

## DETERMINANTS OF CUSTOMER LOYALTY IN MALAYSIAN RURAL TOURISM

Mr Zahir Osman\*

### **Abstract**

The main purpose of this study is to develop a direct and indirect effect understanding of service quality, customer satisfaction and trust on customer loyalty in Malaysia rural tourism. The Structural Equation Model (SEM) used to analyze the casual relationships among service quality, customer satisfaction, customer trust and customer loyalty. The model was developed and later tested by adopting the Partial Least Square (PLS) procedure on data collected from a survey that yielded 295 usable questionnaires. The findings showed that service quality, customer satisfaction and trust have significant and positive influence on customer loyalty in Malaysia rural tourism. The result has also shown that satisfaction and trust play mediating role in the indirect relationship. The findings imply that the relationship of service quality, satisfaction and trust on customer loyalty will lead to rural tourism operators' profitability.

**Keywords:** Rural Tourism, Service Quality, Customer Satisfaction, Customer Trust, Customer Loyalty

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\* Faculty of Business Management & Globalization, Limkokwing University of Creative Technology, Malaysia

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## 1. INTRODUCTION

### 1.1 Background

The importance of tourism sector in many countries around the world no longer can't be denied due to its growth factor. Therefore it requires serious attention from various parties. With a strong growth catalyst that can generate higher multiplier effect, tourism plays a very important role in the economy and stimulated the growth of other economy. In Malaysia, tourism is the third largest industry in term of foreign exchange earnings after manufacturing and palm oil sector. Tourism sector contributes about 7.9% to the GDP of Malaysia suggesting that the industry which is consider still new but yet offer so much good potential for further and future growth. The global tourism and travel sector has generated USD 7 trillion in economic activities and this will offer more than 260 million jobs opportunity (Goeldner & Ritchie, 2003). Malaysia recorded an overall growth of +1.2% tourist arrivals with 9,438,592 tourists for the first five months of 2012 as compared to 9,323,827 for the same period last year, according to the Tourism Minister, Dato' Sri Dr. Ng Yen Yen. ASEAN region still contributed the largest number of tourists to Malaysia with 73.4% of the total arrivals. The positive growth come from Indonesia (+19.3%), Philippines (+41.7%), Vietnam (+35.2%), Myanmar (+6.9%) and Laos (+19.9%). Other notable progressive medium and long haul markets include Saudi Arabia (+50.7%), China (+34.1%), Japan (30.6%), Russia (25.8%), Kazakhstan (25.2%), Denmark (14.4%) and India (+7.8%). Total receipts by tourists in 2012 rose by +1.3%, generating RM60.6 billion receipts as compared to RM58.3 billion in 2011. The tourists' per capita expenditure for that period is estimated at RM 2,309 an increase of 0.7% as compared to RM 2,294 in 2011.

It is very important in tourism business that visitors will revisit the tourism spot after they have gone through the first experience. The concept of loyalty can be defined that a customer would come back or continuously to utilize the same product or service from the same organization, make business referrals, and directly or even indirectly offering strong word-of-mouth references and publicity (Bowen & Shoemaker, 1998). Customers who are loyal not easily influenced or swayed by price enticement from their competitors, and they often buy more compared to those who are not so loyal customers (Baldinger & Rubinson, 1996). Conversely, service providers must not feel comfortable because not all retained customers are satisfied ones

and similarly not all of them can be always retained. The purpose of this paper to show the link of service quality, customer satisfaction and trust on customer loyalty in Malaysia rural tourism market and to test the conceptual research model that connect, service quality, customer satisfaction, trust to customer loyalty.

