyalty programs. These typically offer more benefits to their new and existing customers to enhance loyalty and revenue during heavy competition and a time of economy instability (Brown, 2004). Hence, only perceived value appears to play an important role in driving price insensitivity in luxury hotels in a Southeast-Asian context under these circumstances.

8.2.9 Relationships between Attitudinal Loyalty and Perceived Brand Image (H10A), between Behavioral Loyalty and Perceived Brand Image (H10B), between Perceived Value and Perceived Brand Image (H10C)

In several studies, brand loyalty is found to be a strategic tool for firms to obtain a sustainable competitive advantage (Brown, Kozinets et al., 2003; McAlexander, Kim et al., 2003; Yi and Jeon, 2003; Stern and Hammond, 2004). As previously mentioned, Upshaw (1995) concludes that loyal customers may use more of a brand due to the likeability of the brand or identification with its image. Consequently, loyalty has an impact on brand image. Furthermore, brand image was found to enhance value in India (Maxwell, 2001). Indian culture has significantly influenced on Thai hierarchical and religious beliefs such as language and Buddhism. Therefore, both loyalty and value are likely to drive brand image in Thailand. This dissertation found positive relationships between the following constructs: attitudinal loyalty and perceived brand image (standardized parameter estimate = 0.14); behavioral loyalty and perceived brand image (standardized parameter estimate = 0.20) and; perceived value and perceived brand image (standardized parameter estimate = 0.47). Perceived value has the strongest positive impact in driving perceived brand image. These results confirm that loyalty and value are the major drivers of perceived brand image in luxury hotels in Southeast-Asia.

8.2.10 The Moderating Effects of Individualism/Collectivism on Loyalty and Value

Collectivism has a moderating effect on the relationship between service quality (functional and technical performance) and loyalty (attitudinal and behavioral) and value. The empirical findings show that the moderating effect on the relationship between functional performance and attitudinal loyalty and behavioral loyalty is statistically significant only for the high collectivist group. Functional performance has a unstandardized parameter estimates of 0.48 for attitudinal loyalty and 0.28 for behavioral loyalty. Furthermore, the moderating effect on the relationship between

functional performance and perceived value is also statistically significant for the high collectivist group. The unstandardized parameter estimate of functional performance to perceived value equals 0.19. In contrast, the unstandardized parameter estimates of functional performance to attitudinal loyalty and behavioral loyalty for the low collectivism group (individualism) are -0.89 and -1.28, respectively, which is statistically insignificant at any level. This result indicates that the positive effect of functional performance on loyalty and value is stronger when consumers have a high collectivist orientation.

Additionally, the results from Table 7.7 indicate that technical performance has a unstandardized parameter estimate of 0.34 for attitudinal loyalty, 0.17 for behavioral loyalty and 0.17 for perceived value for the high collectivist group. For the low collectivist group, the unstandardized parameter estimates of technical performance to attitudinal loyalty and behavioral loyalty are 0.76 and 0.40, respectively. The unstandardized parameter estimate of technical performance to perceived value equals 0.25 for the individualist group. Even though the magnitude of the unstandardized parameter estimates of technical performance to loyalty and value are higher in the individualist group than in the collectivist group, the unstandardized parameter estimates of the individualist group are mostly statistical insignificant at any level. The exception is where technical performance and attitudinal loyalty is statistically significant at 0.10 level. This result also partially supports a stronger positive effect of technical performance on loyalty and value among high collectivist consumers. Therefore, the findings are consistent with the previous findings that loyalty is a key concept in collectivist cultures where relationships are expected to endure (Usunier, 1996). Mattila (1991) and Liu, Furrer et al. (2001) also propose that customers from collectivist cultures tend to have a higher intention to praise if they receive positive service quality. From the findings in this dissertation, collectivist culture has a higher moderating effect on service quality to loyalty and value than individualist culture in luxury hotels in Thailand.

