

# A STUDY OF RELATIONSHIP BETWEEN CUSTOMER SATISFACTION AND CUSTOMER LOYALTY TOWARD AN ECONOMY HOTEL CHAIN IN GUANGZHOU, CHINA

Shie Sun<sup>1</sup>

**Abstract:** *This research aims to examine the main factors affecting customer loyalty and investigate the relationships between customer satisfaction on service quality and price and customer loyalty toward an economy hotel chain in city of Guangzhou, in the Guangdong province, China. Self-administered questionnaires were collected from 402 customers who have stayed in 7 Days hotels and the Pearson correlation employed for data analysis. The results of this study confirmed that service quality dimensions and perceived price are the main drivers of customer satisfaction in terms of affecting customer loyalty. Surprisingly, the findings also show that perceived price has a stronger impact on customer loyalty than any other service quality dimensions.*

**Key words:** *Customer satisfaction, service quality, price, customer loyalty.*

## 1. Introduction

In the service industry, where building - and maintaining - a strong customer relationship is critical to retaining or increasing market shares, consumer loyalty matters a lot to companies. Customer loyalty is a widely studied concept (Bowen and Shoemaker, 1998; Hart et al., 1990; Shoemaker and Lewis, 1999). One of the most important benefits created by customer loyalty is increased profits. Reichheld and Sasser (1990) found that profits can increase from 25 percent to 125 percent when a company only retains 5 percent or more customers. Loyalty can be defined as a deeply held commitment to repeating the purchase of preferred services (Oliver, 1997; Bei and Chiao, 2001). It is considered the most valuable marketing effort (Bellizzi and Bristol, 2004) since a high level of loyalty can strongly affect profitability, market shares, and growth (Reichheld and sasser, 1990; Zeithaml et al., 1996; Naumann et al., 2001). In the hotel industry, Raman (1999) argued that loyal customers serve as a “fantastic marketing force” because loyal customer will promote the hotel by providing recommendations and spreading positive word of mouth. Thus, customer loyalty does not simply come down to repeat purchase.

This study focuses on the hotel industry in China. Specifically, it looks at economy hot else in the Guangdong province. Economy hotels are

expanding fast in China. However, because of the 2008 financial crisis and as a result of mounting competition among economy hotel chains, some Chinese economy hotels have seen their occupancy rate go down; hence the need for hotels to maintain a strong relationship with their existing customers and attract new ones. Thus, the issue of how to increase the occupancy rate or, conversely, how to prevent it from slowing down, remains relevant even in booming times.

The focus of this study is on customer satisfaction, service quality dimensions, and perceived price and on their relationships with customer loyalty at one economy hotel chain in the city of Guangzhou, in the Guangdong province, China; the 7 Days Hotel Chain, the second largest economy hotel chain in China. Specifically, this research seeks to explore six factors affecting customer loyalty (tangibility, reliability, responsiveness, confidence, communication and perceived price) and assess the importance of customer satisfaction in this particular business environment.

After considering the relevant literature, conceptual framework, and research methodology, this article focuses on the findings and the recommendations to be made based on these results.

## 2. Literature Review

### - Perceived Service Quality

Perceived service quality is a widely studied construct in the service industry (Parasuraman et al., 1988; Cronin and Taylor, 1992). Zeithaml (1988) defined perceived service quality as the

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<sup>1</sup>Shie Sun recently graduated from Assumption University, Graduate School Business. This research was completed under the supervision of Dr. Thongdee Kijboonchoo.

customer's assessment of the overall superiority or excellence of the service. According to Parasuraman et al. (1985), customers assess their feelings about overall service quality on the basis of the gap between expectations and perceptions of actual performance from the service provider. Gronroos (1984) also defined perceived service quality as the result of an evaluation process, in which the consumer compares his expectations with his perception of the service received. In that same vein, service quality has also been described as a global judgment or attitude relating to the overall excellence or superiority of the service (Parasuraman et al., 1988).

