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# Relationship between Hotel characteristics and Customer Loyalty Among Star-Rated Hotels in Kenya's North Rift Region

**Dr. Beatrice Jemaiyo** Catholic University of Eastern Africa P.O BX 908 ELDORET

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**ABSTRACT:** The most crucial problem that organizations confront when the level of competition in the market rises is how to cultivate customer loyalty and increase customer lifetime value. However, because of the complexities of the competitive market, it is becoming increasingly challenging to establish and maintain consumer loyalty. Customer loyalty is anticipated to rise because of hotel characteristics. Therefore, it is necessary to assess the degree to which hotel characteristics have a positive and substantial impact on customer loyalty. As a result, this study used a cross-sectional survey of fourteen (14) star-rated hotels in Kenya's North Rift Region to assess the association between hotel characteristics and customer loyalty. A cross-sectional research survey design was utilized to randomly choose 384 visitors among the hotel guests who stayed there between January and June 2019 using the Multi-Stage Sampling Method. The respondents were given a questionnaire, which was used to gather the data. The Cronbach's alpha value, which has a coefficient of 0.7, was used to assess the reliability of the survey items. Expert evaluations were used to assess the validity of the questionnaire's items. Descriptive and inferential statistics were used to present the findings. The hypothesis regarding the association between hotel characteristics and customer loyalty was tested using simple and multiple linear regression analysis. According to the study, there is a substantial correlation between hotel attributes and client loyalty, with  $\beta$  coefficient values of 1.079, respectively, at p < 0.05. The model's overall significance was R = 0.830, R2 = 0.689, and P = 0.005. As a result, the study concludes that there is a strong positive correlation between hotel attributes and client loyalty. The research advises hotel owners to make their establishments accessible, get favourable star ratings, and keep expanding their business to be able to match client expectations in order to attract their patronage.

**KEYWORDS:** *Hotel Characteristics, Customer Loyalty*, Star-rating, Hotel Location

#### **INTRODUCTION**

In today's highly competitive and globalized business environment, improving customer loyalty seems to be the most urgent task facing marketers. For many organizations, customer loyalty is an important intangible asset (Jiang & Zhang, 2016). According to Srivastava and Rai (2012), instability of the economic environment in recent times has also contributed to the loyalty issues in businesses. To be able to cultivate and sustain loyalty among consumers, it is important to

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understand the drivers of loyalty in a specific market. Therefore, the factors that lead to loyalty need to be uncovered and understood before designing and implementing the strategies for customer retention and loyalty (Srivastava & Rai, 2012).

#### LITERATURE REVIEW

#### **Customer Loyalty**

Nurturing loyal customers is the most imperative driver of an organization's long-term financial performance, which can lead to increased sales and customer share, lower costs and higher prices (Laith & Al-Nazer, 2010). It helps organizations to have a competitive advantage over others (Auka, 2012; Yap *et al.*, 2012), increases business value, and lowers costs of attracting new customers (Khan & Riwazan, 2014). Loyal customers are also important assets for the organization (Upamannyu *et al.*, 2015) and are a key mediator in customer retention (Matelong, *et al.*, 2015). Customer loyalty leads to financial benefits (Murali, Pugazhendhi & Muralidharan, 2016), like price premium (Kim, Lee & Preis, 2016), low cost of advertising (Murali *et al.*, 2016), and extra sales income.

Researchers conceptualize customer loyalty in a number of ways (Ali, Kim, Li & Jeon, 2016). Casidy and Wymer (2016) conceptualize customer loyalty as a person's emotional state of dedication and connection to the loyalty object, rather than repetitive transactions. Correspondingly, Oliver (1999) conceptualizes customer loyalty as an intensely held commitment to rebuy or re-patronize a desired product/service regularly in the future, thus triggering the repetitive purchase of same-brand or same brand-set, even with situational effects and promotion efforts that are likely to cause switching behaviour.

Studies have examined the loyalty variable from three viewpoints: attitudinal, behavioral and composite (Abu-Alhaija, Yusof, Hashim & Jaharuddin, 2018). Attitudinal loyalty is about the customers who have positive feeling about the product and service they use and try to influence others to use it by recommending to others (Thakur, 2016). Behavioural loyalty is defined as the customers' intention to repurchase and patronize the product or services (Kumari & Patyal, 2017). On the other hand, composite loyalty has been conceptualized to comprise attitudinal and behavioral loyalties (Ali et al., 2016; Cossío-Silva, Revilla-Camacho, Vega-Vázquez & Palacios-Florencio, 2016; Nisar & Whitehead, 2016; Srivastava & Kaul, 2016). Determining customer loyalty using one dimension cannot explain the true relationship of loyalty (Bowen & McCain, 2015). Using attitudinal or behavioral dimensions alone was considered insufficient to assess and understand customer loyalty. Therefore, composite dimension becomes the most ideal (Bowen & McCain, 2015). Review of literature indicates that most scholars use the composite dimension becomes the significance (Bowen & McCain, 2015).