Collectivism also has a moderating effect on the relationship between brand affect to loyalty (attitudinal and behavioral) and perceived value. The results indicate that the moderating effect on the relationship between brand affect, loyalty and value is only statistically significant for the collectivist group. Brand affect has a

unstandardized parameter estimates of 0.27 for attitudinal loyalty, 0.48 for behavioral loyalty and 0.89 for perceived value. The findings support the previous studies that people from collectivist cultures put more emphasis on the human touch and personal contact than on reliability to maintain a business relationship and assess their perceived level of service quality (Malhotra, Ugaldó et al., 1994). However, the moderating effect of collectivism on the relationship between brand trust, loyalty and value is statistically insignificant at any level. For the individualist group, the coefficients of brand trust to loyalty and value are mostly statistically insignificant at any level, except for the relationship between brand trust and perceived value (unstandardized parameter estimate = 5.38). As such, there is no moderating effect of collectivism on the relationship between brand trust and loyalty and value.

8.2.11 The Moderating Effects of Business/Leisure on Loyalty and Value

In the service sector, customers are generally divided into two groups, business and leisure (Watkins, 2003; Suzuki, 2004). This dissertation shows that there is no moderating effect of the business group on the relationships between the antecedents (functional performance, technical performance, brand trust and brand affect) and loyalty and value. However, this finding is consistent with Suzuki's (2004) study indicating that service experience has minimal effects on future choice decisions for both business and leisure travelers. Interestingly, no support is found for the moderating effect of business toward the relationships between antecedents (functional performance, technical performance, brand trust, brand affect) and loyalty (attitudinal and behavioral) and perceived value in the Southeast-Asia context.

According to the above, functional performance is shown to have higher explanatory power in driving loyalty and value than technical performance in luxury hotels in Thailand. A possible explanation is that functional performance deals with the interaction between the provider and recipient of service and is evaluated in a highly subjective manner. This is viewed as critical to customer perceptions of overall service quality, especially since many service firms find it difficult to differentiate themselves on their service alone (Sharma and Patterson, 1999). Luxury

hotels have set their own standards of which they may not be able to uphold as promised. As a result, functional performance can repair an uncomfortable situation through technical performance by providing a form of compensation such as a refreshment, gift voucher, and so on. Brand trust also has the power to shape attitudinal loyalty, whereas brand affect is shown to have high power in driving behavioral loyalty and perceived value. The result implies that doing business in Southeast-Asia depends very much on relationships.

In this dissertation, attitudinal loyalty has a strong impact on behavioral loyalty. This finding is consistent with the previous studies that an increase in attitudinal loyalty should increase behavioral loyalty on the next time they stay (Bennett and Rundle-Thiele, 2002). Loyalty and value are the major factors in driving positive word-of-mouth and perceived brand image in luxury hotels in Southeast-Asia. However, attitudinal loyalty has a strong negative impact in driving price insensitivity. This finding contradicts several earlier studies that report a close relationship between price premium and brand loyalty (Winters, 1991; Park and Srinivasan, 1994; Bello and Holbrook, 1995; Aaker, 1996; Chaudhuri and Holbrook, 2001). This dissertation found a negative association between price insensitivity and attitudinal loyalty. In other words, the majority of customers are sensitive to price increases, especially in the highly competitive period since September 11, 2001. This finding is consistent with Watkins' (2003) study which concludes that price is the most important selection criterion for travelers. Many luxury hotels (such as Marriott, Hilton, Six Continents, etc.); therefore offer reward to members with 10 points in their respective hotel loyalty programs for the equivalent of every US dollar spent (Gillian, 2002).

The moderating effects of collectivism and the situation specific (business and leisure groups) on the relationship between the antecedents and the mediating variables are examined. The results show that only the moderating variable in the cultural aspect has an affect on the relationship between the independent variables and the mediating variables. This finding is consistent with many earlier findings that cultural factors influence service evaluation and behavior intention (Strauss and Mang, 1999; Liu, Furrer et al., 2001; Mattila and Patterson, 2004).