Due to the multi-dimensional nature of service quality, service quality has been represented by various models, depending on the service industries considered. Gronroos (1984), for example, classified the various dimensions of service quality into two categories: (1) Functional quality: the actual process of service delivery from service provider; and (2) Technical quality: the actual service the customers received. Parasuraman et al. (1985) suggested that service quality can be conceptualized as having ten dimensions, namely, accessibility, reliability, responsiveness, competence, courtesy, communication, credibility, security, understanding, and tangibles. These ten variables have then been grouped into five dimensions: tangibles, reliability, responsiveness, assurance and empathy. This five multi-dimension model of service quality represents the SERVQUAL model; a widely used model in many service-based studies. The SERVQUAL model, however, has been found not to be a universal model applicable to any service industry to measure service quality (Carman, 1990; Babakus and Boller, 1992).

When Getty and Thompson (1994) examined the validity of the SERVQUAL dimensions in the hotel industry, they determined that only tangibles and reliability were generic dimensions; a finding corroborated by Oberoi and Hales (1990) who studied service quality in UK conference hotels and argued that tangibles and intangibles are the only two good dimensions to measure service quality. This view is also shared

by Ekinci et al. (1998), whose study shows that service quality can be measured by dimensions of tangibles and intangibles in the hotel industry.

Other models have been proposed. Saleh and Ryan (1991) suggested that the dimensions of service quality in the hospitality industry should include the five following components: conviviality, tangibles, reassurance, sarcasm avoidance, and empathy. These dimensions of service quality, however, are all quite different from the SERVQUAL model. Mei et al. (1999) developed a new service quality model for examining the dimensions of service quality in the hotel industry; the Australian one. Called HOLSERV, this model consists of three components; employees, tangibles and reliability. Juliet and Robert (2003) developed a new scale to examine service quality in the hotel industry in the USA. Named the "lodging quality index," it includes five dimensions; tangibility, reliability, responsiveness, confidence and communication. And Albacete-Saes et al. (2007) examined service quality in rural accommodations by using five dimensions; personal response, complementary offer, tourist relations, tangible elements, and empathy.

After weighing the validity and applicability of the different scales of service quality considered in the afore-mentioned studies, the "lodging quality index" model will be applied in this research to examine customers' perceived service quality of the 7 Days Hotel. The "Lodging quality index" model is developed based on the SERVQUAL scale and includes:

- 1): Tangibility : The physical characteristics associated with the service encounter. In a lodging context, this consists of the general appearance and functionality of the property, such as, for example, the interior and exterior of the hotel and restaurant.
- 2): Reliability; a construct which means performing the service right the first time, something which depends on the employees' ability to perform the service correctly and consistently.
- 3): Responsiveness, which relates to the willingness that employees exhibit to promptly and efficiently solve customers' problems.
- 4): Confidence: this refers to employees' competence and courtesy, ease of access to

employees, and the hotel ability to provide a safe service environment.

5): Communication: keeping customers informed and making efforts to understand and respond to their needs.

Service quality is “regarded as a driver of corporate marketing and financial performance” (Buttle, 1996). It has also been reported to be a critical factor to keep a competitive advantage through service differentiation (Moore, 1987). Ghobadian et al. (1994) argued that service quality will most likely lead to different purchase decisions under the same product quality and environment conditions.

#### - *Perceived Price*

Price is defined as the amount of charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service (Kotler and Armstrong, 2001). Perceived price is a customers’ perception of price with a service or a product. According to Injazz et al. (1994), perceived price can be defined as the customer’s judgment about a service’s average price in comparison to its competitors. The foundation of perceived price is derived from the simple nature of a competitive-oriented pricing approach. This approach will guide customers to perceive whether they pay a fair price through comparing the price the company’s competitors charge. Zeithaml (1988) suggested that perceived price can be conceptualized as the monetary and non-monetary aspect of the service industry; nonmonetary aspect includes the time and effort the consumer contributed to the consuming service process.