## 2. LITERATURE REVIEW

### 2.1 Underpinning Theory

The most vital customer loyalty measurement model is Oliver's four-stage loyalty purchasing model (Oliver, 1977; Sawmong & Omar, 2004). The main source of Oliver (1997) framework is cognitive-affect-conation pattern model. He suggested customer can be loyal at each of the stage that mentioned in an above model (cognitive loyalty-affective loyalty-conative loyalty-action loyalty). Cognitive loyalty which is the first phase is a result of specific comprehension or on present experience-based experienced-based information. At this stage the customer loyalty is an apparent in nature. The loyalty strength at this stage is weak because it is only a performance. This is due to the customer awareness only on cost and benefit. The second stage of loyalty which is affective loyalty is shaped based on affect. During this stage, a keenness or attitude towards brand starts to grow via satisfying usage occasions accumulation. This exposes the satisfaction meaning of the pleasure aspect which is fulfillment of pleasurable. At this stage, the persistency is recognized as affective loyalty and planted in the customer's mind as affect and cognition (Sawmong & Omar, 2004). The third stage of the model is conative loyalty (behavioral intention) stage. During this stage, loyalty is merely a repeated encouraging effect of events with regards to the services. Conation can be interpreted as a commitment to make repeat purchase or buying of the product or service. Customer at this phase obligates to make repeat purchase or to re-patronize or consistent maintaining the product frequency use in the future. In view of that, conative loyalty at this loyalty stage likely to be deeply held commitment to purchase as describe in loyalty definition (Sawmong & Omar, 2004). The fourth stage if action loyalty which is the customer loyalty final phase. During this stage, action loyalty appears out of prior intents. Stage of action loyalty describe the motivated intention that advance from the loyalty of prior stage of loyalty conversion into readiness to act (Sawmong & Omar, 2004). As pointed out by Oliver (1997), study not being done in the literature until recently.

Most researches only focused on cognitive, affective and conative loyalties which are non-action loyalties. This is due to the difficulty to observe and measure despite it is too complicated to gauge. In view of that, only at conative phase were operationalized by many researchers. For that reason, Oliver's four-phase purchasing model concept will be utilized as the basis to put together the conceptual model of the study.

## 2.2 Service Quality

Since Parasuraman, Zeithaml, & Berry (1988) initiate the using of SERVQUAL with 22 item scale to measure service quality, the model has been frequently use in across industries. Gowan et al. (2001), Straughan and Cooper (2002) and Zhao et al. (2002) applied the SERVQUAL model as a measurement to gauge the service quality provided by the service provider. However, there are many researchers opposed the use of SERVQUAL to measure service quality due to the industry characteristics differences. Therefore service quality frequently has been conceptualized as the difference between the perceived services expected performance and perceived service actual performance (Bloemer et al. 1999; Kara et al. 2005). This view also has been concurred by other researchers with regards to the definition of service quality (Grönroos, 2001; Parasuraman et al., 1988).

## 2.3 Customer Satisfaction

Customer satisfaction is one the most areas being researched in many tourism studies due to its importance in determining the success and the continued existence of the tourism business (Gursoy, Mc Cleary and Lepsito, 2007). Customer satisfaction conceptually has been defined as feeling of the post utilization that the consumers experience from their purchase (Westbrook and Oliver, 1991; Um et al., 2006). Opposite to cognitive focus of perceptions, customer satisfaction is deemed as affective response to a products or services (Yuan and Jang, 2008). A consumer is deemed to be satisfied upon the experience weighted sum total produce a feeling of enjoyment when compared with the expectation (Choi and Chu, 2001). In tourism studies, customer satisfaction is the visitor's state of emotion after they experiencing their tour (Baker and Crompton, 2000; Sanchez et al., 2006). Homburg et al. (2008) suggested that customer

satisfaction has been a crucial issue in marketing field in the past decades since satisfied customers are able to offer to the company such as customer loyalty and continuous profitability.

#### *2.4 Trust*

In the current study, trust has been defined as a tourists' willingness to rely on tourist attraction operator's ability to deliver what has been promised and meet or exceed the expectation of the tourists which has been built around of the knowledge about the tourist attraction. A trusted tourist attraction has a strong advantage over the other tourist attraction which is an alternative in the tourist's decision making process. In tourism studies, Loureiro and Gonzalez (2008) showed empirical evidence that tourists' trust has a strong influence on their loyalty toward rural lodging.

According to Lau & Lee, (1999) if one party has trust in another party, it will produce positive behavioral intentions towards the other party. Trust has influence on credibility and credibility will eventually has impact on the customer's long-term orientation by decreasing the risk perception linked to the opportunistic behavior of the business (Erdem et al., 2002; Ganesan, 1994).

#### *2.5 Customer Loyalty*

The concept of customer loyalty has been researched for the past decades in business industries. Loyalty is a commitment of current customer in respect to a particular store, brand and service provider, when there are other alternatives that the current customer can choose for (Shankar, Smith & Rangaswamy, 2003). It forms positive attitudes by producing repetitive purchasing behavior from time to time. There is a strong connection customer loyalty and firm's profit. Zeithaml, (2000), states that previous researches look at customer loyalty as being either attitudinal or behavioral. The behavioral perspective the customer is loyal as long as they continue to purchase and use the goods or services (Woodside et al., 1989; Parasuraman et al., 1988; Zeithaml et al., 1996).