8.3 Managerial Implications

Building and maintaining customer loyalty lies at the heart of the marketing concept. Pursuit of this goal indicates that the firm is not only interested in making sales at any cost, but is focused on how to achieve long-term profitability through repeat-purchase and consumer retention (Uncles and Dowling, 1998). Customer loyalty is an important concept for marketing practitioners of profit-driven firms. There are a number of reasons for this including the need to reduce customer acquisition costs, especially in the service sector (Reichheld, 1996), and also reducing marketing costs through positive word of mouth (Aaker, 1991; Arnold, 1992; Jones and Sasser, 1995).

The essence of marketing in the service sector is also to develop the long-term, "value-laden relationships" with customers (Berry, 1983; Christopher, Payne, and Ballantyne, 1991; Bejou and Palmer, 1998). This is because existing customers are much cheaper to retain than new customers are to acquire, a widely accepted concept in marketing literature such as Blattberg and Deighton (1996). It is generally agreed that customer retention is a strategy which should be adopted by a company since it costs five times more to get a new customer than it does to keep an existing one (Christopher, Payne et al., 1991; Filiatrault and Lapierre, 1997). Customer perceived value is therefore the important factor for firms to retain customers. Strategically, it is necessary for service providers to create value to provide an intellectual frameworks, conceptual models and governing ideas that allow managers to identify opportunities to bring value to customers and for delivering that value at a profit.

There are several managerial and operational strategies derived from the empirical study. The managerial implications are classified into three sections as follows:

1. Strengthening service quality and an emotional response.
2. Maintaining and implementing the consequences of loyalty and value.
3. Retaining customers in a collectivist way.

8.3.1 Strengthening Service Quality and an Emotional Response.

In Thailand, where service is offered at a high standard. Customers can evaluate this service type in terms of quality and value immediately from their experience (Darby and Karni, 1973; Zeithaml, 1981). Firms offering superior service can increase profits, market share and premium prices (Phillips, Chang et al., 1983). Businesses in the top five of relative service quality on average realize an 8% higher price than their competitors (Gale, 1992). Therefore, service quality, consisting of functional and technical performances, is an important factor in driving customer loyalty and perceived value.

The empirical findings from this dissertation show that functional performance has a strong influence on attitudinal loyalty, behavioral loyalty and perceived value. Technical performance has a strong impact only on attitudinal loyalty, whereas functional performance has a stronger influence on loyalty and value than technical performance. This implies that technical performance is a necessary but not sufficient condition to retain customers in luxury hotels.

Marketing managers should pay attention to the interaction between their staff and customers and should be evaluated in a highly subjective manner. This interaction is viewed as the critical criteria on customers' perceptions of overall service quality, especially since many service firms might not be able to deliver service as promised or unable to differentiate themselves from their core services. As a result, customers might pay less attention to these core services. Functional performance therefore becomes an increasingly important tool to create a sustainable competitive advantage (Sharma and Patterson, 1999). Consequently, marketing practitioners should emphasize functional performance. This can provide the benefits to the customers such as social motives which encompass the comfortable and friendly ambience that is built up in service relationships or provide extra things to the customers such as an added or unsought bonus. Hotel staff can also provide relevant and timely information to enhance value for customers such as tourist guide maps information for sidewalk food stalls or suggesting the use of the subway during rush hours in Bangkok (Patterson, Mandhachitara et al., 2001).

The hospitality industry involves a high degree of contact and coordination between employees and customers. Perfect service quality can never be achieved. Employees can make mistakes, and systems will fail. The pursuit of quality is a never-ending goal, but today it is one that every hospitality organization must aim for. Through a service quality program, managers can limit failures and enhance the customers' perception of service quality. Luxury hotels that fail to offer service quality can incur significant costs in many aspects. A service quality program involves a cooperative effort between marketing and operations. To develop a high service quality standard, hotels could do well to include the following ten principles of a quality service program (Kotler, Bowen et al., 2003).