In addition, it was found that both customers and firms compare the selling price with the prices paid by other customers for the same products or services (Martins and Monroe, 1994). Consumers evaluate the fairness of a quoted price by making appropriate comparisons with other references, but also taking into account situational circumstances (Beldona and Namasivayam, 2006). According to Zeithaml (1988) price is something that must be sacrificed to obtain certain kinds of products or services from consumers’ cognitive conception. If customers view a firm’s practices as unfair, negative consumer responses are likely to occur (Wirtz and Kimes, 2007). In this research,

perceived price is defined as the customer’s judgments about a service’s average price in comparison to the whole service quality, service providers’ competitors and customer’s expectations.

#### - *Customer Satisfaction*

Customer satisfaction is considered as a central element in the marketing exchange process, because it undoubtedly contributes to the success of service providers. Satisfaction is one of the essential factors to predict consumer behavior (Darian et al., 2001). Customer satisfaction has been regarded as one of the most important theoretical as well as practical issues for most marketers and customer researchers (Jamal, 2004). However, there is no single definition of satisfaction that has been unanimously accepted by the literature related to the matter. All definitions proposed are based on the objectives and the particular industry concerned. Westbrook (1987) suggested that satisfaction has traditionally been defined as a cognitive-based phenomenon services marketing. Many researchers have concluded that both cognition (Oliver, 1980; Bearden and Teel, 1983; LaBarbera and Mazursky, 1983; Oliver and DeSarbo, 1988) and affect (Westbrook, 1987; Westbrook and Oliver, 1991; Mano and Oliver, 1993) significantly predict satisfaction judgments.

Zeithaml and Bitner (1996) indicated that the extent of a customer’s satisfaction was subject to the factors of service quality, product quality, price, situation, and personal factors. According to Oliver (1999), satisfaction is a necessary first step in loyalty formation but other factors can impact the customer’s relationship with the organization such as personal determinism and social bonding. Therefore, in this research, service quality and price are considered as two main drivers of customer satisfaction.

#### - *Customer Loyalty*

Loyalty is an outcome of the satisfaction process (Anderson et al., 1994; Anderson and Mittal, 2000). It may be generated from customers who feel they have obtained value from a product or service. Loyalty, in turn, breeds retention which translates into higher corporate profits. Oliver (1997) defines loyalty as a commitment to repurchase against the odds and costs, implying a strong resistance to

switching. Smith (1998) states that loyalty occurs when “the customer feels [...] your competition is virtually excluded from the consideration set and the customer buys almost exclusively from you, referring to you as ‘their’ restaurant or ‘their’ hotel.” To be precise, loyalty may be defined as a customer’s intention or predisposition to purchase from the same organization again (Edvardsson et al., 2000), that result from the conviction that the value received from one seller is greater than the value available from other alternatives (Hallowell, 1996).

There is no universally agreed definition for customer loyalty (Jacoby and Chestnut, 1978; Dick and Basu, 1994; Oliver, 1999). Loyalty has been conceptualized under different constructs in a variety of studies. Generally speaking, three models for measuring loyalty have emerged:

- 1) Behavioral measurements, which consider consistent, repetitious purchase behavior as an indicator of loyalty (Tepeci, 1999)
- 2) Attitudinal measurements, which use attitudinal data to reflect the emotional and psychological attachment inherent in loyalty. Attitudinal measurements are concerned with the sense of loyalty (Toh et al., 1993).
- 3) Composite measurements which combine the behavioral measurement and attitudinal measurement dimensions to measure loyalty in terms of customers’ product preferences, propensity of brand-switching, frequency of purchase, how recent the purchase, and the total amount of purchase (Pritchard and Howard, 1997; Hunter, 1998; Wong et al., 1999).