### 3. RESEARCH MODEL AND HYPOTHESES

#### 3.1 Research Model

Tourist attraction operators are keen to know how customer satisfaction can lead to customer trust and eventually create customer loyalty for the tourists. The research applies the research model by a few authors mostly Parasuraman et al. (1985), Bitner & Zeithaml (2003) and Morgan & Hunt (1994). The conceptual model of this study is illustrated in Figure 1.

#### 3.2 Hypothesis

##### 3.2.1 Relationship between Service Quality and Customer Loyalty

Many researchers in various studies have studied the relationship between service quality and customer loyalty. Rousan, Ramzi & Mohamed, (2010) in their study on 322 hotel guests of hotel industry in Jordan, they found that empathy, reliability, responsiveness, tangible and assurance significantly predict customer loyalty. The similar result also found in Chen & Lee (2008) study when they revealed that service quality has strong and significant relationship with customer loyalty in their International Logistic provider industry. Liang (2008) study on 308 hotel guests of hotel industry in United States revealed that service quality has a positive influence and significant relationship with customer loyalty. Clotey, Collier & Collier, (2008) in their study of 972 retail customers of United States retail industry have found the strong statistical evidence that service quality has a great influence where it positively and significantly correlated with customer loyalty. In view of that we hypothesize:

*H1: There is a positive relationship between service quality and customer loyalty*

##### 3.2.2 Relationship between Customer Satisfaction and Customer Loyalty

The survival and sustainability of any business organization largely depends on the customer satisfaction and customer loyalty. Faillant, Matzler, & Ller (2008) in their study on 6172 ski resort customers in Australia have found that customer satisfaction is positively and significantly correlated to customer loyalty. Pantouvakis & Lympieropoulos (2008) have done the study on 388 ferry passengers in Greece and revealed that customer satisfaction has great impact on customer loyalty and positively and significantly correlated with customer loyalty. Akhbar &

Parvez (2009) in their study on 302 Telecommunication customers in Bangladesh have found that customer satisfaction is significantly and positively related to customer. Therefore, we hypothesize:

*H2:* There is a positive relationship between customer satisfaction and customer loyalty

### *3.2.3 Relationship between Trust and Customer Loyalty*

There are quite a number of researches have been done and found the importance of trust as an antecedent to customer loyalty. Akhbar & Parvez (2009) in their study on 302 Telecommunication customers in Bangladesh telecommunication industry have revealed that trust has a strong impact and significantly and positively correlated with customer loyalty. Liang (2008) has done a research on 308 Hotel guests in hotel industry in United States has revealed the importance of trust in determining customer loyalty in hotel industry. She found there is a strong impact of trust on customer loyalty where trust is significantly and positively correlated. Luarn & Lin (2003) has revealed the importance of trust as an antecedent to customer loyalty in their study on 180 tourists in Taiwan tourism industry. They found that trust has a stronger relationship after commitment and customer satisfaction. The relationship is also positively and significantly correlated. Therefore, we hypothesize:

*H3:* There is a positive relationship between trust and customer loyalty

### *3.2.4 Relationship between Service Quality and Customer Satisfaction*

Over the pas past there are greater emphasis has been placed on service quality and customer satisfaction in business and academic world as well. Akhbar & Parvez (2009) found that service quality has strong influence and significantly and positively related to customer satisfaction in their study on 304 customers of a major private telecommunication company operating in Bangladesh. Hossain & Leo (2009) in their study revealed that service quality is a strong antecedent and significantly related to customer satisfaction in their study of banking industry in Qatar. Munusamy, Chelliah & Mun, (2010) studied the banking industry in Malaysia In their research they found that Assurance has positive relationship but it has no significant effect on customer satisfaction. Reliability has negative relationship but it has no significant effect on customer satisfaction. Tangibles have positive relationship and have significant impact

on customer satisfaction. Empathy has positive relationship but it has no significant effect on customer satisfaction. Responsiveness has positive relationship but no significant impact on customer satisfaction. In view of that we hypothesize:

*H4:* There is a positive relationship between service quality and customer satisfaction