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| 1. Supply strong leadership. The president or general manager of luxury hotels must have a clear mission for their hotels, communicate that mission and convince staffs to believe in and follow it. |
| 2. Integrate marketing throughout the organization. Marketing should be integrated into operations. |
| 3. Understand the customer. Employees in luxury hotels must know their customers' needs. In addition, the service product must be designed for and aim to a target market. |
| 4. Understand the nature of their business. Good service quality needs good teamwork. Many luxury hotels should provide cross-training to their employees. |
| 5. Apply operational fundamentals. Hotels must be well planned and managed. |
| 6. Leverage the freedom error. To provide good service, luxury hotels should provide flexible rules and procedures. |
| 7. Use appropriate technology. Technology can develop customer databases and communicate with customers. |
| 8. Practice good human resource management. It is important to hire the employees who have a positive attitude and be able to deliver the service promised to customers. |
| 9. Set standards, measure performance and established incentives. It is necessary to improve these continuously. |
| 10. Provide performance feedback to employees. |

In summary, hotels expecting to build and maintain a competitive advantage in the market must try their best to improve service quality, deliver superior customer value, achieve higher customer satisfaction, and turn behavior intentions of customers into real purchasing behavior (Wang, Hing et al., 2004).

Results from this dissertation reveal not only that brand trust has an influence on attitudinal loyalty, but also that brand affect drives behavioral loyalty and perceived value in the luxury hotel context. In addition, brand affect has a stronger influence on perceived value than behavioral loyalty, which is consistent with Butz and Goodstein's (1996) study. They conclude that value implies the emotional bond established between a customer and a producer (or service provider)

after the customer has used a salient product or service produced by that supplier and found the product or service to provide an added value.

Trust also applies in situations of uncertainty. In luxury hotels, the hotel standard is widely accepted and provided from several relevant information sources such as Thailand Standard Hotels 2004, etc. Customers therefore know and trust the hotel from the start from these ratings. If luxury hotels cannot deliver service as promised or expected, it could affect trust. To create or build trust, it is necessary to attract customers who value trust relationships. There are five strategies to build trust relationships (Lovelock, Patterson et al., 2001) as follows:

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| 1. Establishing effective communication. Customers need appropriate information before, during and after they purchase or use a service. |
| 2. Making relationship marketing. It is necessary to know about where to make relationship investments and to make sure that this creates trust equity. For example, luxury hotels such as the Peninsula, Shangri-La, etc. offer a bonus mileage or discount during the low season or period of fierce competition (Gillian, 2002). |
| 3. Hanging problem recovery. When customers face a serious problem, managers can handle the situation. |
| 4. Limiting barriers. It is important to create a guiding framework to avoid and unfavorable results. |
| 5. Choices for the future. It is necessary to listen to customers' opinions. |

Furthermore, marketing practitioners should concentrate on favorable brand affect to create added value and behavioral loyalty. The findings of this dissertation are consistent with Abramson and Janet (1998) that doing business in Southeast-Asia depends much more on a relationship-oriented approach.

As mentioned before, brand trust and brand affect have influence on loyalty and value. To enhance loyalty and value in the service sector, employees are an important factor in driving both brand trust and brand affect, especially in luxury hotels. The hospitality industry is unique in that employees are the key factor in delivering service. Hence, marketing in hospitality must be embraced and carried out by all employees and should be part of the philosophy of the organization. Internal marketing can create employee satisfaction, which in turn can lead to customer satisfaction. Reichheld (1993) concludes that employee satisfaction has a direct effect on customer retention and acquisition. Therefore, it is important to develop an internal marketing program aimed at service sector employees, including these four procedures suggested by (Kotler, Bowen et al., 2003)

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| 1. Establishment of a service culture that supports customer service through policies, procedures, reward systems, and actions. |
| 2. Development of a marketing approach to enhance human resources management. |
| 3. Dissemination of marketing information to employees. Marketing managers must inform other managers and supervisors about upcoming events, advertising campaigns and new promotions. |
| 4. Implementation of a reward and recognition system. Include methods to measure service standards and to gauge how well the organization is meeting these. |

