

## **CHAPTER II**

### **LITERATURE REVIEW**

This chapter elaborates the relevant theories and models to support the idea and argumentation as well as to provide deeper understanding about the research topic. The more specific study regarding the variables of aspect attractiveness contributing to customer loyalty at homestay will also be discussed within the chapter. In addition, this chapter also describes previous study, hypothesis development, and research framework.

#### **2.1. Theoretical Background**

##### **2.1.1 Customer Loyalty**

According to Uncles *et al* (2002) Customer loyalty is something that consumers may exhibit to brands, services, stores, products categories (e.g., cigarettes), and activities (e.g., swimming). In the business context, loyalty is the customers' tendency or commitment to do business with a particular organization which effects in repeat purchases of goods and services of that organization (Bose and Rao, 2011). While, Rai and Medha (2013) defines customer loyalty as behavioural concept entailing repeat buying of product or service measured as the series of purchases, referrals, magnitude of relationship or all of the above mingled together.

Loyalty is a strategy that creates mutual rewards to benefit firms and customers (Li, 2012). Loyalty is considered to be a source of competitive advantage and it has proven to have a relevant impact on company performance (Woodruff and Gardial, 1996). In fact, there are several companies that have applied loyalty as a powerful tool to positively affect their

performance and it becomes an important source of competitive advantage for them (Zineldin, 2006).

Customer loyalty is also very important in the service sector, which includes the tourism industry and accommodation such as homestays, since customers perceive greater risks when selecting services relating to accommodation (Kim and Choi, 2003). Besides, the importance of customer loyalty itself, it is also essential to recognize several indicators of customer loyalty.

Indicators of customer loyalty according to Kotler & Keller (2006; 57) are Repeat Purchase (loyalty to product purchases); Retention (Resistance to negative influences about the company); referrals (refer to the total essence of the company). Furthermore, Griffin (2003: 223) states that there are several characteristic of loyal customer which are stated below:

1. Make a regular repeat purchase.
2. Purchases across product and service lines (purchase other product lines from your company).
3. Refers others; and (giving references to others).
4. Demonstrates immunity to the pull of the competition (showing immunity to the pull of competitors / not easily influenced by competitors' persuasion).

In addition, Griffin (2003: 223) also states that there are several benefits of customer loyalty gained by company, are as follow:

1. Reducing marketing costs (because it costs more to attract new customers).

2. Reducing transaction costs (such as contract negotiation costs, order processing, etc.).
3. Reducing customer turnover costs (due to fewer customer changes).
4. Increase cross sales which will enlarge the company's market share.
5. A more positive word of mouth assuming that loyal customers also means those who are satisfied
6. Reducing the cost of failure (such as replacement costs, etc.).

According to Peelen&Beltman (2013) state that there are three steps in order to create loyal customers, the relationship pyramid or pyramid of customer loyalty is crucial in the tourism industry. Here below is the model of pyramid of customer loyalty.



Figure 2.1

### Customer Loyalty Pyramid

Source: Peelen&Beltman(2013)

The following is the explanation about the customer pyramid, as follows Peelen&Beltman (2013):

First step is about customer finding. In this phase, it is of major importance to investigate the needs, values and expectations of the customers. With this kind of information, it will be ease to target the right customers. For example, one segmentation technique is customer profiling. Customer profiling is not only about targeting customers, it is about understanding customers by doing in-depth research Peelen&Beltman (2013).

Second step is about customer catching. Once the values of the customers match the ones of the hostel, the so called “value fit” (Shaw and Ivens, 2008), customers will be willing to book a room at the hostel. By knowing what the wishes of the clients are, it is much easier to keep their interest alive and meet their expectations. When their expectations are met, clients will be willing to book again at the same hostel because they will have experienced their stay positively. For example, simple information such as their favorite breakfast, music, color or decor style could be of major importance.

The third step which in my opinion the most crucial one is customer keeping. I believe that homestays which have a good reputation are the ones that offer added value to their clients. It is not only important that the expectations of the customers are met during their stay. I think that creating satisfied clients is not enough. Clients should be beyond satisfied, they should be happy during their stay. That is also the reason why I believe that some hostels have better reputation than others, because the customers are happy and the will share their experiences at the hostel either online or offline with their friends, relatives, family etc., (word of mouth).

Thus, customers will become “supporters” Peelen&Beltman (2013) as stated in the pyramid. In my opinion when customers themselves promote the homestay which it is the best

marketing that can exist. In addition, it is free of charge, since the customers are sharing their experiences on social media and give feedback and rating at the online travel agencies. As a result more clients will be willing to book a room at the homestay, which means more profit.

