

## **Effects of Resort Service Quality, Location Quality and Environmental Practices on the Loyalty of Guests within the Malaysian Ecotourism Industry**

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### **ABSTRACT**

This research investigated the effects of resort service quality, location quality and environmental practices on the loyalty of guests. Data were collected from 529 guests of river and lake resorts in Peninsular Malaysia. Partial least square technique was used in analysing the data. Results indicate that guest loyalty is affected by the quality of service and location of resorts, as well as their environmental practices. These results suggest that well-trained staff, prompt service and sufficient information on the tourism attributes of the resort are crucial to providing guests with high-quality service. The findings are useful for policymakers and resort managers in terms of enhancing the understanding of the combined effects of resort service quality, location quality and environmental practices on guest loyalty. With regard to its theoretical contribution, this study has extended the previous research on the effects of environmental practices on customers' decisions by advancing the understanding of the relationship between resort environmental practices and guest loyalty.

*Keywords:* Service Quality, Location Quality, Environmental Practices, Loyalty

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### **INTRODUCTION**

The customer retention capacity of service providers in the hospitality industry is vital to their success. This study highlighted service quality (Lee *et al.*, 2003; Kandampully & Suhartanto, 2003) and location quality (Hillery *et al.*, 2001; Rigall-I-Torrent *et al.*, 2011) as important

factors in the hotel sector. A strong focus on these factors has created loyal customers, thus inducing a sustainable competitive advantage. Nevertheless, hotels cannot rely any further solely on the benefits of service and location quality because the rules of competition have changed (Hawkins & Lamoureux, 2001; Page & Dowling, 2002). Moreover, the pressure for adopting environmentally friendly practices has increased as well (Chan & Wong, 2006).

Hotels and resorts are the major contributors in the hospitality industry in terms of their strong environmental impacts. Consumers are progressively becoming more acutely aware of the environmental damages caused by harmful business activities (Manaktola & Jauhari, 2007). The industry activities that negatively affect the natural environment have been mitigated by the adoption of environmental practices within the hospitality industry. As the demand for environmental practices in the tourism industry continues to increase (Hawkins & Lamoureux, 2001; Sharpley, 2001; Page & Dowling, 2002), the hotel selection of tourists will be influenced by the types of environmental policies that are enforced by hotels. The decisions of tourists will also be made on the basis of whether or not hotels have undertaken steps to reduce their negative effects on the environment (Millar & Baloglu, 2011).

The current paper contributes to the literature in several aspects. First, it analyses the effects of environmental practices on customers' decisions within the context of the ecotourism industry; this

aspect contrasts with that of majority of the previous studies which have only examined manufacturing firms (Grimmer & Bingham, 2013; Borin *et al.*, 2013). The activities of service organisations have a less visible effect on the environment compared with manufacturing firms, thus explaining the lack of substantial investigation into this subject (Bowen, 2000; Budeanu, 2005). Service organisations are often referred to as 'the silent destroyers of the environment' (Mensah & Blankson, 2013; p. 1212), and their impact on the environment has received considerably less attention. Second, with regard to environmental variables, majority of the previous studies measured environmental practice based on environmental performance (e.g., emission reduction). This paper uses a different approach in that it seeks to use the degree to which organisations have implemented diverse environmental practices to measure their environmental adeptness. Third, previous studies have investigated customers' attitudes towards environmental conventions within the hospitality industry (Clarke, 2001; Dalton *et al.*, 2008), whereas a common attitude towards a product or a service is inadequate to predict behaviour (Fishbein & Ajzen, 2010). Moreover, previous research has established a positive relationship between customers' loyalty and the financial performance of an organization (Lee *et al.*, 2000; Keisidou *et al.*, 2013; Nayebzadeh *et al.*, 2013). Hence, the evaluation of the potential drivers of guest loyalty is a more relevant undertaking (Anderson *et al.*, 1994; Brady *et al.*, 2002).

Previous studies have only investigated the effects of service quality, location quality and environmental practices on customers' attitudes rather than on customers' loyalty (Manaktola & Jauhari, 2007; Ladhari, 2009; Han *et al.*, 2010).

In marketing literature, consumer loyalty - defined as repeat purchases or positive word of mouth to other people - is one of the critical indicators used to measure the success of marketing strategy (Flavian *et al.*, 2001). Similarly, guests' loyalty in hospitality industry refers to repeat visits, longer stay or recommending the hotel to friends or relatives is considered as one of the driving forces for success in the competitive market (Yoon & Uysal, 2005).