Developing a high proportion of loyal customers is the ultimate goal for marketing practitioners (Schiffman and Kanuk, 1991). Attitudinal loyalty can be important for marketing practitioners to monitor in markets where consumers do not make a decision between brands on each purchase occasion (Bennett and Rundle-Thiele, 2002). Attitudinal and behavioral loyalty should be related and have a positive relationship (Sharp, Rundle-Thiele, and Dawes, 1997). An increase in attitudinal loyalty should result in an increase in behavioral loyalty, in terms of purchasing, such as an increase in attitudinal loyalty that leads to an increase in behavioral loyalty in the next measurement period. However, when customers increasingly use a brand (become more behaviorally loyal), they also become more attitudinal loyalty to a brand (Bennett and Rundle-Thiele, 2002). To understand the nature of customer loyalty, this dissertation suggests that management categorizes loyalty as both attitudinal and behavioral. This is also introduced by Dick and Basu (1994). Management can classify customers into four groups: truly loyalty (high in both attitudinal and behavioral loyalty), latently loyalty (high attitudinal loyalty and low behavioral loyalty), spuriously loyalty (low attitudinal loyalty and high behavioral loyalty) and disloyalty (low in both attitudinal and behavioral loyalty).

When luxury hotels are aware of various degrees of customer loyalty and combine this with customers' spending patterns, management will be able to segment their customers based on the levels of loyalty, especially those who are truly loyal. When a marketing manager has identified customers who have become loyal customers, there should be a relationship created with these customers, which is called relationship marketing. There are five main steps to establish a relationship marketing program in luxury hotels according to (Kotler, Bowen et al., 2003).

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| 1. Identify the key customers meriting relationship management. Managers can choose truly loyal customers and designate them for relationship management. |
| 2. Assign a skilled relationship manager to each truly loyal customer. A relationship manager should have characteristics that fit those of customers. |
| 3. Develop a clear job description for a relationship manager. The general manager in a luxury hotel should clearly explain objectives, responsibilities and evaluation criteria to a relationship manager. |
| 4. Have each relationship manager develop annual and long-range customer relationship plans. These plans should emphasize objectives, strategies, specific actions and required resources. |
| 5. Appoint a marketing manager to supervise the relationship manager. This person must develop job descriptions, evaluation criteria, and resource support to increase relationship manager effectiveness |

The findings in this dissertation are consistent with previous findings that attitudinal loyalty has a strong positive relationship with behavioral loyalty. Therefore, it is important for practitioners to identify two distinct concepts of loyalty. Attitudinal loyalty measures may help to identify the customers who are becoming disillusioned with a brand before disloyal behavior occurs. It is therefore necessary to investigate whether increases in attitudinal loyalty can also increase behavioral loyalty. This is most important for marketing practitioners who are seeking to reduce marketing costs of doing business in a highly competitive market, especially in the luxury hotel industry.

8.3.2 Maintaining and Implementing the Consequences of Loyalty and Value.

It is important for a marketing manager to concentrate on loyalty, especially in the service sector. An increase in loyalty can lead to the lower rates of customer defection. When customers stay with brands for longer periods, this reduces the costs of doing business. Loyal consumers should provide positive word-of-mouth, reduce acquisition costs and improve profitability. Understanding loyalty is consequently the crucial issue for marketing practitioners (Bennett and Rundle-Thiele, 2002).

The positive effects of retaining loyal customers are widely discussed in several articles (Dick and Basu, 1994; Park and Srinivasan, 1994; Aaker, 1996; Chaudhuri and Holbrook, 2001). These include price premiums, positive word-of-mouth, increased market share, propensity to switch, perceived brand image, etc. (Dick and Basu, 1994; Chaudhuri and Holbrook, 2001; Liu, Furrer et al., 2001).

Specifically, loyal customers are willing to pay more for the brand because they perceive some unique value that no alternative can provide (Jacoby, Chestnut et al., 1978; Reichheld, 1996).