In addition, Kotler (1991) also states that there are four types customer loyalty which also can indicate their status of loyalty, are as follows:

1. Hard-core Loyals which means that those who buy the brand all the time.
2. Split Loyals is the customer who is loyal to two or three brands.
3. Shifting Loyals is the condition of a customer moving from one brand to another.
4. Switchers means no loyalty (possibly 'deal prone', constantly looking for bargains or 'vanity prone', looking for something different).

### **2.1.2 Perceived Attractiveness Aspects of a Homestay**

The attractiveness aspects of the homestay can affect a tourist's intentions to revisit a homestay. In a given situation, the service packages and amenities provided by a homestay decide its appeal to visitors (Kim, 1998). Wight (1997) in Jin *et al.* (2016) finds that tourists typically select the natural environment that they want to experience in that area before they consider what kind of accommodation they wish. Setting attributes refers to the characteristics provided within the location of a recreational activity, that consist of three elements: the natural environment; society, and whether a homestay environment is well maintained (Lin, 2004).

Different areas have different recreation activities in accordance their physical environment and respective natural features (Lin, 2004). Yang (2003) defines four components for the analysis of the homestay facilities; homestay environment as a whole, room and facilities mainenance; operation management; and service management. However, according to Lian (2005) in Jin *et al* (2016), the core service dimensions ought to embody infrastructure; safety; the general environment; quality of service; natural environment; operations and management; and social activities.

On the other hand, the study by Chien (2006) in Jin *et al.* (2016) identifies certain dimensions of a homestay, including the homestay's general environment; the homestay's facilities; security used in study. The present study reflects previous reseacrhrs approach by defining the universal attractiveness aspects of the homestay that were found to affect customer loyalty. The attractiveness aspects investigated in the present study comprising the surroundings of the building and features (Lin, 2008); service quality (Chien, 2006); homestay facilities (Chien, 2006; Lin, 2008); homestay operation and management (Lin, 2008); and homestay geist and community co-prosperity (Chien, 2006) in Jin *et al.* (2016).

### **2.1.3 Surroundings of the Building and Features**

Surroundings of the building and features are characterized as relating to the entire exterior and interior layout of the homestay (Hu *et al.* 2012). It is necessary to incorporate local architectural features into the homestay. In addition, the homestay's rural location can offer relaxation and accomodation in a rich natural environment and local culture exposure (Liu, 2010).

According to (Krima, Makopondo and Mutungi 2017) in (Shantha, 2019) interior design is further defined as a multifaceted field that consists of conceptual planning aesthetic, and technical solutions that are aimed at creating interiors that help satisfy the needs, functions and requirements of its occupiers. Moreover, interior design includes the creative concepts, colours, lightning and sounds, ergonomics, furniture and fixings, fabrics and textiles, accessories, art and artifacts signage and ornaments.

A quality interior design should possess improved facilities such as efficiency, attractiveness, liveability and productivity and it is remarkable factor that designers pay their full attention to in providing the guests with aesthetical, cost effective, accessible, functional requirements, security and historical preservation designs (Bigne, Andrew and Gnoth 2005). So, designs in hotels are not a new concept in the hospitality business and designs may be divided mainly in to two as interior and exterior designs. The definition of interior designing become really important for this study because designing may help to increase the demand and profitability of the hospitality business.

#### **2.1.4 Service Quality**

The interest in service quality has increased significantly, and studies have shown that quality of service is a prerequisite for success and survival in today's competitive environment (Ghobadian, Speller and Jones 1994). The key to sustainable advantage, especially in recent years, lies in delivering high-quality service that results in satisfied customers (Shemwell, Yavas, and Bilgin 1998). In addition, quality of service is vital to the hotel industry (Fick and Ritchie, 1991), and high-quality hotels can improve their market share and probability (Oh and Parks, 1997).

Service quality refers to customer satisfaction with services provided by the homestay owners or staff (Hu *et al.* 2012) in Jin *et al.* (2016). In the hotel industry, service quality is commonly measured based on the specific dimensions of quality at the encounter level (Luo & Qu, 2016). Excellent service quality will enhance customer satisfaction and customer loyalty, resulting in customer retention (Ekinici *et al.* 2003). Service quality includes the ability to reach and to surpass the needs of customers (Antony, Antony & Ghosh 2004).

The process by which consumers understand quality is often regarded as a comparison of the service standards expected when purchasing a service, compared to their perceptions of service experiences, although there are some limitations to the applicability of the model (Yusel and Yusel, 2001). Customer satisfaction is the outcome when expectation are matched by service experience, conversely, dissatisfaction occurs when there is a mismatch, and expectations are not fulfilled by the service delivered (Engel *et al.*, 1986). The psychological consequences of this meet the condition for dissonance described by Festinger (1957) and Brehm and Cohen (1962).