This study aims to investigate the effects of service quality, location quality and environmental practices on the loyalty of resort guests. An understanding of the determinants of guest loyalty is essential for resort managers to enhance guests' loyalty. Additionally, success in enhancing the guests' loyalty may improve the resort's financial performance.

## SERVICE QUALITY

Among the management dimensions of industry-leading service companies, service quality appears to be the most sustainable basis for distinction (Zeithaml & Binter, 1996); meanwhile, balancing customer satisfaction and value (Parasuraman, 1997), pushing market share and profitability and developing appropriate strategies (Gronroos, 2000) have become crucially important. Researchers and organisations

alike have concluded that customers critically assess the standards of service provided; thus, whether or not customers approve the type and level of service of a firm will directly affect its profit (Zeithaml, 2000). One of the key factors that the hospitality industry acknowledges is its capacity to control the quality of service provided to customers, which adds value to products and therefore ensures customers' loyalty (Lee *et al.*, 2003). By contrast, some hotels lower their prices in an attempt to increase their market share, but they risk creating a negative effect on their medium- and long-term profitability (Ernst & Young, 1996). As a result, customers' loyalty can be linked more to quality of service rather than to price when a hotel seeks to differentiate itself from its competitors (Kandampully & Suhartanto, 2000, 2003). Thus, the following hypothesis is proposed:

*H1: The quality of service provided by river and lake resorts directly affects guest loyalty.*

## LOCATION QUALITY

Several studies (for instance, Dokmeci & Balta, 1999; Begin, 2000; Urtasun & Gutierrez, 2006) have emphasised the importance of location in the hotel site selection decision of tourists. The specific products the hotel offers and its location equally affect the holiday enjoyment of tourists (Rigall-I-Torrent *et al.*, 2011). An attractive hotel location (usually due to its rich biological and/or cultural values) will increase the popularity of the hotel (Hillery

*et al.*, 2001). Similarly, a convenient location and the overall quality of service determine the enjoyment level of guests (Rivers *et al.*, 1991). Compared with other businesses, the hotel sector relies heavily on location, thus placing it in a unique situation (Nozar, 2001). Huybers and Bennet (2000) indicated that potential overseas holidaymakers are willing to pay a premium price to visit destinations with a high level of environmental quality. Therefore, the present study posits the following hypothesis:

*H2: Resort's location quality has a positive influence on guest's loyalty.*

## **RESORT ENVIRONMENTAL PRACTICE**

Implementing environmental practices allows for product differentiation in the hotel sector. For example, a hotel that improves its pollution levels will most likely increase demand from environmentally sensitive tourists (Chan & Wong, 2006). Resort managers have had to adapt to the tastes and preferences of ever-demanding tourists who expect hotels to demonstrate a greater respect for the environment while delivering a sound product. The World Tourism Organisation (1998) states that guests' perceptions about the level of the standard of service provided by hotels are affected by several factors including the state of environmental conservation. Thus, hotels that apply effective environmental management will improve guests' opinions about the environmental quality of the

hotel and the vacation industry product as a whole (Kirk, 1998; Chan & Wong, 2006); such an approach is more effective than merely providing a pleasant location and obtaining distinction badges (i.e., eco-labels).

Although selecting a green hotel may be more costly, an increasing number of customers are willing to pay more for environmentally friendly products and services (Han *et al.*, 2009). Industry professionals have responded to this trend by catering to the new and growing demands of environmentally conscious tourists. For instance, several hotels provide private tours of their environmental practices (e.g., water sewage management) to encourage visitors to return to the hotel in the future and recommend it to their friends. The expected and preferred outcome is that more business is brought to the hotel (Han & Kim, 2010). Numerous studies have discussed the importance of environmental practices in the hospitality industry and how hotels implement such practices; nevertheless, research into the effects of environmental practices on guests' loyalty remains scarce. Therefore, the following hypothesis is proposed:

*H3: Resort environmental practices have a positive influence on guests' loyalty.*

## **MODEL CONCEPTUALISATION**

In the behaviourism domain, behaviour is believed to be affected by biological influence through 'instinctive forces' or 'drives' that function outside conscious

thought (Arnold & Randall, 2010); theories of this type are referred to as behavioural learning theories. Behavioural learning is defined as a process in which the experience of the environment induces a relative change in behaviour. Behavioural learning theories could be highly useful in explaining how and why resort service quality, location quality and environmental practices affect guest loyalty.