#### **Hotel Characteristics**

Hotel characteristics are the distinguishing features or attributes of the hotel. They are attributes that affect the preferences and purchasing decisions of a customer (Jang, Tian, Ji & Huichen, 2018). According to Kim (2010), it is difficult for hotel managers to understand why customers select one hotel over another. As such, it is necessary to understand the attributes that influence customers in selecting hotels. A better understanding of these attributes and their influences in the guest selection process will help industry professionals to tailor and develop the hotel service, resulting in better occupancy rates and more profitability. Thus, both industry professionals and researchers have been deeply concerned about the effects of hotel characteristics and their influence on the hotel selection process (Kim, 2010). Providing high-quality service and enhancing customer satisfaction are widely recognized as important factors contributing to the success of the hotel, catering, and tourism industries (Kim, 2010). Kim investigated hotel characteristics in relation to guest preference. According to Kim, several studies on hotel attributes and their impact on hotel selection by customers have been done. He conceptualised hotel characteristics as distinguishing features or attributes of the hotel. The current study adopted the definition of hotel characteristics by Kim and measured hotel characteristics by size, rating, and location.

In the present times, competition has forced local and international hotels to seek standardization and tools to ensure high service quality. One such tool is the rating system, which grades and certifies a hotel's quality, including its facilities and services in meeting certain international levels (WTO, 2014). Hotel grading (rating) guides customers on the nature of the amenities and services expected from hotels. Different types of ratings are used and they range from one star to five stars. Generally, a higher rating signifies higher expectations of service and the quality of amenities that customers expect (Khan & Fasih, 2014). Apart from communicating hotel quality information to visitors (Tefera & Migiro, 2018), classification of hotels also contributes to the pricing, positioning and marketing strategy of hotels (Andersson, 2010; Abrate, Capriello & Fraquelli, 2011; Abrate, Fraquelli & Viglia, 2012; Castro & Ferreira, 2015; Castro, Ferreira & Vasconcelos, 2015). Finally, it has been argued that classification systems set incentives for quality improvements by providing guidelines on relevant quality attributes to hotel managers (Omondi, 2019). According to Minazzi (2010), hotel classification systems uphold best practices and quality recognition by service suppliers; they also promise customer gratification and experience during their stay. These hotel classification systems mostly help to facilitate potential tourists' choice of reliable and dependable hotels offering safe food and accommodation services (UNWTO, 2015). Hotel star ratings provide expectations for hotel clients, including the expected level of services and the expected value for money (Rajaguru & Hassani, 2018). Nunkoo, Teeroovengadum, Ringle, and Sunnassee (2019) observe that hotel rating moderates the relationship between service quality and customer satisfaction. The first element a guest considers when intending to book a hotel is its rating (Tefera & Govender, 2015). According to a study by Kinderis et al. (2011) on service quality in the hotel business, 3–4-star hotels provide services of average quality. Further, Boon-Liat and Zabid (2013) and Markovic and Raspor (2010) have reported that the quality of service increases with the rise in star ranking for a hotel. Ranjbarian, Dabestani, Khajeh and Noktechdan (2011) note the same. According to them, hotel visitors can anticipate five-star rated hotels to be more advanced in

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quality than four, three, two, and one-star hotels, and this anticipation springs from the consumers' exposure to similar hotels they previously stayed in. According to Cant and Erdis (2012) and Tefera and Govender (2015), expectations are likely to differ depending on how they are positioned by service suppliers within an identical category. Further, the study discloses that the superiority of service provided changes in line with the classification of the hotel. A four-star hotel, as an example, is probably going to supply less quality service than a five-star hotel, which may offer top-quality service. Citing Yu (2014), Tefera and Govender (2015) argue that patrons' expectations about a hotel's product and services are repeatedly moulded by formal and nonformal hotel ratings, online visitors' appraisals, and their experience as visitors to similar classes of hotels with similar brands in similar locations or the relative services of the similar brands in other locations. According to Kleynhans and Zhou (2012), high-ranking hotels deliver top-quality services that are also comprehensive and expensive. Budget-class hotels deliver products and services of inferior quality, with a narrow choice of less costly services. Hotel visitors typically frame their anticipations of service quality prior to visiting any hotel by referring to the star rating of the establishment. As they expect high-quality services from those hotels with more stars, they will be extremely disappointed if their expectations are not met (Kleynhans & Zhou, 2012). A study by Tsao (2018) shows that star rating moderates the relationship between distributive justice and during recovery, and post-recovery satisfaction and defection rate. While Tsao's study concentrated on distributive justice, procedural and interactional justice, and post-recovery satisfaction, the current study concentrated on the relationship between hotel characteristics and customer loyalty, with star rating as one of the constructs. The study by Tsao used structural equation modeling, whereas the current study used regression analysis.