### **2.1.5 Homestay Facilities**

One of most important factors that led to purchase decision beside price and location, facilities offered at hotel have very strong influence on homestay decision-making process and selection of accommodation to stay in. Homestay facilities are described as the hardware of the homestay (Hu *et al.* 2012). Homestay facilities include parking space, safety and security. Parking space, viewed as a base station for comfort or availability of traffic, is one of the factors influencing visitors in selecting a place where they are looking for accomodation



(Chou, Hsu & Chen 2008; Sohrabi, Vanani, Tahmasebipur&Fazli 2012; Tzeng, Teng, Chen & Opricovic 2002) in Jin *et al* (2016).

Safety and security include the involvement of professional security staff; the availability of safety boxes in the homestay; and the reliability of fire alarms. Examples of safety facilities include electronic key cards; safe deposits; fire exits; smoke detectors; and 24-hour security personnel (Choi & Chu 2001). Furthermore, tangible hotel attributes such as facilities and amenities can also influence the guests' consumption choice and further develop their in house spending (Yang, Huang and Shan, 2017) in Pantelic (2017).

#### **2.1.6 Homestay Operation and Management**

Homestay operation and management refers to how the homestay owners manage, plan, and design the rooms and surroundings, and how they protect the privacy and security of the customers (Hu *et al.* 2012). In the future, a customer will be persuaded to return to a homestay if the customer is pleased with the housekeeping of the homestay; the cleanliness of the rooms; the price of accomodation in comparison to the service received; the friendliness of the staff; and the perceived safety of the property.

Homestay operation is one of important elements in hospitality industry, In Nepal, one study found that while government provides oversight, local initiation and community buy-in of homestay operations is a key factor of success (Acharya&Halpenny, 2013). Oversight of some kind is widely reported as an element contributing to overall economic, social, and environmental well-being of host communities.

Furthermore, (Urry, 1990) states that homestay operations provide access to remote areas typically where large scale tourism development is unreasonable. Homestay hosts live

on small islands, at high altitudes, and on steep slopes. Experiential tourists demand authenticity, an intangible product that is best preserved through the maintenance of healthy host communities. Enclaves where people have settled, but industry has not, possess the unique real-life experiences tourists seek.

### **2.1.7 Homestay Geist and Community Co-Prosperity**

Homestay geist and community co-prosperity refers to manner in which homestay owners operate and manage the homestay; and whether they also to commit to form positive contribution to the local economy (Hu *et al.* 2012). Communication between the employees at a homestay and also the guest at a homestay could embrace data regarding the host's personal life, the overall experiences of the host; and also the experiences of the guest (Nilsson, 2001). A decent relationship between the workers of a homestay and guests of a homestay may be a non-commercial aspect of tourism, and such relationship would ensure that tourists appreciate their encounters with the homestay's staff.

## 2.2 Previous Study

Table 2.1

### Precedent Studies Relating to the Thesis Topic

| No | Title   | Purpose of The Study   | Variable  | Hypothesis  | Method  | Findings  |
|----|---|--|---|---|---|---|
| 1. | <i>What are the Attractiveness Aspects that Influence Customer Loyalty to Homestays? A study in Taiwan</i><br><br>Jin <i>et al</i> (2016) | The purpose of this study is to investigate the direct relationship between perceived attractiveness aspects and customer loyalty. | 1.Customer loyalty<br>2. Homestay Geist and Community Co-Prosperity<br>3. Homestay Facilities<br>4. Homestay Operation and Management<br>5.Service Quality<br>6.Surroundings of the Building and Features | 1. The surroundings of the building and features positively influences customer loyalty.<br><br>2. Service quality positively influences customer loyalty.<br><br>3. Homestay facilities positively influence customer loyalty.<br><br>4. Homestay operation and management | The study employed the structural equation modeling ( <i>SEM</i> ) technique to test the validity of the proposed hypotheses via Smart- <i>PLS</i> software | The study finds that four of the perceived attractiveness aspects have a positive and significant relationship with customer loyalty: surroundings of the building and features; homestay facilities; homestay operation and management; and homestay geist and community co-prosperity. Meanwhile, |

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|    |   |  |   | <p>positively influence customer loyalty.</p> <p>5. Homestay geist and community co-prosperity positively influence customer loyalty.</p>  |  | <p>service quality had no significant relationship with customer loyalty.</p>  |
| 2. | <p><i>Community-Based Homestay Service Quality, Visitor Satisfaction, and Behavioral Intention</i></p> <p>(Ismail <i>et al.</i> 2016)</p> | <p>The purpose of this study is to measure the current service quality level of the homestay programme and how does satisfaction lead towards future behavioural intention</p> | <p>1. Service quality</p> <p>2. Satisfaction</p> <p>3. Behavioral intention</p> | <p>1. The tangibles as homestay attributes has positively influence the guest satisfaction level</p> <p>2. The reliability as homestay attributes has positively influence the guest satisfaction level</p> <p>3. The responsiveness as homestay attributes has positively influence</p> | <p>The study employed a descriptive cross-sectional survey. A cross-sectional design is used to examine the association between service quality, satisfaction and behavioural intention and a descriptive research design using a quantitative</p> | <p>Analysis result shows that the homestay visitors were sensitive towards the homestay service quality, ranked by the mean score in the empathy, responsiveness empathy, tangible and assurance section</p> |