Stimulus–response theory (Bagozzi, 1986) is a behavioural learning theory that assumes the introduction of a stimulus that subsequently elicits a response. Consequently, the present study drawing on this theory investigated the effects of stimuli, such as resort location quality,

resort service quality and environmental practices (independent variables), on guests' loyalty (dependent variable) (Fig.1). These then form the objectives of the study. Guests' loyalty is considered a dependent variable, given that the results of the previous research have indicated that loyal consumers spend more than non-loyal ones (Ganesh *et al.*, 2000). Loyal consumers also serve as organisation promoters through positive word-of-mouth and their involvement in decision-making processes and volunteer activities (Zeithaml *et al.*, 1996; Kyle *et al.*, 2005). In the long run, these steadfast patrons cost the organisation less, saving it from the need to recruit new fans of its product (Bolton *et al.*, 2000).

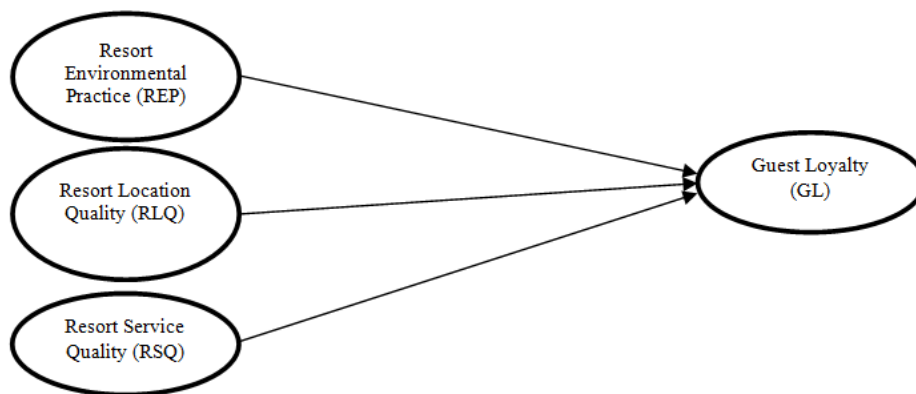


Fig.1: Conceptual Framework

## METHODOLOGY

The present study employed a quantitative survey that incorporated a structured questionnaire. The questions in the questionnaire were adapted from Bedi (2010), Yusof *et al.* (2014), Sloan *et al.* (2009), Kandampully and Hu (2007), and

were self-constructed (Appendix I). Given the presence of some self-constructed question items in the questionnaire, a pilot study was conducted for an exploratory factor analysis, as suggested by Child (1990), to explore the possible underlying factor structure. The principal component

method with varimax rotation was applied in the current study. A total of 159 respondents participated in the pilot study. According to Igbaria (1995), the rule for identifying and interpreting unique factors requires that each item should load 0.50 or greater on one factor, whereas the other factor should load 0.35 or lower. Based on this rule, three question items were removed due to their low factor loadings (the eliminated items appear in italics in Appendix I). The population for this study consisted of all of the guests of river and lake resorts in Peninsular Malaysia. River and lake resorts refer to river or lake based resorts (Marcouiller *et al.*, 2004). In another words, the resorts are located beside a lake or a river. The sampling frame was drawn from the list of resorts in the accommodation list provided by Tourism Malaysia (2013); these resorts are nature-dependent tourist lodges that fit the philosophy and principles of ecotourism (Russell *et al.*, 1995). Thus, the resorts must fulfil the following ecotourism criteria: (i) located in an undisturbed natural area (Ceballos-Lscurain, 1987), (ii) provide ecotourism-related activities, such as studying, admiring and enjoying the scenery, flora and fauna, and (iii) provide products, services and activities that allow guests to appreciate, participate in and be aware of the natural environment (Ziffer, 1989). In the current study, 58 resorts satisfied the ecotourism criteria. To gain access to the resorts and secure their participation, telephone calls were made, followed by a visit to meet with the resort management.

From this meeting, the number of rooms, maximum capacity of guests that the resort can accommodate, average occupancy rate and size of resort staff were obtained. Only 38 resorts agreed to participate in the study. The questionnaires were successfully distributed to 800 guests of 38 resorts, and a total of 576 respondents returned the questionnaires. Out of 576 questionnaires, 47 responses were discarded because of incompletely answered questionnaires. Thus, a total of 529 questionnaires were used in the data analysis, yielding a usable response rate of 66.13%.