Hotel location has a positive effect on customer satisfaction and customer loyalty (Wangchan & Worapishet, 2019). Organization attributes (characteristics) influence consumer purchase intentions (Hasan, 2018). Hotel characteristics were found to influence hotel selection (Filieri, Raguseo & Vitari, 2018; Gao, Hu & Bose, 2017; Lee, Trimi & Yang, 2018). Among the hotel characteristics, location was found to influence customer loyalty in the hotel industry in Thailand (Wangchan & Worapishet, 2019). Rodríguez-Victoria, González-Loureiro, and Puig, (2017) report that hotel location moderates the relationship between clustering, innovation strategy, and competitiveness of the hotel. Other studies, like Khozaei, Nazem, Ramayah and Naidu (2016); Limberger, Meira, Aaa and Sohn (2016); and Zhou, Ye, Pearce and Wu (2014), have established that hotel location is among the attributes of the hotel that influence customer satisfaction. Location has also been reported as the most vital attribute in influencing customer ratings, both in limitedservice and full-service hotels, as identified in Xu and Li's (2016) survey. Kim's (2010) study further revealed that the price of the room, conglomerate connection, and casino facility have a negative relationship with the occupancy rate. He also found that the Central Business District (CBD) location positively affects hotel occupancy rates. Previous research has found a positive and significant relationship between hotel location and customer satisfaction and loyalty (Keisidou, Sarigiannidis, Maditinos, & Thalassinos, 2013; Lee, Moon, Kim, & Yi, 2015; Said, Hamzah, Muis, & Jusni, 2016; Wangchan & Worapishet, 2019; Yang & Mao, 2017). Hotel size has an inverted U-shape curvilinear relationship with the occupancy rate (Kim, 2010). Most studies on hotel characteristics have been carried out in relation to customer preference, occupancy rate,

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and hotel performance (Kim, 2010), and they found that hotel characteristics have an effect on customer preference, occupancy rate, and hotel performance. However, the current study was on customer loyalty. Meanwhile, research by Kim, Kim and Heo (2016) affirmed that location is an important attribute only for full-service hotels. Limberger, Boaria, and Anjos (2014) have also underscored that location is the most significant criterion used by consumers who describe certain hotels as "Best Hotels". These findings indicate that consumers residing in hotels with higher rates are more sensitive to location. Kucukusta (2017) has also confirmed this. Location-related factors (accessibility to points of interest, transport convenience, and the surrounding environment) are great determinants of customer satisfaction, hence customer loyalty (Yang, Mao & Tang, 2018). In their study, Ladele, Yakibi, Akinruwa, and Ajavi (2019) revealed that a good hotel location (with a good access road, constant electricity, water supply, and basic security facilities) influenced customer loyalty. This is further supported by the findings of Chen, Liu, Huang, and Liu (2019), which revealed that aesthetic, hedonic, and location dimensions have a significant direct positive impact on customer loyalty. The characteristics of the hotel, especially location, are an important determinant of profitability (Sainaghi, 2011). Geographical location models consider the closeness of hotels to the city's CBD, viewing greater closeness as favorable as the CBD is where tourist attractions are located (Lado-Sestayo, Vivel-Ba & Otero-González, 2017).

The size of the hotel, its quality, and its diversification positively affect the performance of the hotel (Becerra, Santaló & Silva, 2013; Bresciani, Thrassou & Vrontis, 2015; Chen & Chang, 2012). Assaf, Barros, and Josiassen (2012) report that the main ecological factors of heterogeneity in technological sets are the size, quality standards, and form of ownership. Specifically, big hotels are found to be more efficient than small ones. Moreover, size has the highest influence on distinguishing the production technology of high-rated hotels. Hotels with a larger capacity provide more options for meeting business demand (Bernini, & Guizzardi, 2015). Menicucci (2018) found that hotel size, internationalization, location, accommodation, and chain membership all have a positive impact on profitability. Assaf, Barros, and Josiassen (2012) aver that the size of the hotel, its ownership, and its classification have a substantial effect on its efficiency. Further, Salavati and Hashim (2015) posit that star rating and the size of the hotel influence the adoption of the website by the customers.