As a consequence, loyalty has been considered to be a key factor in achieving company success and sustainability overtime (Flavian et al., 2006; Keating et al., 2003). Several authors have argued that loyalty also favors higher intensity in positive WOM (Hallowell, 1996), lower price sensibility (Lynch and Ariely, 2000) and more stable and bigger incomes (Knox and Denison, 2000). Reichheld and Sasser (1990) concluded that customer defections had a stronger impact on the financial performance of an organization than other factors, as it provides a competitive advantage. Since there is a learning curve that both the company and customer must travel, research

suggests the longer a company keep a customer, the more profitable that customer becomes. Shoemaker and Lewis (1999) found that loyal customers are a great source of WOM advertising. For the purpose and design of this study, customer loyalty is conceptualized as a multidimensional construct that includes the following three dimensions:

- 1) Recommendation: Readiness to communicate about a service provider offered by an existing customer who is perceived not to obtain monetary gain from so doing (Host and Knie-Andersen, 2004).
- 2) Positive word of mouth: The promotion of a company or its products and services through an initiative conceived and designed to get people talking positively about that company (Kirby and Marsden, 2006, p. xviii).
- 3) Repeat purchase: A customer’s behavior on repeat purchases, indicating a preference for a brand or service overtime (Bowen and Shoemaker, 1998).

- *Perceived Service Quality, Perceived Price, Customer Satisfaction and Customer Loyalty*

Perceived service quality has both a direct and indirect impact on customer loyalty. Regarding its direct impact, Parasuraman et al. (1991) reported that consumers are willing to recommend a company or a service provider to others when they perceived they get a super service from this company. Boulding et al. (1993) pointed out that service quality has a negative effect on complaint and switching behavior but a positive one on willingness to recommend. Baker and Crompton (2000) concluded that In the hotel industry customers are willing to pay more and be loyal to this company when superior service quality was provided by the company. Konstantinos et al. (2002) suggested that service quality dimensions are significantly correlated with word-of-mouth and purchase intentions.

Some researchers, however, found that perceived service quality could indirectly influence customer loyalty through customer satisfaction. For example, Bei and Chiao (2001) determined that perceived service quality has only an indirect impact on customer loyalty through overall customer satisfaction. Festus et al. (2006) suggested that perceived service

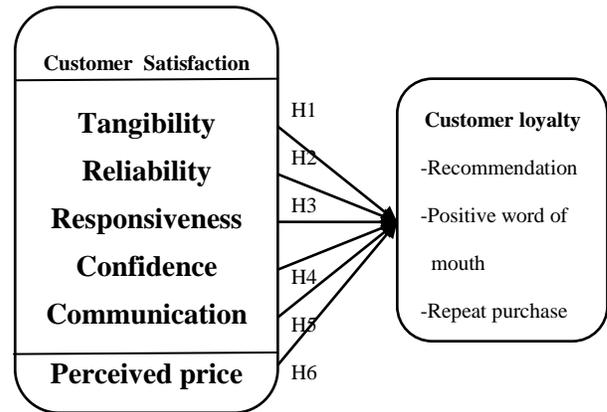
quality indirectly impacts loyalty through customer satisfaction. And Cronin and Taylor (1992) argued that there is no direct but instead an indirect relationship between people's repurchase behavior and service quality in the banking and fast food industries.

In an experimental setting involving a hotel check-in scenario, Voss et al. (1998) found that customer satisfaction can be influenced by price perceptions. In a macroeconomic study involving seven industry sectors Fornell et al. (1996) found that price perceptions affect customer satisfaction. Host and Knie-Andersen (2004) also suggested price is a critical predictor of customer satisfaction. Moreover, Michale (2009) confirmed that in the hotel industry customer satisfaction can be affected by perceived prices.