This study applied the partial least squares (PLS) technique using Smart PLS 2.0 (Beta) M3 (Ringle *et al.*, 2005). Subsequently, nonparametric bootstrapping was applied (Efron & Tibshirani, 1993; Wetzels *et al.*, 2009) with 5,000 replications, as suggested by Hair *et al.* (2013). This technique was used due to its appropriateness to the exploratory nature of the present study, in which some of the hypothesised relationships between the variables have not been previously tested. The required sample size for the study depended on the number of variables and the statistical technique to be used. Barclay *et al.* (1995) developed an often cited criterion that has also been postulated by Chin (1998), that is, the number of predictors in the multiple regression models will determine the sample size. Consequently, the current research identified (a) the largest number of formative indicators, (b) the largest number of independent variables, and (c)



the maximum of both numbers in (a) and (b) multiplied by 10 to obtain the minimum sample size. Guests' loyalty obtained the largest number of predictors (3); thus, a sample size of 529 proved to be more than sufficient.

## RESULTS

### *The Sample*

Male respondents comprised 61.9% of the sample, whereas female respondents accounted for 38.1% (Table 1). A total of 192 (36.7%) respondents belonged to the age group of less than 20 years, followed by 174 (33.3%) respondents within the age group of 20 to 29 years, 82 (15.7%) respondents within the age

group of 30 to 39 years, and 75 (14.3%) respondents within the age group of 40 years and above. In terms of nationality, Malaysian respondents comprised 92.4% of the sample, with the ethnic Malay respondents (86.3%) dominated the survey. The educational level of the respondents in descending order is as follows: secondary (51.8%), tertiary (46.5%) and primary (1.5%). During their resort visit, the respondents were accompanied by their family (44.8%) and friends/colleagues (22.4%); meanwhile, 18.5% of the respondents visited the resort as couples, and only 1.9% of the respondents visited alone. Most of the respondents (67.1%) were first-time visitors to the particular resort.

TABLE 1  
Profile of the Respondents

Demographic Factors	Description	Frequency	Percentage (%)
<b>Gender</b>	Male	326	61.9
	Female	201	38.1
<b>Age</b>	Less than 20 years old	192	36.7
	20 – 29 years old	174	33.3
	30 – 39 years old	82	15.7
	Above 40 years old	75	14.3
<b>Nationality</b>	Malaysian	485	92.4
	Others	40	7.6
<b>Ethnic</b>	Malay	454	86.3
	Chinese	30	5.7
	Indian	9	1.7
<b>Education</b>	Other	33	6.3
	Primary	8	1.5
	Secondary	271	51.8
	Tertiary	243	46.5
	Others	1	0.2
<b>Accompany</b>	Family	324	44.8
	Couple	94	18.0
	Friends/ Colleagues	117	22.4
	Alone	10	1.9
<b>Number of visit</b>	Others	67	12.8
	1 time	347	67.1
	2 Times	74	14.3
	More than 3 times	96	18.6

*Common Method Variance*

Podsakoff and Organ (1986) stated that the common method bias is troublesome when a single underlying factor comprises the majority of the explained variance. The results of un-rotated factor analysis in the current study indicated that the first factor accounted for only 24.10% of the total 64.05% variance, suggesting that common method bias was not a serious problem in this study.

*Measurement Model Results*

The first step in PLS involves establishing the reliability and validity of the measurement model. All of the constructs in this study were operationalised in a reflective mode, thus rendering reliability and validity as appropriate criteria (Hair *et al.*, 2013). To ensure that the manifest variables measured what they were intended to measure, the reliability (loading) of each

indicator was considered. Hair *et al.* (2010) suggested that the items with loadings of at least 0.6 should be accepted. The loadings associated with each scale were all greater than 0.6 (ranging from 0.664 to 0.909); hence, individual item reliability was acceptable, and no items were dropped.

Construct internal consistency was assessed using composite internal scale reliability, which is similar to Cronbach's alpha. All four measures satisfied the guideline proposed by Hair *et al.* (2010) that the internal consistency should be at least 0.7 (Table 2). Internal consistency can also be evaluated using the average variance extracted (AVE), which is a measure of variance accounted for by the underlying construct. All the constructs in this study had an AVE of at least 0.5, satisfying the recommendation of Fornell and Larcker (1981) and further supported the internal consistency.

TABLE 2  
Measurement Model Evaluation.