This dissertation found that only perceived value enhances price insensitivity, whereas attitudinal loyalty has the opposite affect. Why will loyal customers be less price sensitive? It depends on how important they think price is and on the value proposition that the brand offers. Several researchers indicate that loyalty is positively related to price insensitivity. This does not imply that more loyal buyers are less price sensitive. It only means that customers buy a brand at a higher price because they perceive it to be better. Less price conscious customers will pay what they consider to be a reasonable price, even though a product might be cheap or expensive. On the other hand, a brand can offer many positive functional or psychological incentives to persuade them to buy at a higher price. It is perceived brand value, not brand loyalty, which drives price insensitivity (Dowling and Uncles, 1997). It is therefore necessary for a marketing manager to concentrate on affective aspects of the ways they deal with their customers, such as functional performance and brand affect. When customers perceived brand value, it can lead to price insensitivity. An example would be sale representatives who can offer customers unexpected periodic upgrades that, of which it could be inexpensive because of they may have unsold suites at hand (Bowen and Shoemaker, 1997). It finds that if competitors deliver greater value, there are two alternatives for marketing managers. They can increase total customer value by strengthening or augmenting the product, services, personnel, or image benefits of the offer. They can also decrease total customer cost by reducing product price and simplifying the ordering and delivery process (Treacy and Wiersema, 1993). Moreover, a marketing manager in a luxury hotel should consider the number of their reward partnerships (such as loyalty programs) in order to retain customers. However, these programs should emphasize costs and retain as much money as possible under fierce competition. Hotel operators should also find new methods to distinguish themselves from their competitors to appeal their loyal customers (Brown, 2004).

Another major consequence of brand loyalty is positive word-of-mouth. When customers have confidence in a brand, they may communicate this by positive

word-of-mouth about their committed brand. They will recommend it to others and induce new customers (friends, family or colleagues), which is called a "member gets member" program resulting in potential increase in the number of loyal customers (Amine, 1998). The results from this dissertation confirm that loyalty and value induce positive word-of-mouth.

Brand loyalty and value can be viewed as part of long-term strategy to achieve a competitive business advantage. In order to retain loyal customers, which is one of the goals of marketing practitioners, requires the consumer to commit the brand, and to make their purchase patterns more predictable, rather than ad-hoc in nature. Therefore, the findings in this dissertation belief that practitioners can develop or reinforce the customers' attitudinal bonds to its brands through marketing actions such as turning effective communication into a cognitive and affective source of brand commitment (Amine, 1998).

Perceived brand image is another important consequence of loyalty and value. Customers may use more of the brand to which they are loyal, since they may like using that brand or because they identify with the image of the brand (Upshaw, 1995). The empirical evidence in this dissertation supports the idea of loyalty and value having a strong impact on perceived brand image. Hence, brand image management may focus on its functional and symbolic distinctive characteristics and should not only help establish the brand's position and, therefore, enhance its market performance, but may also maintain the image over time. A brand with a main functional dimension is designed to solve consumption-related problems whereas a brand with a symbolic concept is designed to associate the customer with a desired group, role or self-image. The former brand image strategy should be used to enhance cognitive commitment, while the latter might be used to reinforce affective or emotional commitment (Park, Jaworski et al., 1986).

When competitors offer the same services, customers seek a difference based on company or brand images. Luxury hotels need to establish images that differentiate them from their competitors. Brand image should convey a singular or distinctive message that communicates the products' major benefits and positioning. Brand image must be supported by everything that a luxury hotel says it does. Images are heavily influenced by pictorial creations of the destination in movies or television,

by music, and in some cases by popular entertainers or celebrities. In the 1980s, the booming tourist industry in Australia used Actor Paul Hogan of the hit film *Crocodile Dundee* to dramatize the country's humor, adventure and ruggedness (Kotler, Bowen et al., 2003). Luxury hotels can form partnerships with travel, recreational, and communication businesses in joint marketing efforts. They can advertise in national magazines and travel publications and do vertical marketing with business-travel promotions to link the growing business-leisure segment of their customers. Finally, effective destination imaging requires congruence between advertising and accommodation. Photographs of the lobby, conference rooms and events need to have some relationship to what customers will actually experience.

From the empirical findings, broad promotional efforts can induce brand liking by creating and promoting a friendly and pleasant image of the brand. This can occur through advertising investment to enhance the congruence between the brand's character and the customers' self-image, which express the values and status of the brand (Aaker, 1997). This is used by customers as an extended self to manifest their own personalities and values to other people (Belk, 1988). Luxury hotels can, for example, advertise in magazines related to their target customers and hotel image such as "BusinessWeek", "The Economist" and so on. This congruency expresses a psychological closeness between the identity of the brand and the customer owing to their similarity and complementary features.