In addition, the fairness theory provides some basis on which to assume that there is a link between price and satisfaction. Perceived fairness has been shown to be a key factor for maintaining customer loyalty (Kimes and Wirtz, 2003; Oliver, 1997). In a study about some complainants' perception of justice and their consequences, Blodgett et al. (1997) found that people who perceived injustice were more likely to exhibit anger toward, engage in negative word-of-mouth publicity about, and detach themselves from the service provider perceived as unjust. Regarding the relationship between price fairness and customer loyalty, Bei and Chiao (2001) suggested that perceived price fairness can contribute to customer satisfaction and customer loyalty and that customer satisfaction is also a determinant of customer loyalty. Indeed, Yieh et al. (2007) found that customers' perceptions of price fairness and customer satisfaction are both positively related to customer loyalty.

## 2. Conceptual Framework and Research Methodology

**Figure 1: Modified Conceptual Framework**



Source: created by the author for this study

Based on this research framework, The following six research hypotheses were developed.

- H1<sub>o</sub>: *There is no relationship between customer satisfaction with regard to tangibility and customer loyalty.*
- H1<sub>a</sub>: *There is a relationship between customer satisfaction with regard to tangibility and customer loyalty.*
- H2<sub>o</sub>: *There is no relationship between customer satisfaction with regard to reliability and customer loyalty.*
- H2<sub>a</sub>: *There is a relationship between customer satisfaction with regard to reliability and customer loyalty.*
- H3<sub>o</sub>: *There is no relationship between customer satisfaction with regard to responsiveness and customer loyalty.*
- H3<sub>a</sub>: *There is a relationship between customer satisfaction with regard to responsiveness and customer loyalty.*
- H4<sub>o</sub>: *There is no relationship between customer satisfaction with regard to confidence and customer loyalty.*
- H4<sub>a</sub>: *There is a relationship between customer satisfaction with regard to confidence and customer loyalty.*

H5<sub>o</sub>: *There is no relationship between customer satisfaction with regard to communication and customer loyalty.*

H5<sub>a</sub>: *There is a relationship between customer satisfaction with regard to communication and customer loyalty.*

H6<sub>o</sub>: *There is no relationship between customer satisfaction with regard to perceived price and customer loyalty.*

H6<sub>a</sub>: *There is a relationship between customer satisfaction with regard to perceived price and customer loyalty.*

Given the design and purpose of this study, it involved is descriptive and quantitative research. The survey technique was used for collecting information from the population by distributing self-administered questionnaires. The target population was people who have stayed in a 7 Days hotel in the city of Guangzhou, China between June 1 and June 7, 2011. Three non-probability sampling procedures: judgment sampling, quota sampling and convenience sampling were applied to the target respondents from the population. The self-administered questionnaire designed for primary data collection was based on the conceptual framework and divided into four parts with altogether 40 questions. The questions in Part I to Part III concern variables and Part IV is about demographic information. A standard seven-point Likert-scale was used (1 = strongly disagree, 2 = disagree, 3 = slightly disagree, 4 = neutral, 5 = slightly agree, 6 = agree, 7 = strongly agree). It pertained to the respondents' personal information (age, gender, education level, monthly income, purpose of stay and staying experience). A total of 402 valid questionnaires were collected in six 7 Days hotels in six districts of Guangzhou.

### 3. Results and Discussion

More than half of the respondents (207) fall into the 26-35 age level, representing the highest percentage (51.5%). 208 respondents (51.7%) are males and 194 females (48.3%). Almost half the respondents (198) have a junior college education background (49.3%). In terms of income, the highest percentage (40.0%) pertains to the group of respondents (161) whose monthly income ranges from 2,001 to 3,000 CNY. In addition, in respect of purpose, 214

respondents have leisure as their main purpose (53.2%). More than half the respondents have stayed at a 7 Days hotel between 2 and 4 times.