Therefore, the development and sustainability of Customer Loyalty is vital for competitive advantage (Yap *et al.*, 2012). Loyal clients are also important assets for the organization (Upamannyu *et al.*, 2015). CL is also a key foundation to an organization's financial sustainability, increased income and market share (Laith & Al-Nazer, 2010). Nevertheless, the development and sustainability of customer loyalty has become increasingly, difficult to achieve in a competitive environment, and its underlying determinants remain unclear (Auka, 2012). This is the reason why this study was done to: find out the relationship between customer characteristics and customer loyalty.

#### METHODOLOGY

Cross-sectional survey research was employed for the study. An opportunity to assess the differences between subgroups in a population and the connections between variables is provided by cross-sectional design. A cross-sectional survey was the optimal design because the study's main emphasis was on the connection between hotel characteristics and customer loyalty. All 14 star hotels in Kenya's North Rift Region made up the target population. The accessible population was calculated using 446 customers based on bed occupancy rate. By applying, the formula that was adapted from Taherdoost, (2017), a sample size of 384 was determined. The study adopted a multi-stage sampling technique. In the first stage, the hotels were clustered into four categories according to their star rating, and a census of the 14 hotels was adopted. In the second stage, the sample size of the customers (n = 384) was obtained based on the 446 bed occupancy rate of the 14, hotels and the target respondents were randomly selected proportional to the bed occupancy rate of the hotel. A questionnaire was used to collect the data. Various statistical tools were used to analyze the data. The Statistical Package for the Social Sciences (SPSS) version 21 was deployed to manage the preliminary data and provide descriptive analyses of the study sample. The purpose of conducting descriptive statistics was to reduce, summarize, and analyze data. Factor analysis was also adopted to reduce many individual items into a smaller number of dimensions before performing further analysis. Regression analysis was used to test the hypothesis.

# **FINDINGS OF THE STUDY**

#### **Descriptive Results of hotel Characteristics and Customer Loyalty Table 1: Descriptive Results on Hotel Characteristics**

		Ν	Mean	Std. Deviation
STRT1	I prefer a five-star hotel because they offer better services.	342	3.76	1.050
STRT2	I prefer four- and five-star hotels because they have more facilities.	342	4.20	.745
STRT3	I prefer two- and three-star hotels are fairly priced.	342	4.18	.751
STRT4	Star rating of hotels improves the image of the hotel.	342	4.16	.776
STRT5	Star rating of hotels guides me in making decisions on which hotel I should select; hence it saves my time.	342	3.86	.886
STRT6	Star-rated hotels are trustworthy.	342	4.25	.721
STRT7	I am assured value for my money in star-rated hotels.	342	4.19	.713
STRT8	Star-rating of the hotel reflects the quality of the services I expect to receive from the hotel	342	3.76	.908
LOC9	I like this hotel because it is located near the central business district.	342	3.88	.894
LOC10	I prefer coming to this hotel because it is easily accessed by the public service vehicles.	342	3.95	.838
LOC11	I always stay in this hotel because it is located in a convenient location and closer to other facilities like banks and major offices.	342	3.59	1.290
LOC12	This hotel is located in a serene environment; I love it because it gives me peace of mind.	342	3.61	1.273
SIZ13	I always prefer small hotels because they offer personalized services.	342	3.66	1.200
SIZ14	I prefer a small hotel because it offers better services.	342	3.53	1.217
SIZ15	I prefer staying in a small hotel because it is more secure.	342	4.30	.686
SIZ16	I prefer big hotels because they offer variety of services	342	4.25	.725

Data from research (2021)

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Ascertaining the hotel characteristics, as the moderating variable, was among the aims of this research. Customers (respondents) were required to rate some items used in relation to hotel size, star rating, and hotel location. The results on star rating, as shown in Table 1, were as follows: STRT1 "I prefer five-star hotels because they provide better services" had a mean of 3.76; STRT2 "I prefer four and five-star hotels because they have more facilities" had a mean of 4.20; STRT3 "I prefer two and three-star hotels because they are reasonably priced" had a mean of 4.1; STRT4 "Star-rating of hotels improves the image of the hotel" had a mean of 4.16; STRT6 "Star-rated hotels are trustworthy" The average mean for star-rating was 4.05, implying that most respondents preferred star-rated hotels because they offer better services, have more facilities, charge fair prices, guide customers in decision-making, are trusted, and reflect the quality of service they expect. The average standard deviation was small, at 0.819; this meant that most of the ratings concentrated around the mean.

As regards the location, the results were as follows: LOC9 "I like this hotel because it is located near the Central Business District" had a mean of 3.88; LOC10 "I prefer coming to this hotel because it is easily accessed by public service vehicles" had a mean of 3.95; LOC11 "I always stay in this hotel because it is located in a convenient location and closer to other facilities like banks and major offices" had a mean of 3.59; and LOC12 "This hotel is located in a serene environment; I love it because it gives me peace of mind" had a mean of 3.61. The average score on hotel location was 3.8; this meant that the location of the hotel played a great role in customer loyalty. The standard deviation was 1.073, meaning most of the responses deviated slightly from the mean.