Implementing the value concept affects the image that comes to a customer's mind when he or she thinks about the hotel's brand. An image that is responsive to a value desired by customers is likely to become a core influence on the equity of the brand. Therefore, luxury hotels should have in place a process for creating and gaining internal consensus about which value concept is best. Management teams across the organization should learn how to use different kinds of data to create value concept. Marketing and sales, which have experience with customer research, may have to work with a broader array of such data to enhance customer value learning. Many will need new information skills. Customer value-related data, in many respects, are softer (such as reflecting the preferences and perceptions of customers), less quantitative, and require a broader set of information tools. For example, salespersons may have to employ more skilled interviewers and

observers when working with customers to get real-time data on customer value (Woodruff, 1997).

8.3.3 Retaining Customers in a collectivist way.

Customers from different cultures had different perceptions of service quality of the same stimuli either because of differences in expectations or because they attached different emphasis on different service quality criteria (Liu, Furrer et al., 2001). Malhotra, Ugaldo et al. (1994) found that developing nations are high in power distance and collectivism, and place greater emphasis on a human touch and personal contact than on reliability to assess the quality of service. National culture is an important issue in Thailand because of the manner in which people from high context, collectivist societies establish and maintain relationships. In a collectivist culture, we would expect higher levels of commitment to service providers through strong incentives to stay in relationships. Usunier (1996, p.114) concludes that "Loyalty is a key concept in collectivist cultures, which spreads from people to product, in as much as they are extensions of the self". Furthermore, Chiou (1995) insists that collectivist Eastern cultures are highly loyal because of their greater reliance on word-of-mouth for a product or service. This might also be evident through group evaluation of product performance rather than media claims.

This dissertation confirms that the higher the level of collectivism, the more loyalty and value customers will demonstrate towards service providers. Additionally, only the positive emotional response (brand affect) has a strong impact on loyalty and value in the case of a collectivist culture. These results are important to modify the strategy for service providers and to target customers. To serve customers in such a culture, it is important to create or amplify their positive service quality because it will gain a lot of positive feedback (such as more loyalty and perceived value). Additionally, it is important when running a business in Thailand to emphasize a relationship-oriented approach, especially in the service sector (Abramson and Janet, 1998). Malhotra, Ugaldo et al. (1994, p.14) also insist that "it is important for international marketing managers to understand various environmental, economic and social-cultural factors that effect consideration in

service quality evaluation". Marketing practitioners in Thailand can assume that when strong social bonds have been formed in a service relationship, customers will be forgiving of core service failures and such lapses will have a minor impact on customers overall satisfaction and perceived value (Patterson, Mandhachitara et al., 2001). Marketers must also understand the collectivist culture and adjust their services and marketing programs accordingly. In Japanese culture, for instance, customers expect promptness and prefer quick unfriendly service over having a conversation with the service provider. Moreover, if a Saudi offers refreshment, it is an insult or humiliation to decline it. Failing to understand such cultural differences in customers, their attitude and behavior can lead to disaster for the services and programs of a luxury hotel (Kotler, Bowen et al., 2003).

8.4 Limitations

One important issue deserving discussion is the limitations of the study. In this dissertation, the research method includes four limitations, which offer an opportunity for future study as follows:

1. The data of this investigation is derived from the perspectives of customers on luxury hotels in Thailand, which emphasized only a specific segment of the service sector. This narrow focus may limit the generalization to our industries and service sectors. The sample in this dissertation considers only luxury service products, which may be different from other hotel service categories such as three-star hotels or the long-stay tourism industry. Therefore, the structures and characteristics of loyal customers and their perceived value in luxury hotels may be different from the whole hotel industry. The results from the sample in this dissertation can not be generalized for the whole population of hotel industry.

2. This dissertation employed a cross-sectional design, which is the most frequently applied for descriptive design in marketing research. This design involves the collection of information from any given sample of population elements only once. Consequently, the sample does not enable a causal relationship, requiring a longitudinal design, to be established. A longitudinal study provides a series of situations over time that provide an in-depth perspective of change (Malhotra, 2004).