**Table 1:** Summary of Hypotheses Testing

Hypotheses	Significance	Correlation Coefficient	Result
Hypotheses 1	0.000	.677**	Reject H <sub>o</sub>
Hypotheses 2	0.000	.536**	Reject H <sub>o</sub>
Hypotheses 3	0.000	.622**	Reject H <sub>o</sub>
Hypotheses 4	0.000	.640**	Reject H <sub>o</sub>
Hypotheses 5	0.000	.613**	Reject H <sub>o</sub>
Hypotheses 6	0.000	.718**	Reject H <sub>o</sub>

\*\* Correlation is significant at the 0.01 level (2-tailed).

Hypothesis testing shows that the following service quality dimensions: satisfaction with regard to tangibility, reliability, responsiveness, confidence and communication, all have positive and medium correlations with customer loyalty. But among these five variables, tangibility and confidence have a higher correlation with customer loyalty than the other three variables. Reliability has the lowest correlation with customer loyalty. Surprisingly, satisfaction regarding perceived price has high and positive relationship with customer loyalty. This finding indicates that satisfaction with regard to price has higher effect than with regard to other service quality dimensions on customer loyalty toward 7 Days Hotels. In this study, price is the most important driver of customer satisfaction.

The results from hypotheses one to five are supported by some research in the hotel and service industry. Jai and Dwi (2000) argued that satisfaction is a good predictor of customer loyalty in the hotel industry, a finding confirmed by Festus (2006), who found a strong relationship between overall service quality and satisfaction. Satisfaction strongly influences customer loyalty in the hotel industry. Albert (2002) suggested that service quality influence service loyalty via customer satisfaction. Moreover, Amy and Amrik (2003) found that

every dimension in SERVQUAL has a positive relationship with loyalty. Among these five SERVQUAL dimensions, tangibility has the highest correlation with loyalty. This result is consistent with the findings in the present study.

As hypothesis six shows, satisfaction with regard to perceived price has a high and positive relationship with customer loyalty. Customers are quite satisfied with the price charged per room. Price could be the main reason for most of the respondents' loyalty to this hotel. This finding is supported by David et al. (2007), who argued that perceived price fairness can be viewed as a threshold factor to maintain satisfied and loyal customers. Kurt et al. (2006), who examined price satisfaction, confirmed the importance of price satisfaction on future business.

The researcher can thus conclude that service quality dimensions and perceived price are the main and the most important drivers of customer satisfaction affecting customer loyalty. This is consistent with the finding of Host and Knie-Andersen (2004) who investigated the relationships of service quality dimensions, price, satisfaction and loyalty, and found that service quality dimensions and price are important drivers for customer satisfaction.

#### **4. Conclusion and Recommendations**

On the basis of the findings regarding the descriptive analysis of demographic factors, it can be concluded that the customers most loyal to the 7 Days Hotel chain are young people (26 to 35 years old) with college education (junior college education) and a monthly income between 2,001 and 3,000 CNY. These customers typically go to 7 Days hotels for leisure rather than for business.

In view of the results of the descriptive analysis of the variables, the researcher can conclude that most of the respondents have highly evaluated the overall service quality of the 7 Days hotels at which they have stayed. They particularly appreciate the reliability of the chain (rated the highest among the five dimensions) and its predictability in terms of price and service quality; hence their loyalty and their willingness to recommend this chain to others. Clearly, the 7 Days Hotel chain has a positive image in the customers' mind. They

have confidence in the service provided, and the more confidence they are, the more loyal they are.

As the findings of the hypothesis testing show, the various dimensions of service quality at the 7 Days hotels are the main drivers of customer satisfaction and the main influence with regard to customer loyalty. Customer satisfaction with regard to perceived price has a stronger impact on customer loyalty than the service quality dimension. Price is a more important factor in terms of making 7 Days Hotel chain's customers loyal to it. However, out of the five dimensions of service quality, tangibility plays a prominent role in predicting customer loyalty. This dimension shows that customers would be even more loyal to the 7 Days Hotel chain if it provided an even better physical environment.