The results on the size of the hotel were as follows: SIZ13 "I always prefer small hotels because they offer personalized services" had a mean of 3.66; SIZ14 "I prefer a small hotel because it offers better services" had a mean of 3.53; SIZ15 "I prefer staying in a small hotel because it is more secure" had a mean of 4.30; and SIZ16 "I prefer big hotels because they offer a variety of services" had a mean of 4.25. The average mean for hotel size was 3.935, approximately 4, suggesting that the size of the hotel is important in influencing customer loyalty. The SD was 0.957, meaning that most of the responses on the size of the hotel were concentrated around the mean. It was thus found in this study that hotel star-rating, location, and size influenced customer loyalty.

Table 2: Factor Analysis for HC Before removal of Factors that never loaded						
Kaiser-Meyer-Ol	kin Measure of Sampling Adequacy.		.847			
Bartlett's Test of Sphericity Chi-Square			3169.752			
	df			120		
	Significance			.000		
Items of Customer Perception		Factor	Eigen	%		
(n = 34	2)	Loadings	Values	Variance		
STR1	I prefer a five-star hotel because it offers better services.	.630	6.786	42.411		
STR2	I prefer a four- and five-star hotels because they have more facilities.	.860				

# Factor Analysis Performed for Hotel Characteristics

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STR3	I prefer two and three-star hotels because they are fairly priced.	.876	
STR4	Star-rating of hotels improves the image of the hotels	.875	
STR5	Star-rating of hotels guides me in making decisions on which hotel I should select; hence it saves my time.	.863	
STR6	Star-rated hotels are trustworthy.		
STR7	I am assured of value for my money in a star-rated hotel.		
STR8	Star-rating of the hotel reflects the quality of the services I expect to receive from the hotel.	.809	
LOC1	I like this hotel because it is located near the Central Business District.	.773	
LOC2	I prefer coming to this hotel because it is easily accessed by public service vehicles.	.845	
LOC3	I always stay in this hotel because it is located in a convenient location and closer to other facilities like banks and major offices.		
LOC4	This hotel is located in a serene environment; I love it because it gives me peace of mind.		
SIZ1	I always prefer small hotels because they offer personalized services.		
SIZ2	I prefer a small hotel because it offers better services.		
SIZ3	I prefer staying in small hotel because it is more secure.	.729	
SIZ4	I prefer big hotels because they offer variety of services.	.740	

Source: Research data (2021)

To test the construct validity, factor analysis was performed on customer loyalty. Before the factor analysis was performed, Kaiser-Meyer-Olkin (KMO) and Bartelett's Test of Spherity were done. The results, as shown in Table 2, indicate that KMO was 0.847. Since this value was above 0.5, it was recommended. According to Kaiser (1974), any KMO value that is close to 0.5 is endorsed as the lowest. Values between 0.7 and 0.8 are accepted, and values above 0.9 are superb. The value of KMO was 0.847; it fell into the range of "accepted". Hence, it was concluded that factor analysis was appropriate for this data.

Bartlett's Test of Sphericity was also performed to test the strength of the relationship among variables. The results in Table 2 indicate Bartlett's Test as significant (P < 0.0001). Therefore, factor analysis was appropriate for this data and was done; 10 factors with Eigen Values greater than 1 were determined by applying the Varimax Rotation Method. Factor loadings showed that 7 factors did not load, as indicated in Table 4.23; hence, they were removed. These factors were: I always stay in this hotel because it is in a convenient location and closer to other facilities like banks and major offices; this hotel is located in a serene environment; I always prefer a small hotel because it offers personalized services; and I prefer a small hotel because it offers better services.

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The Eigen Value in Table 2 indicates that one factor was extracted and it accounted for 42.411% of the variance.

#### Table 3: Factor analysis for HC after removal of factors that never loaded

		Approx. Chi-Square			2424.5
Bartlett's [	<b>Fest of Sphericity</b>	df Sig.	df Sig.		
	Items of Customer Perception (n = 342)		Factor Loadings	Eigen Values	% Variance
STRT1	I prefer five-star hotels becau	ise they offer better services.	6.556	6.556	65.563
STRT2	I prefer a four and five-star h facilities.	otels because they have more	1.025	1.025	10.248
STRT3	I prefer two and three-star ho priced.	tels because they are fairly	.708		
STRT4	Star-rating of hotels improve	s the image of the hotel.	.624		
STRT5	Star-rating of hotels guides n hotel I should select; hence in	ne in making decisions on which saves my time.	.337		
STRT8	Star-rating of the hotel reflect expect to receive from the hotel	ts the quality of the services I tel.	.809		
LOC9	I like this hotel because it is Business District.	ocated near the Central	.773		
LOC10	I prefer coming to this hotel public service vehicles.	because it is easily accessed by	.845		
SIZ15	I prefer staying in small hote	l because it is more secure.	.126		
SIZ16	I prefer big hotels because th	ey a offer variety of services.	.097		