Constructs	Number of Items	Factor loadings	CR	AVE
Service Quality (SQ)	3	0.852 - 0.909	0.913	0.777
Location Quality (LQ)	3	0.768 - 0.848	0.848	0.650
Resort Environmental Practice (REP)	6	0.664 - 0.753	0.867	0.520
Guest Loyalty	5	0.789 - 0.884	0.920	0.698

CR= Composite Reliability; AVE= Average Variance Extracted

Discriminant validity refers to the extent to which a particular construct is different from other constructs. One criterion of discriminant validity is that a construct should share more variance with its measures than with all other constructs

(Hulland, 1999). Following Chin (2010), the square root of the AVE was measured for each construct to assess the discriminant validity (Table 3). These square roots were greater than the correlations between constructs, confirming the discriminant



validity (Henseler, 2009). Another method for judging discriminant validity is to assess the cross-loading (Chin, 1998). Each indicator should load higher on its associated latent variable than on any other latent variables (Hair *et al.*, 2013). The examination of these loadings exhibited

sufficient discriminant validity. Given the preceding analysis, the scales used in this study demonstrated sufficient evidence of uni-dimensionality, internal consistency and convergent and discriminant validity to be included in the structural model.

TABLE 3  
Discriminant Validity Coefficients

	Mean	Std. error	SQ	LQ	REP	GL
<b>SQ</b>	4.473	0.958	<b>0.882</b>			
<b>LQ</b>	5.060	0.789	0.496	<b>0.814</b>		
<b>REP</b>	4.691	0.795	0.454	0.522	<b>0.721</b>	
<b>GL</b>	4.313	1.046	0.562	0.559	0.483	<b>0.836</b>

#### *Assessment of the Structural Model*

The measurement model yielded satisfactory results; thus, this study consequently evaluated the structural model to confirm the relationships between the constructs using the PLS method. The illustrative ability of the research model was examined in terms of the portion of variance that it explained. The results suggested that the model is capable of explaining 44.0% of the variance in the loyalty of resort guests. Stone (1974) and Geisser (1975) developed predictive relevance that the researchers have recently started to include in addition to estimating the magnitude of R<sup>2</sup> as an additional method for assessing model fitness. This technique demonstrates the capability of the model to predict the manifest indicators of each latent construct. Stone–Geisser Q<sup>2</sup> (cross-validated redundancy) was computed to

examine the predictive relevance using a blindfold procedure in PLS. Following the guidelines suggested by Chin (2010), a Q<sup>2</sup> value greater than zero implies that the model has predictive relevance. In this study, a value of 0.299 was obtained, which is far greater than zero.

In this study, non-parametric bootstrapping (Efron & Tibshirani, 1993; Wetzels *et al.*, 2009) was applied with 5,000 replications to test the structural model. The implications and relative force of the direct effects specified by the research model were evaluated (Table 4). The results indicated that the effects of resort service quality ( $\beta = 0.332$ ,  $p < 0.001$ ), location quality ( $\beta = 0.304$ ,  $p < 0.001$ ) and environmental practices ( $\beta = 0.173$ ,  $p < 0.001$ ) on guest loyalty were notable and positive. Thus, all the hypotheses were supported.

TABLE 4  
Path coefficient and hypothesis testing

Hypothesis	Relationships	Path Coefficient	Std. Error	t-value	Decision
H1	SQ -> GL	0.332	0.047	7.107***	Supported
H2	LQ -> GL	0.304	0.048	6.362***	Supported
H3	REP -> GL	0.173	0.048	3.588***	Supported

Note: \*\*\*p<0.001

## DISCUSSION AND IMPLICATIONS

The hospitality industry affects nature at large (Budeanu, 2005), while improperly managed hospitality activities can easily bring negative effects to the environment. Resorts consume a significant amount of natural resources found in the areas in which they are built; thus, these holiday businesses directly affect the sustainability of the areas in which they are built (Scanlon, 2007). The present study investigated the effects of resort service quality, location quality and environmental practices on guests' loyalty.

The direct link between resort service quality and guests' loyalty is consistent with the results of previous research by Lee *et al.* (2003), and Kandampully and Suhartanto (2000, 2003). Recruiting and hiring the most suitable staff members, as well as training them to become friendly, providing prompt service and acquiring sufficient information on the tourism area of the resort ensure high-quality service that guests seek. The results suggested that in addition to resort service quality, a pleasant resort location is an influential determinant of guest loyalty. This finding further confirmed and expanded the findings of Chan and Wong (2006) that guest behaviour is significantly

affected by pleasant hotel location and services. Considering the fact that changing the resort location is impossible, the resort management should provide services (i.e., free returned transfer services from the airport to the resort and from the resort to tourist attractions) to offset the negative effects of an unpleasant resort location.