#### *- Recommendations*

Some of the recommendations made concern the 7 Days Hotel chain and some are useful suggestions for other economy hotel service providers. We will start with recommendations to the 7 Days Hotel Chain.

As the findings show, tangibility has the highest correlation with customer loyalty, which implies that tangibility is the most important factor in terms of customer loyalty. Therefore, improving the tangibility of 7 Days hotels will enhance customers' loyalty to the hotel chain. Since the two following statements, "The outdoor surroundings were visually attractive" and "The front desk was visually appealing" have a relatively low mean value, the researcher recommends that the 7 Days Hotel chain makes some small changes to make their outdoors and front desk more attractive. For example, the color or the shape of the front desk could be changed to make it each one more individualized. As to the outdoor surroundings, some potted plants or different styles or colors could be used to enhance the environment surroundings of the hotel.

Given the importance of reliability as evaluated by the respondents, the researcher suggests that the 7 Days Hotel chain provides a super service to every customer consistently in every city. In view of the fact that confidence also has a high effect on customer loyalty, and customers' confidence in employees, the

location and safety of the hotels are particular areas for the chain to focus on. Employees should also make sure they know local places of interest and local transportation well. The researcher recommends that the 7 Days Hotel chain should develop some training activities for their employees once a month or every other months. In addition, management should pay special attention to the following item "Employees anticipated my needs." Since it is difficult for employees to anticipate customer needs, the 7 Days Hotel chain needs to ensure that its employee turnover decreases. They should thus provide more benefits to their employees, especially those who have more work experience in the hotels.

Furthermore, as hypothesis six indicates, among these six drivers of customer satisfaction, perceived price is the most important factors affecting customer loyalty. It shows that customers have more satisfaction with regard to price than to service quality. According to the official website of the 7 Days Hotel chain, price is the strongest point for them to compete with other economy hotel chains. Therefore, the researcher recommends that the 7 Days Hotel chain keeps maintaining this competitive advantage in every city in China. Given the many economy hotel chains in China and the stiff competition among them, keeping focusing on this area of strength will provide the chain with an edge against its competitors. One policy the hotel could adopt is to have various furniture styles and/or designs and charge different prices for different rooms on the basis of their styles and designs.

As to other economy hotels, the following recommendations can be made. Given that service quality and perceived price are the main drivers of customer satisfaction and the main factors affecting customer loyalty toward 7 Days hotels, other economy hotels should also focus on providing superior service quality and offering competitive prices. The researcher also suggests that other economy hotel chains regard superior service quality and room service as the most important products provided to their targeted customers.

In addition, while other economy hotel chains may not have an obvious price advantage,

they should consider developing their own strength in other areas to attract customers and make them loyal to them.

## 5. Further Studies

Given that the target population in this research has been limited to people who have stayed at a 7 Days hotel at least 5 times and that, for data collection purposes, the questionnaires were only collected in six hotels in one city, the following suggestions for further studies can be made:

Since there are currently more than 4,000 economy hotels in China, different hotels have different styles and their own area(s) of strength. Further studies should consider selecting customers who are from two or more economy hotels in one city or compare customer satisfaction in two economy hotels in China. In that case, the results would benefit more economy hotels.

Considering the limited service economy hotels provide and the core product of these hotels, service quality is more important in this type of hotels than it is in full-service hotels. Thus, further studies should consider other suitable scales in addition to those applied to this study to measure service quality and find more important and relevant information for economy hotels in China.

The findings related to perceived price indicate that price is the main strength of the 7 Days Hotel chain. Other economy hotel chains may well have their own specific areas of strength to attract new customers or make customers loyal to them. Thus, further studies should add and identify more independent variables that affect customer satisfaction and customer loyalty toward economy hotels.

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**Appendix A**

**Questionnaire (English version)**

**Part I: Satisfaction with regard to Perceived Service Quality**

Please indicate the degree of agreement regarding the 7Days Hotel chain that you think is most appropriate.