Table 3 shows the results for factor

Table 3 shows the results for factor analysis after removing the six items that never loaded. Analysis of the principal component was done with the Varimax Rotation Method to determine how the 10 hotel characteristic items clustered. These items were: I prefer five-star hotels because they offer better services; I prefer four and five-star hotels because they have more facilities; I prefer two and three-star hotels because they are fairly priced; The star-rating of hotels improves the image of the hotel; the star-rating of hotels guides me in making a decision on which hotel I should select. Hence, it saves my time. The star rating of the hotel reflects the quality of the service I expect to receive from the hotel; I like this hotel because it is located near the Central Business District; I prefer coming to this hotel because public service vehicles easily access it. I prefer staying in a small hotel because it is more secure, and I prefer big hotels because they offer a variety of services. The ideas of independent sampling, normality, linear relationships between

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pairs of a variable and correlation of variables were met. Three components that were rotated

pairs of a variable and correlation of variables were met. Three components that were rotated supported the Eigen Values over one criterion and the Screen Plot. After rotation, the primary component accounted for 65.563% of the variance, and the second component accounted for 10.243%. Table 3 shows the items and component loadings for the rotated components, with loadings below .30 is omitted to enhance clarity. The two factors accounted for the total variance of 75.811%.

		Com	ponent
		1	2
STRT1	I prefer five-star hotels because they offer better services.	.625	
STRT2	I prefer a four and five-star hotels because they have more facilities.	.863	
STRT3	I prefer two and three-star hotels because they are fairly priced.	.880	
STRT4	Star-rating of hotels improves the image of the hotel.	.878	
STRT5	Star-rating of hotels guides me in making decision on which hotel I should select; hence it saves my time.	.867	185
STRT8	Star-rating of the hotel reflects the quality of the services I expect to receive from the hotel.	.827	371
LOC9	I like this hotel because it is located near the Central Business District.	.795	372
LOC10	I prefer coming to this hotel because it easily accessed by public service vehicles.	.860	
SIZ15	I prefer staying in small hotel because it is more secure.	.727	.577
SIZ16	I prefer big hotels because they offer a variety of services.	.734	.555
Extraction	n Method: Principal Component Analysis. a a. 2 components extracted.		

## Table 4: Factor Analysis on Customer Perceptions – Component Matrix

Source: Research data (2021)

Table 3 shows the loadings (extracted values of every item under one variable) of the 10 variables on the two factors extracted. The greater the value of the loading, the more the factor contributes to the variable. The study extracted two variables. Items 2–10 scored highly and positively on Factor 1 but poorly on Factor 2. Items 9 and 10 performed well on both Factors 1 and 2.

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		Component	
		1	2
STRT1	I prefer five-star hotels because they offer better services.	.445	.446
STRT2	I prefer four and five-star hotels because they have more facilities.	.655	.563
STRT3	I prefer two- and three-star hotels because they are fairly priced.	.683	.556
STRT4	Star-rating of hotels improves the image of the hotel.	.674	.565
STRT5	Star-rating of hotels guides me in making decision on which hotel I should select; hence it saves my time.	.801	.380
STRT8	Star-rating of the hotel reflects the quality of the services I expect to receive from the hotel.	.882	
LOC9	I like this hotel because it is located near the Central Business District.	.857	
LOC10	I prefer coming to this hotel because it is easily accessed by public service vehicles.	.836	.323
SIZ15	I prefer staying in small hotel because it is more secure.		.900
SIZ16	I prefer big hotels because they offer a variety of services.		.886
Extraction Rotation c	Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Noronverged in 3 iterations.	rmalization. <sup>a</sup>	a.

#### Table 4: Factor Analysis on Customer Perceptions – Rotated Component Matrix

Source: Research data (2021)

The rotated component analysis, as shown in Table 4, sorted the 10 hotel characteristics (items 1 to 10) into two overlapping groups of items. The items were sorted from the best to the lowest loading (not considering whether the correlation is positive or negative). From Factor 1, all the items within the analysis were listed, from the one with the best factor loading to the one with the lowest factor loading. Each item contained a loading from every factor; the study had requested loadings above 0.30. Any loading below 0.30 was to be excluded from the output. From the output, all the items have loadings above 0.30; hence, they have been included within the output. The first 8 items that had their highest loadings from Factor 1 were listed from highest loading (Item 1, 2, 3, 4, 5, 8, 9 and 10) to the bottom (item 15 and 16). Secondly, two items on which Factor 2 loaded most highly were listed as 15 and 16. Loadings resulting from an orthogonal rotation are correlation coefficients between each item and the factor; so, they vary from-1.0 through 0 to +1.0. A negative loading means the question has to be rotated interpreted in the other way from the way it was written for that factor. Usually, factor loadings under 0.30 are considered low; that is why the study suppressed loadings below 0.30. On the other hand, loadings of 0.40 or greater are typically considered high.