The findings of this study highlighted the significance of resort environmental practices on guests' loyalty in addition to resort service and location quality. Moreover, the findings suggested that the resort managers should be genuinely involved in environmentally friendly programmes because this practice could potentially enhance the public reputation of the resort. In this sense, resorts that improve their environmental practices gain competitive advantage in two ways. First, hotels will likely achieve guests' loyalty. Second, they could reduce their costs and increase their revenue by adopting environmental management practices that generate increased performance levels. Therefore, the results of this study indicated that in addition to resort service quality and location quality (Chan & Wong, 2006), environmental practices of resorts are an important issue that resort managers should regard as urgent to maintain the

competitiveness of the resort. The results of the current study may be of interest to policy makers, particularly in the aspect of providing resort managers with training and knowledge about the importance of service quality and environmental practices.

Moreover, the findings provide practical implications for policymakers and resort managers in terms of enhancing the understanding relative and combined effects of resort service quality, location quality and environmental practices on guests' loyalty, thereby facilitating their promotion of the attractiveness of lake and river destinations nationally and internationally. With regard to its theoretical contribution, this study has extended the previous research on the effects of environmental practices on customers' decisions and provided significant potential by advancing the understanding of the link between environmental practices of resorts and guest loyalty. To the best of our knowledge, our work is the first study to conduct such a theoretical and empirical examination in the context of the ecotourism industry.

## CONCLUSION

Service and location are the factors that allowed for the differentiation among the resorts previously (Chan & Wong, 2006). As guests' expectations continuously increase, resort managers should constantly improve the services to obtain guests' satisfaction and enable the resort to compete in the competitive market. Given the growing tourists' demand for environmental practices (Hawkins & Lamoureux, 2001;

Sharpley, 2001 Page & Dowling, 2002), the present study investigated the effects of resort service quality, location quality and environmental practices on guests' loyalty. Above all, the findings supported all the hypotheses postulated in this study.

Similar to other studies, this study has several limitations which provide directions for future research. First, the study tested and verified the hypotheses with a questionnaire survey. It is important to note that this approach only provides the cross-sectional aspect of the study. Thus, the results of the survey are influenced by the fact that the dynamic changes in tourists' attitudes and behaviours are unobservable in this study. A longitudinal study that examines the relationships for an extended period should be attempted to obtain more precise results. Second, the population for this study was specific to only guests of river and lake resorts. Consequently, hotels in the urban area that intend to apply the results of this study should be more conscious of the variation in the environmental concerns of guests of these types of hotels. Finally, this study was conducted in the resorts located in Malaysia. This aspect raises the issue of applicability of the findings in other Asian countries such as Indonesia. Therefore, research in other countries can contribute to the generalisability of the findings of this study. Other important issues that should be considered in future research are the effects of guests' loyalty on the financial performance of the resort because of the capacity of guests' loyalty to improve such performance, as well as the effects of the other factors such as price on guests' loyalty.

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## Appendix I: Questionnaire Items

Constructs	Items	Source
Resort Service Quality	The resort staff is friendly.	Bedi (2010); Yusof et al. (2014)
	The resort provides prompt service.	
	The overall service quality of resort is satisfactory.	
Resort Location Quality	This resort is located in a scenic place.	Self-Constructed
	This resort's physical environment is very relaxing.	
	<i>The journey to this resort is enjoyable.</i>	
Resort Environmental Practice (REP)	This resort is easy to access.	Sloan et al. (2009)
	This resort uses low-energy consumption devices.	
	This resort uses movement sensitive lighting.	
	This resort uses water-saving devices.	
	This resort uses recycled materials.	
Tourists' Loyalty (TL)	This resort encourages guests to conserve the environment.	Kandampully & Hu (2007)
	Development of this resort is integrated with its natural environment.	
	If possible, I intend to stay longer in this resort.	
	If I travel to this area, I intend to stay in this resort again.	
	I would highly recommend this resort to my friends and family.	
	If I travel to this area, I would NOT switch to other resort.	
	I would NOT switch to other resort even if they offered me a better rate or discount on their services.	