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|    |  |   |  | <p>the guest satisfaction level</p> <p>4. The assurance as homestay attributes has positively influence the guest satisfaction level</p> <p>5. The empathy homestay attributes has positively influence the guest satisfaction level</p> | <p>approach was opted for, as it is quick and can reach more respondents (Miles &amp;Huberman, 1994;Silverman, 2013).</p> |   |
| 3. | <i>Customer Satisfaction and Loyalty in the Hotel Industry: the Mediating Role of Relationship</i> | The objective of this research is to identify the factors of trust, commitment (affective and Calculative) and customer | <p>1.Customer satisfaction</p> <p>2. Trust</p> | <p>1. Customer satisfaction is positively associated with customer Loyalty</p> <p>2. That affective</p>  | The final research model was tested using PLS, a structural equation modeling technique that                              | The results suggest that to improve customer loyalty and customer's satisfaction in the hotel industry, marketers should improve the hotels |

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|  | <p><i>Marketing (PLS Approach)</i></p> <p>(Alhaddad and Al-Maslam, 2016)</p> | satisfaction that are positively related to customer loyalty in hotel industry | <p>3. Affective commitment</p> <p>4. Calculative commitment</p> <p>5. Customer loyalty</p> | <p>commitment has a positive effect on customer loyalty.</p> <p>3. That calculative commitment has a positive effect on customer loyalty.</p> <p>4. That trust has a positive effect on customer loyalty</p> <p>5. That higher levels of customer satisfaction with a relationship are associated with higher levels of affective commitment in the relationship.</p> <p>6. That higher levels of customer satisfaction with a relationship are</p> | <p>is well suited to highly complex predictive models (Wold, 1985). Partial least squares (PLS), which are well-suited to analyses in which the cases-to-variables or cases-to-paths ratios are relatively low (Fornell and Bookstein, 1982; Hulland, 1999), was used to test the hypothesized relationships.</p> | <p>brand strategy that relates to aspects of how the branded hotel can provide a solution to their customer's needs and expectation, the good impression of visiting their hotel, and the effectiveness of the brand</p> |
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|    |   |   |   | <p>associated with higher levels of calculative commitment in the relationship.</p> <p>7. That higher levels of customer satisfaction with a relationship are associated with higher levels of trust in the relationship.</p> |  |  |
| 4. | <p><i>The influence of customer brand identification on hotel brand evaluation and loyalty development</i></p> <p>(Fung <i>et al.</i></p> | <p>This study aims to investigate the role of customer brand identification in the formation of hotel brand loyalty</p> | <p>1. Brand Loyalty</p> <p>2. Customer brand identification</p> <p>3. Service quality</p> <p>4. Perceived value</p> | <p>1. Customer hotel brand identification has a positive association with hotel brand loyalty</p> <p>2. Customer hotel brand identification has a positive association with</p>   | <p>The quantitative method used to test the research hypotheses included the development of a survey questionnaire to measure customers'</p> | <p>Results suggest that while the customer may identify with a particular hotel brand, hotel loyalty still depends on the customer's positive evaluation of factors relating to service experiences. However, as</p> |

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|  | 2013) |  | 5. Brand trust | <p>service quality</p> <p>3. Service quality has a positive association with hotel brand loyalty</p> <p>4. Customer hotel brand identification has a positive association with perceived value.</p> <p>5. Perceived value has a positive association with hotel brand loyalty</p> <p>6. Customer hotel brand identification has a positive association with brand trust</p> | <p>perceptions of hotel brands. The rationale for the selection of the survey method was three-fold.</p> | <p>consumers' identification with a hotel brand affects their evaluation of these factors, hoteliers should leverage customers' brand identification to engender positive consumer evaluation of the hotel brand and, ultimately, increase brand loyalty</p> |
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|    |  |   |   | <p>7. Brand trust has a positive association with hotel brand loyalty</p> <p>8. Service quality, perceived value, and brand trust partially mediate the effect of customer hotel brand identification on hotel brand loyalty</p> |   |   |
| 5. | <p><i>Factors Effect on Tourist Loyalty: A Case Study of Homestay Tourism in Ben Tre (Southern Vietnam)</i></p> <p>(Van, 2019)</p> | <p>The purpose of this paper is to measure the effects of homestay service quality, tourist satisfaction, and cultural contact on tourist loyalty</p> | <p>1. Homestay service quality</p> <p>2. Cultural contact</p> <p>3. Satisfaction customer</p> | <p>1. The effect of Tourist satisfaction on tourist loyalty (+)</p> <p>2. Tangibles has an effect on tourist satisfaction (+)</p> <p>3. Reliability has an effect on tourist</p>   | <p>This study has combined qualitative and quantitative research methods. Qualitative research method has been conducted by focus group</p> | <p>The results of this study show that tourist loyalty is affected by homestay quality service through four components (reliability, responsiveness, assurance, and tangibles) and customer</p> |