From the analysis, items 6, 5, 3, 4, 2 and 1 were assumed to measure the star rating of the hotel. Because they all had strong loadings from the same factor, it provided support for it being conceptualized as the same construct "star-rating." Items 9 and 10 were assumed to measure location. Observing these factors, they were all about the location of the hotel. Most star-rated

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hotels were located in areas that were easily accessible and mostly in the Central Business District. As a result, they could be identified as one of the items that help to improve star rating. Items 15 and 16 on the other hand scored highly on Factor 2. This result was to support the characteristic of "size", since all of them had strong loadings from the identical factor, which supports the item being conceptualized. As items 8, 1, 5, 3, 4, 2 and 1 had high loadings on both Factors 1 and 2, they were undesirable because the researcher wanted just one item to predict each factor, so they were dropped.

## **Relationship between Hotel Characteristics and Customer Loyalty**

 $H_{05}$ : There is no significant relationship between hotel characteristics and customer loyalty among star-rated hotels in the North Rift Region of Kenya.

# Table 5: Regression results on the Relationship between Hotel Characteristics and CustomerLoyalty-Summary Model

	N	Iodel Sun	nmary						
Model	R	R	Adjusted R	Std. Error	Change Statistics				5
1		Square	Square	of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
	.830ª	.689	.688	.323	.689	753.190	1	340	.000

a. Predictors: (Constant), HotelXstics

b. Dependent Variable: CustLoyalt

Source: Research Data (2020)

# Table 6: Regression Coefficients results on the Relationship between Hotel Characteristics and Customer Loyalty-Summary Model

Model		Unstanda	Unstandardized Coefficients		t	Sig.
		В	Std. Error	Beta		
1	(Constant)	904	.168		0.843	-5.380
	HotelXstics	1.079	.039	.830	27.444	.000

HotelXstics = Hotel characteristics

Source: Research Data (2020)

## **DISCUSSION OF THE FINDINGS**

A regression analysis was performed to test the relationship between hotel characteristics and customer loyalty. The results indicated that there is a significant relationship between hotel

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characteristics and customer loyalty; F = 753.190, P value 0.0000 < 0.05, R = .830, R2 = .689, as shown in Table 5. Since R = 0.830, it means that there is a highly positive relationship between hotel characteristics and customer loyalty. The unstandardized coefficient in Table 6 above indicates that any one-unit change in hotel characteristics increases customer loyalty by 1.079. The value of R2 is 0.689. This shows that hotel characteristics contributed to 68.9% of customer loyalty. Hence, the hypothesis H05, that there is no significant relationship between hotel characteristics and customer loyalty among star-rated hotels in the North Rift Region of Kenya, was rejected. This means that all the hotel characteristic variables (star rating, location, and size) have a statistically significant relationship with customer loyalty. The findings support those of Wangchan and Worapishet, (2019), who found hotel location to have a positive effect on customer satisfaction and customer loyalty. Location-related factors (accessibility to points of interest, transport convenience, and surrounding environment) are great determinants of customer satisfaction, hence customer loyalty (Yang et al., 2018). In their study, Ladele et al. (2019) revealed that a good hotel location (with a good access road, constant electricity, water supply, and basic security facilities) influenced customer loyalty. This is further supported by the findings of Chen et al. (2019), which state that aesthetic, pleasure, and location dimensions have a significant direct positive impact on customer satisfaction, hence customer loyalty. The characteristics of the hotel, especially location, are an important determinant of profitability (Sainaghi, 2011). Geographical location models consider the closeness of hotels to the city's CBD, viewing greater closeness as favourable because the CBD is where tourist attractions are located (Lado-Sestavo et al., 2017).

The findings are also in agreement with those of Becerra et al., (2013); Bresciani et al., (2015); and Chen and Chang, (2012), who established that the size of the hotel, its quality, and diversification positively affect the performance of the hotel. Assaf et al. (2012) found out that the main ecological factors of heterogeneity in technological settings are the size, quality standards, and form of ownership. Specifically, big hotels are found to be more efficient than small hotels. Moreover, size has the highest influence on distinguishing the production technology of high-rated hotels. Hotels with a larger capacity offer more options for meeting business demand (Bernini & Guizzardi, 2015). Hotel size, internationalization, location, accommodation, and chain membership all have a positive impact on profitability (Menicucci, 2018).