To gain information on loyalty and perceived value, it is more appropriate to study the same sample over time and measure the same variables. However, in the service industry, customers are classified into new customers and repeat customers. A longitudinal design is not available for new customers, but only for repeat customers, which is a limitation of this dissertation.

3. This research is conducted only from the perspective of the customer. It may be more useful to consider on the views of service providers. One explanation is that people are the most important factor in the service industry to enhance the loyalty and perceived value of customers. Internal marketing is another powerful tool available to a service firm in order to train staff effectively and to motivate its customer-contact employees. Furthermore, this extends to all the supporting service people who work as a team to provide customer satisfaction, which in turn, can lead to customer loyalty and an enhancement of their perceived value (Kotler, Bowen et al., 2003).

4. A standardized questionnaire, which is used in this dissertation, may not be applicable in the luxury context. For example, on brand trust and brand affect questionnaires (derived from Chaudhuri and Holbrook (2001) article), which was formerly applied only with consumer products. A same standardized questionnaire, therefore, is employed on luxury hotels at the first time in this dissertation, which can lead to limitations of findings.

8.5 Directions for Future Study

The limitations of this dissertation, which are discussed in the previous section, provide suggestions for future study. Additional empirical study will be useful in achieving more generalizability, which will be discussed below.

1. The limitation of sampling, service industry type, and area limit the extent to which the findings can be generalized to the service industry. To receive better information on customer loyalty and perceived value requires applying longitudinal design. Additionally, future research should replicate and extend these findings to other service types in order to understand the nature of the brand-service quality-loyalty relationship. From an applied marketing perspective, future research

should perhaps employ a larger sample size, made up of different types of service in order to improve the generalization of the findings. In this dissertation, emphasis is placed on experience properties; giving power to the suggestion future research emphasize results in terms of other service types such as credence properties or high-contact services. Demographic factors such as income, age and occupation can be applied for the moderating variable to specify the target customers.

2. This research focused only on the customers' perspective, which is one limitation to understand the extent of customer loyalty and perceived value in the service industry. Future research is needed to focus on the service firm along with service providers to derive the whole picture of the service industry. Therefore, marketing practitioners can generate internal marketing, interactive marketing and external marketing into a precise direct strategy. Internal marketing implies that the service firm must effectively train and motivate its customer-contact employees and all the supporting service people to work as a team to provide customer satisfaction. To deliver consistently high service quality, every service provider must be consumer-oriented. Internal marketing must precede external marketing. External marketing or traditional marketing is employed by service firms to satisfy customers. Interactive marketing is employed by service firm to recognize that perceived service quality depends heavily on the quality of customer-service providers interaction (Kotler, Bowen et al., 2003). However, appropriate research methodology should be applied to gather precise data. For example, to receive precise service provider information on customers' needs, focus group and in depth interviews are more appropriate techniques.

3. To understand loyalty and perceived value of repeat customers, the reciprocal effect of customer loyalty and its consequences is worth further analysis. When loyal customers are highly satisfied with a brand based on their past experiences, they are likely to support that brand and maintain or build its popularity (Amine, 1998). Furthermore, repeat customers may purchase the same brand after they identify with its image. Perceived brand image and positive word-of-mouth can enhance customer loyalty and perceived value. Hence, for future research, the reciprocal effect of customer loyalty and its consequences can enhance the attitude of repeat customers and their purchasing behavior pattern.

4. This dissertation employs the moderating impact of collectivism on the service quality-brand-loyalty relationship. Further research can extend this finding into other cultural values (such as power distance or uncertainty avoidance) to improve the generalization of the results. Hofstede's framework on culture values includes other dimensions such as masculinity, power distance, uncertainty avoidance and long-term orientation (Hofstede, 1980; Zeithaml, Berry et al., 1996). Thailand is not only considered high in collectivism but also high in power distance and uncertainty avoidance (Steenkampe, 2001). Therefore, these cultural values are expected to impact on customers in terms of their attitude, behavior and value in a Thai service context. Future study should investigate the framework of other countries in order to assess the influence of different cultures on the service quality-brand-loyalty relationship.