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|  |  |  | 4. Loyalty customer | satisfaction (+)  | discussions with 10 customers in 02/2018 at the meeting room of the Regional Government Statistics Office in Ben Tre Province (Vietnam) to modify the observational variables that have been used to measure the research concepts. | satisfaction. |
|  |  |  |                     | 4. Responsiveness has an effect on tourist satisfaction (+) |   |               |
|  |  |  |                     | 5. Assurance has an effect on tourist satisfaction (+)      |   |               |
|  |  |  |                     | 6. Empathy has an effect on tourist satisfaction (+)        |   |               |
|  |  |  |                     | 7. Tangibles has an effect on tourist loyalty (+)           |   |               |
|  |  |  |                     | 8. Reliability has an effect on tourist loyalty (+)         |   |               |
|  |  |  |                     | 9. Responsiveness has an effect on                          |   |               |

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|    |  |  |   | <p>tourist loyalty (+)</p> <p>10. Assurance has an effect on tourist loyalty (+)</p> <p>11. Empathy has an effect on tourist loyalty (+)</p>   |  |   |
| 6. | <p><i>The effect of service quality on customer retention through commitment and satisfaction as meditation variables in Java Eating Houses</i></p> <p>(Sari <i>et al.</i></p> | <p>This study aims to determine the relation of service quality, commitment, and satisfaction on customer retention and the effect of commitment and satisfaction as a mediator of service quality on customer retention</p> | <p>1. Service quality</p> <p>2. Commitment customers</p> <p>3. Satisfaction customers</p> <p>4. Customers retention</p> | <p>1. Service quality has a significant effect on commitment</p> <p>2. Service quality has a significant effect on satisfaction</p> <p>3. Service quality has a significant effect on customer retention</p> | <p>The measurement model of research hypothesis analysis using Partial Least Square (PLS) procedure. The research data collection method uses questionnaire instruments and Likert scale</p> | <p>The result of the research indicates that service quality and commitment have no significant effect on customer retention while other variables have a significant effect. The effect of customer satisfaction fully mediates on the relation-ship of service quality on</p> |

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|    | 2018)  |  |                     | <p>4. Commitment has a significant effect on customer retention</p> <p>5. Satisfaction has a significant effect on customer retention</p> <p>6. Commitment mediates the relationship between service quality and customer retention</p> <p>7. Satisfaction mediates the relationship between service quality and customer retention.</p> | measurements.                            | customer retention.  |
| 7. | <i>Customer loyalty in the hotel industry: the role of</i> | The objective of this research is to identify the factors of image | 1. Customer loyalty | 1. Hotel image is positively related to customer loyalty   | The quantitative method used to test the | Results from this study clearly indicate that all aspects of a hotel |

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|    | <i>customer satisfaction and image</i><br><br>(Kandampully and Suhartanto, 2000) | and customer satisfaction that are positively related to customer loyalty in the hotel industry.                  | 2. Image attributes<br><br>3. Image holistic<br><br>4. Satisfaction with reception<br><br>5. Satisfaction with and beverage<br><br>6. Satisfaction with housekeeping<br><br>7. Satisfaction with price | 2. Customer satisfaction with reception, housekeeping, food and beverage, and price is positively related to customer loyalty<br><br>3. Hotel image and customer satisfaction with the hotel's performance significantly explain the variance of customer loyalty | research hypotheses included the development of a survey questionnaire distributed to 237 guest of five different hotels in Christchurch, New Zealand. | operation are not equally important to the customer. It was found that the hotel room and the ability and willingness of housekeeping staff to offer superior service were the most important factors determining customer loyalty. |
| 8. | <i>Examining the Factors Affecting Customer Retention in Hotel Industry</i>      | The objective of this research is to investigate the most important factors that could be able to affect customer | 1.Customer retention<br><br>2. Service quality<br><br>3. Physical  | 1. There is a relationship between Service Quality and customer retention<br><br>2. There is a  | In this research, it used a 15 self-administered questionnaire. Through this research; the mean,   | The result of analysis showed that all hypotheses are supported that there is a strong relation between customer satisfaction,  |