Boon-Liat and Zabid (2013), Markovic, and Raspor (2010) report that the quality of service increases with the rise in star ranking for a hotel (Ranjbarian et al., 2011). The results of this study further agree with those of Kinderis et al. (2011), whose study revealed that 3 and 4-star-hotels provide services of average quality. Furthermore, Ranjbarian et al. (2011) noted the same. Ranjbarian et al. (2011) confirm that hotel visitors can anticipate a five-star hotel to be higher in quality than four-, three-, and one-star hotels, and this anticipation originates from the experience those consumers have had with similar rated hotels before (Ranjbarian et al., 2011; Tefera, & Govender, 2015). Expectations are also likely to differ according to different positioning strategies adopted by service providers in the same industry (Cant & Erdis, 2012; Tefera & Govender, 2015). Visitors might anticipate a luxury product and service from a five-star hotel as opposed to four-star and lower ones. If these expectations are not satisfied, then the consumers are likely to be very dissatisfied. Citing Yu, (2014), Tefera, and Govender (2015), found that clients' anticipations

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about a hotel product are often shaped by formal and non-formal hotel ratings, online guest reviews, and their previous knowledge as visitors to similar hotels with similar brands, in similar locations, or related services of similar brands in other locations. According to Kleynhans and Zhou (2012), a high-ranking hotel provides the top-most utilities that are also wide-ranging and costly. Budget class hotels, on the other hand, offer products and services of inferior quality, with a narrow scope of less expensive services. Hotel visitors typically frame their expectations of service quality using the star rating of the establishment prior to visiting any hotel. As they expect high-quality service from those hotels with more stars, they will be extremely disappointed if their expectations are not met (Kleynhans & Zhou, 2012). The first thing a guest considers when intending to book a hotel is its rating (Tefera, & Govender, 2015). Therefore, star rating influences customers in making purchase decisions.

## **Implication to Research and Practice**

The study found that there is a high positive relationship between hotel characteristics and customer loyalty. As a result, the study recommends that star-rated hotels should endeavour to retain and upgrade their ratings as provided by the Kenya Tourism Regulatory Authority. This will improve their image and customer service expectations, which will increase the possibility of the customer coming back. As for those hotels that are not yet star-rated, they should apply for a rating as this will also boost their image and increase customer loyalty.

The study contributes to practice as it establishes the role of location in improving customer loyalty. The study therefore, recommends that future investors should seriously think about the location of their hotels. They should build their hotels in locations that are easily accessible, convenient, and have a serene atmosphere that enhances the psychological comfort of their customers. Hotel owners and investors must also recognize the importance of hotel location in terms of value because it influences customer loyalty and purchasing decisions. Likewise, hotel evaluators and analysts need to comprehend the influence of location on the value of the hotel.

They should also consider the size of their hotels. Most of the customers preferred small hotels since they offer personalized and better services than big hotels. Therefore, this study recommends that big hotels should improve their customer relations and services so that they can compete with small hotels.

The study also contributes to ne knowledge in research. Most studies have used customer characteristics, service quality, and customer satisfaction as the determinants of customer loyalty among other. The use of hotel characteristics (Star-rating, Location and Size) has added new knowledge to the existing literature.

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In general, the study contributes to practice by demonstrating the significance of hotel star rating, location, and size to hotel owners and future investors. The owners need to invest in the star rating of their hotels as this leads to improved loyalty. Future investors should also consider the three elements of hotel characteristics, as this would enable them to retain customers who will remain loyal.

## CONCLUSIONS

According to the study's findings, there is a strong positive correlation between hotel attributes and patron loyalty. The most significant hotel feature that affected patron loyalty was discovered to be location, followed by star rating and then hotel size. Customer loyalty is significantly influenced by the type of star rating, hotel size, proximity to basic amenities, tranquil setting, and ease of accessibility.

#### **Recommendation for Further studies**

The context of the hotel industry in the North Rift region places some limitations on the generalizations of the findings of the current study. Investigating other service sectors like banks and other regions will improve this research's generalizability.

The study furthermore recommends future studies on the dynamic relationships of loyalty of the customer constructs that can be analysed by other approaches, for instance, the use of the Panel Data Approach or the application of special econometric techniques.

A further limitation of this study is that the findings cannot be wholly as the scope, time and size of the sample is very small. With this small sample size of a few hotels in the North Rift Region of Kenya, the results cannot be generalized. Hence, further study is essential regarding this matter. Therefore, future research should be broadened, to include other star-hotels in other regions and cities of Kenya. It would also be of great value to carry out further research on customers' attitudes towards the quality of other service businesses, for instance, airlines and travel agencies.

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