Variable	Strongly disagree 1	Disagree 2	Slightly disagree 3	Neutral 4	Slightly agree 5	Agree 6	Strongly agree 7
<b>Tangibility</b>							
1. I am satisfied with the design of the front desk, which is visually appealing.							
2. I am satisfied with the uniforms of the employees.							
3. I am satisfied with the atmosphere of the restaurant.							
4. I am satisfied with the shops. They were pleasant and attractive.							
5. I am satisfied with the outdoor surroundings of the hotel. They were visually attractive.							
6. I am satisfied with the lightness of the hotel. It was bright and well lit.							
7. I am satisfied with the hotel's interior and exterior maintenance.							
8. I am satisfied with the cleanness of the hotel.							
<b>Reliability</b>							
9. I am satisfied with the efficiency and handling of reservation.							
10. I am satisfied with the room, which was ready as promised.							
11. I am satisfied with the TV, radio, air-condition, lights, and the other equipments, they worked properly.							
12. I am satisfied with what I got that it was what I paid for.							
<b>Responsiveness</b>							
13. I am satisfied with the employees' prompt response to my requests.							
14. I am satisfied with the informative literature the hotel provided.							
15. I am satisfied with the employees' willingness to answer my questions.							
16. I am satisfied with the employees' response to solving my problems.							
17. I am satisfied with the room service. It is prompt.							
<b>Confidence</b>							
18. I am satisfied that the employees know about the local places of interest.							

19. I am satisfied that the employees treated me with respect.							
20. I am satisfied that the employees were polite when answering my questions.							
21. I am satisfied that the hotel provided a safe environment.							
22. I am satisfied that the facilities were conveniently located.							
<b>Communication</b>							
23. I am satisfied with the charges on my account. They were clearly explained.							
24. I am satisfied with undivided attention I received at the front desk.							
25. I am satisfied that the reservationists tried to find out and catered to my particular needs.							
26. I am satisfied that the employees anticipated my needs.							

**Part II: Satisfaction with regard to Perceived Price**

Please indicate the degree of agreement regarding the 7Days Hotel chain that you think is most appropriate.

<b>Perceived price</b>	Strongly disagree 1	Disagree 2	Slightly disagree 3	Neutral 4	Slightly agree 5	Agree 6	Strongly agree 7
27. Given the overall service this hotel provided, I am satisfied with the reasonable and fair price.							
28. Compared with other economy hotel chains, I am satisfied with the price.							
29. Compared with my expectations, I am satisfied with the price.							

**Part III: Customer Loyalty**

Please indicate the degree of agreement regarding the 7Days Hotel chain that you think is most appropriate.

<b>Customer loyalty</b>	Strongly disagree 1	Disagree 2	Slightly disagree 3	Neutral 4	Slightly agree 5	Agree 6	Strongly agree 7
30. I will recommend this hotel chain to anybody seeking my opinion.							
31. I will say positive things about this hotel to other people.							
32. I will encourage friends and relatives to stay in this hotel chain.							
33. I will consider staying in this hotel chain in other cities.							
34. This hotel will always be my first choice.							

**Part IV : Demographic Information**

**35): Age**

- 25 years and below     26-35 years     36-50 years     above 50

**36): Gender**

- Male     Female

**37): Education level**

- Senior school and below     Junior college     Bachelor Degree  
 Master Degree     above Master Degree

**38): Monthly income**

- Less than 2,000 CNY     2,000 ~ 3,000 CNY  
 3,001~ 4,000 CNY     4,001~ 5,000 CNY  
 More than 5,000 CNY

**39): Purpose of staying**

- Business     Leisure     Others

**40): How many times have you stayed at 7 Days hotel?**

- The first time     2 ~ 4 times     5 ~ 10 times     More than 10 times

**Thanks again for your kind cooperation!**