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|    | (Nassar <i>et al.</i> 2018)  | retention in hotel industry, such the relation among service quality, physical surroundings, customer satisfaction with customer retention.  | surroundings<br><br>4. Customer satisfaction   | relationship between Physical Surroundings and customer retention<br><br>3. There is a relationship between Customer Satisfaction and customer retention  | frequency and percentages were used through the descriptive analysis also the Cronbach alpha test, the spearman correlation   | physical surroundings, service quality and customer retention in the hotel industry  |
| 9. | <i>Switching Barriers in the Four-Stage Loyalty Model</i><br><br>(Blut <i>et al.</i> 2007) | The objective of this research is to investigate the relationships between the social benefits, attractiveness of alternatives, and switching costs toward the cognitive loyalty, affective loyalty, conative loyalty, and | 1. Cognitive loyalty<br>2. Affective loyalty<br>3. Conative loyalty<br>4. Action loyalty | 1. As perceived social benefits increase, the link between cognitive and affective loyalty will become stronger.<br><br>2a. As the attractiveness of competing alternatives decreases, the link between cognitive | The study uses multi-group structural equation modeling to test the Hypotheses. The study randomly selected 2,500 customers of that retailer and mailed them questionnaires | The results suggest that these moderators exert an influence on the development of the different stages of the loyalty sequence. |

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|     |   | action loyalty.  |  | <p>and affective loyalty will become stronger</p> <p>2b. As the attractiveness of competing alternatives decreases, the link between affective and conative loyalty will become stronger.</p> <p>3. As perceived switching costs increase, the link between conative and action loyalty will become stronger</p> | with pre-paid return envelops.                                |  |
| 10. | <i>Evaluating the Performance of Taiwan Homestay Using Analytic</i> | This study has accordingly developed and constructed a set of evaluation | 1. Surroundings of the building and features |  | This research chose the ANP _analytic network process_ to get | The result reveals, as regards key aspects, homestay proprietors and customer groups both weight the |

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|  | <p><i>Network Process</i></p> <p>(Hu <i>et al.</i> 2012)</p> | <p>indicators tailor-made for homestay sector through discussion of literatures and interviewing experts so that the evaluation framework would be more comprehensive and more practical.</p> | <p>2. Service quality</p> <p>3. Homestay facilities</p> <p>4. Homestay operation and management</p> <p>5. Homestay geist and community co-prosperity</p> |  | <p>the weights and, further, to acquire the homestay business performance through fuzzy theory</p> | <p>surroundings of the building and features, service quality, operation, and management most.</p> |
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## **2.3. Hypothesis Development**

### **2.3.1. The Influence of Surroundings of the Building & Features toward Customer Loyalty**

Pina and Delfa in Jin *et al* (2016) (2009) contend that, from the viewpoint of a vacationer, rustic houses will be more intriguing if they are situated inside characteristic environment and the natural provincial highlights present in the encompassing of a country house. However, different elements are also taken into consideration when tourists select accommodation, including facilities; regardless of whether the rooms are well-kept up; and the surroundings of the homestay. The evaluation of tourist based on such factors is an important tool for identifying and designing approaches to be implemented in a homestay's marketing strategy. Developing these techniques would lead to beneficial change in the homestay, thereby attracting more guest (Pina&Delfa 2009) in Jin *et al* (2016).

A homestay tourism industry that can give the values of a village is acknowledged for beauty correlated with the diverse, unique and natural environment and panorama of that area (Liu, 2010). Liu (2010) argues that rural area development should be promoted by redeveloping the village and creating residential areas within the community in order to retain the unique local characteristics and individual regional design. This will assist the residents with being ready to make basic, clean, and indigenous settlement that can empower travellers to appreciate the excellent field environment (Liu, 2010).

Facility ambience is one of the significant measurements related with the surroundings of building and highlights in the hospitality business. Researchers note that facility ambience is a noteworthy factor in expanding client dependability. Suh, Moon, Han and Ham (2014) find that, it is important to examine the impact of the ambient

conditions of a building on customer loyalty in order to increase the relationship between a guest and a hotel. Suh *et al.* (2014) likewise contend that surrounding smells and ambience contribute to creating a desire among customers to employ the facilities on a more frequent basis.

The operational accentuation is on a little or individual based association that intends to boost benefits by meeting the desires for eco-tourists through strategic design; location; and the quality of the natural surroundings (Albacete *et al.* 2007) in Jin *et al* (2016). The local natural is the major attraction for most visitors and increase the likelihood of tourist visiting again (Albacete *et al.* 2007) in Jin *et al* (2016). Therefore, the surroundings of the building and its features are supposed to affect customer loyalty to the homestay. Thus, the following hypothesis is developed:

**Hypothesis 1:** The surroundings of the building and features positively influences customer loyalty.

### **2.3.2. The Influence of Service Quality toward Customer Loyalty**

Service quality has gained much attention in the service industry in recent years because of practical implications, such as consumer satisfaction and word of mouth, which can have a positive impact on such business (Ingram, 1996). Parasuraman, Zeithaml and Bery (1985) in Jin *et al* (2016) propose an SERVQUAL model which provides a method for measuring and managing the quality of service. In its initial publication, Parasuraman *et al.* (1985) state that the dimensions of the SERVQUAL variable include reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding or knowing the customers; and tangibles.

Service quality is seen as a beneficial tool for increasing the market share and competitiveness of hospitality organizations (Ingram and Daskalakis, 1999). Kitapci, Dortyol, Yaman, and Gulmez (2013) in Jin *et al* (2016) conclude that the dimensions of service quality are essential precedents of customer satisfaction which, in effect, affect customer loyalty. It is crucial for hotel operators to comprehend the perception of the quality service provided by their customers, as this can increase customer loyalty and profitability (Rauch *et al.* 2015). Hence, the study conceptualizes service quality as one of the elements of perceived attractiveness that applies impact on client reliability corresponding to a homestay. Thus, the following hypothesis is developed:

**Hypothesis 2:** Service quality positively influences customer loyalty.

### **2.3.3. The Influence of Homestay Facilities toward Customer Loyalty**

In general homestay facilities should incorporate parking spaces, safety, and security. Fundamental considerations with respect to the client concerning returning to a homestay incorporate whether the rooms are well-kept up and clean; regardless of whether the homestay condition is sheltered and secure; and whether the staff are friendly and affable (Tsaur, Chiu & Huang 2002) in Jin *et al* (2016). Torres and Kline (2006) state that accommodation facilities are essential to accomplish consumer loyalty that will bring customer loyalty. Without sufficient facilities, the customers can be immediately disappointed, which will influence customer loyalty.

Ostrowski, O'Brien, and Gordon (1993) find that substantial factors determining customer loyalty involve the image of the location; employee attitudes; facilities; and the services provided with accommodation. Other factors that affect customer loyalty include facilities; hygiene; staff attitude (Emir&Pasaoglu 2013); find that housekeeping services; reception services; food and beverage; and personalized services of trained hotel personnel

(Liat, Mansori&Huei 2014) in Jin *et al* (2016). Based on the above discussion, if a homestay facility is clean, safe, and secure, then it will undoubtedly become the customer's choice when they revisit the place, which will, in turn, increase customer loyalty to the homestay. Thus, following hypothesis is developed:

**Hypothesis 3:** Homestay facilities positively influence customer loyalty.

#### **2.3.4. The Influence of Homestay Operation & Management toward Customer Loyalty**

Operational management in any organization's management systems play a major role in impacting customer satisfaction and efficiency (Hope, 2004). Extensive studies found that operation management in the service industry impacts customer satisfaction (Sit *et al.* 2009). Management of operation in the service industry involves taking corrective actions against failures; using tools to assist quality; establishing standard operating procedures; and implementing planned maintenance (Hope 2004; Kandampully&Menguc 2000; Lagrosen&Lagrosen 2003) in Jin *et al* (2016).

The implementation of such practices should be considered with a view to satisfying customers, resulting in improved performance and survival in a competitive market environment. Li (2010) finds a positive relationship exists between homestay activity and the executives; and customer loyalty. If a homestay operation is well managed, planned and designed, the customer's willingness to revisit is high (Hu *et al.* 2012). Wuest, Tas and Emenheiser (1996) in Jin *et al* (2016) define the view of the hotel or motel's operation and management as the degree to which visitors enjoy the services and facilities offered as they please.

A study by Khan, Garg and Rahman (2015) affirm that every point of contact (from looking for a space to checking out) with a company is an important factor in customer satisfaction, not based solely on service experience. Through delivering pleasurable experiences to clients in the hospitality industry, customer satisfaction and the desire to revisit customers can be improved. Great management and customer service are normally described by a number of elements, including courteous and helpful staff; positive attitudes of employees; splendid reputation; and non-standard room types. Such elements are essential attributes when the guest looking for accommodation at the homestay. Therefore, the following hypothesis is developed:

**Hypothesis 4:** Homestay operation and management positively influence customer loyalty.

#### **2.3.5. The Influence of Homestay geist & Community Co-prosperity toward Customer Loyalty**

Homestay owners oversee homestay operation in person; communicate regularly with guest; and maintain the homestay with the goal of the community's economic prosperity (Hu *et al.* 2012). The degree of connection between homestay hosts and visitors ought to be improved, for example, by helping with the itinerary items of visitors so the collaboration will make a decent impression and improve the revisit intention of the guest. Also, a government could work with its local communities to frame "homestay towns," which would be help support local economic development. (Hu *et al.* 2012).

Lin (2008) finds that elements identifying with homestay geist and community co-success impact a client's intention to return to a specific homestay, including the provision of information about the attractions in the area surrounding the homestay to guests; organizing neighborhood experiential exercises; and giving local cuisine. These

considerations are important because the home geist and the co-prosperity of the society are the core values of homestay businesses. Tsai (2010) also states that in creating customer loyalty, supporting and maintaining local cultural assets are important factors (Tsai 2010).

The prospect of exposure to different traditional cultures through engaging in activities with host families is one aspect that enables visitors to choose a specific homestay (Agyeiwaah, 2013). Dortyol, Varinli and Kitapci (2014) in Jin *et al* (2016) consider the most important dimensions in the purpose of a consumer to revisit are tangible; contact with local culture; and accommodation cost. Wu and Zheng (2014) argues that the more alluring the activities offered in the Anping District of Tainan City, the more loyal visitors are to the area. Hence, the final hypothesis developed is as follows:

**Hypothesis 5:** Homestay geist and community co-prosperity positively influence customer loyalty.

## 2.4 Research Framework

The research framework used in this study is adapted from the previous study which was conducted by Jin *et al.* (2016), with the journal title “What are the Attractiveness Aspects that Influence Customer Loyalty to Homestays? A Study in Taiwan”. The framework is provided below:

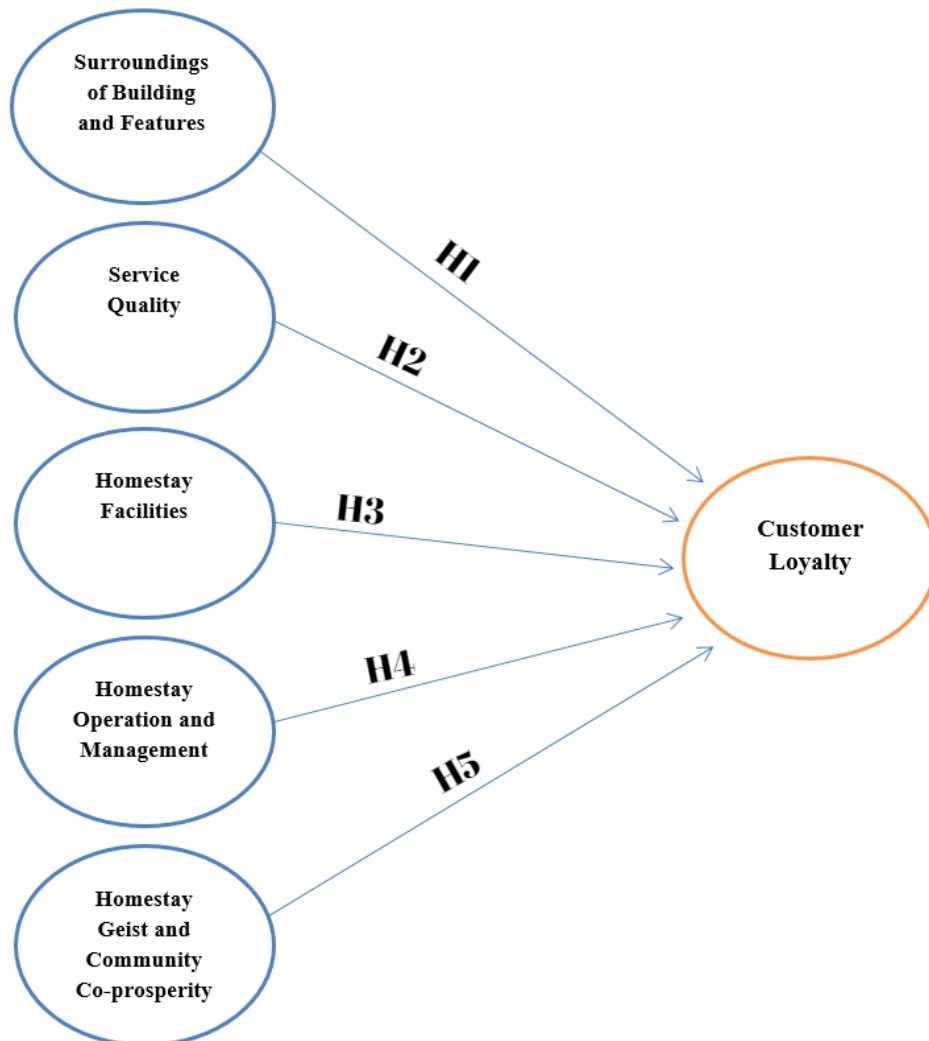


Figure 2.2.

### Research Framework

Source: Adapted from Jin *et al.*(2016), What are the Attractiveness Aspects that Influence Customer Loyalty to Homestays? A Study in Taiwan, *Jurnal Pengurusan* 48(2016) 201 – 218