### 3.2.5 *Relationship between Service Quality and Trust*

The elements of quality in service are expected to affect trust directly. This is because the elements of service represent trust cue that convey the trustworthiness of the bank and the system. Gefen & Straub, (2006) studied different determinants effect on trust and show that the service quality has a positive influence on customer trust. AL-Dwairi, Radwan, Mumtaz and Kamala, (2009) adopted integrity, ability, and quality services as attributes of service quality in vendor business and demonstrated that service quality has a significant effect on customer trust. Zha, Ju and Wang (2006) in their study in e-commerce industry in China showed in their research that dimensions service quality dimensions are significant predictive of trust. Su & Fan (2011) in their study on rural tourism in China found that service quality plays an important role and has a significant influence on trust. In view of that we hypothesize:

*H5:* There is a positive relationship between service quality and trust

### 3.2.6 *Relationship between Customer Satisfaction and Trust*

Trust is known as future attitude where a state of mind will go beyond the previous experience. There are numbers of researches have been done and advocated that customer satisfaction is the critical factor in developing customer trust. Kantsperger & Huntz (2010) in their study on 357 E-services customer in Malaysia and Qatar E-Commerce have revealed that customer satisfaction is the main antecedent to trust and positively and significantly correlated. Yeh & Li (2001) in their study have also found a similar result where in their study on 212 e-commerce customers in Taiwan revealed that customer satisfaction has a stronger impact on trust and significantly and positively correlated. Ribbink, Riel & Semeijin (2005) in their study on 350 online customers in Europe e-commerce industry have found that customer satisfaction has greater influence on trust and significantly and positively related to trust. In view of that we hypothesize:



H6: There is a positive relationship between customer satisfaction and trust

### 3.2.7 *Relationship among Service Quality, Customer Satisfaction and Customer Loyalty*

Many studies have found that customer satisfaction play a mediating role in the service quality and customer loyalty relationship. Akhbar & Parvez (2009), in their study on 302 Telecommunication customers in Bangladesh telecommunication industry have found customer satisfaction to be an important mediator between perceived service quality and customer loyalty. Ismail et al. (2006), in their study of 115 public companies in Malaysia have revealed that customer satisfaction to partially mediate the relationship of reliability and customer loyalty. Kheng et al. (2010) in their study on 238 bank customers in Malaysia have found that satisfaction has mediating effect on service quality and loyalty relationship in banking industry. Kumar et al. (2010), in their study on 100 bank customers in India have revealed that service quality fosters customer's attitudinal loyalty through latent customer satisfaction. Chen & Lee (2008) in their study on 261 non Vessel Owners and shippers in Taiwan International Logistic Provider industry have found that customer satisfaction has a positive influence on service quality and customer loyalty relationship. Therefore, we hypothesize:

H7: There is a positive mediating effect of customer satisfaction on service quality and customer loyalty relationship

### 3.2.8 *Relationship among Service Quality, Customer Satisfaction and Customer Trust*

Many studies had indicated that service quality is antecedent to the broader idea of customer satisfaction (Gotlieb et al., 1994; Buttle, 1996; Zeithaml and Bitner, 1996). Eisingerich and Bell, (2007) found that perceived service quality had a significant effect on customer loyalty and trust, and trust had a significant effect on customer repurchase intentions. However, the causality relationship between trust and satisfaction seems no to be very clear in the literature. Zanzo et al., (2003) found that, satisfaction acts as an antecedent to trust, and trust as an antecedent to affective commitment. Moreover, trust and affective commitment directly affect loyalty to the supplier as well. There are some researchers disputed the relationship between perceived service quality and satisfaction (Ting, 2004). In view of that, we hypothesize:

H8: There is a positive indirect relationship between service quality, customer satisfaction and trust

### 3.2.9 *Relationship among Service Quality, Customer Trust and Customer Loyalty*

Not many researches have been done on the indirect relationship between service quality and customer loyalty via trust. With regards to the rural tourism enterprises, rural tourists view their consumption as “rewarding” and then bear trust. Many researches being done on the relationships between service quality and tourist loyalty had been conducted without consensus. Some researchers suggest service quality has a direct influence on customer loyalty (e.g., Cronin et al., 2000) while some find indirect (Anderson & Sullivan, 1993, Spreng et al., 1996; Tam, 2000). In view of that, we hypothesize:

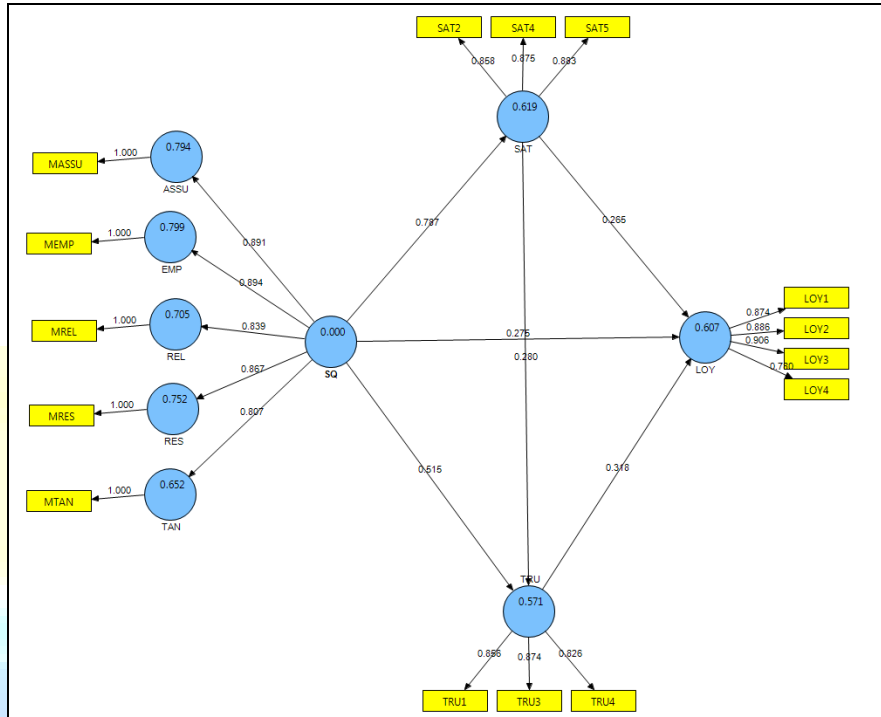
H9: There is a positive indirect relationship among service quality, trust and customer loyalty

### 3.2.10 *Relationship among Customer Satisfaction, Customer Trust and Customer Loyalty*

Many studies had indicated that customer satisfaction is antecedent to the broader idea of customer trust (Gotlieb et al., 1994; Buttle, 1996; Zeithaml and Bitner, 1996; Lee et al., 2000). Eisingerich and Bell, (2007) found that customer satisfaction had a significant effect on customer loyalty and trust, and trust had a significant effect on customer loyalty. However, the causality relationship between customer satisfaction and trust seems no to be very clear in the literature. Zanzo et al., (2003) found that, satisfaction acts as an antecedent to trust, and trust as an antecedent to customer loyalty. Moreover, trust directly affects loyalty as well. In view of that, we hypothesize:

H10: There is a positive indirect relationship among customer satisfaction, trust and customer loyalty

**Figure 1: Research Model & Path Coefficients**



#### 4. METHODOLOGY

Survey instrument was developed by extensively reviewing literatures in order to identify scales adopted in the past studies which are having strong reliability and validity. The preliminary draft of the survey questionnaire was tested by reviewing and interview with tourism professional, business professionals and academicians where they were asked to provide comments and suggestions to improve the survey clarity and precision. The survey then was fine tuned based on the feedback obtained. A pilot study conducted and assessed. The results were evaluated to make sure there was no systematic bias in the survey questionnaire. A five-point Likert scale was utilized from strongly disagree to strongly agree. Local and foreign tourists who have visited the rural tourism spot in Malaysia at least once were the main respondents. The questionnaires were distributed to the respondents in Klang Valley, Malaysia through email and on the spot by using simple random sampling technique. A total of 410 rural tourism spot tourists were requested to complete a questionnaire that contained measures of the construct. Out of the 410 distributed questionnaires, 329 were returned. This made up the response rate of 80.24%. In view of that, the rate of response is sufficient for SEM analysis. The Mahalanobis distance was determined based on a total of 31 observed variables. The criterion of

$p < 0.01$  and critical value of  $\chi^2 = 86.40$  is applied. The test conducted identified 34 cases with Mahalanobis value ( $D^2$ ) above 86.40. The Mahalanobis analysis successfully identified the multivariate outliers which were deleted permanently, leaving 295 datasets to be used for further analysis. To examine the relationships among the main constructs by adopting the partial least squares (PLS) technique, SmartPLS 2.0 (Ringle et al., 2005) was applied to evaluate the measurement model and structural model.

## 5. RESULTS

### 5.1 Measurement model

Figure 1 demonstrates on the whole results for the hypothesized model. A good model fit in PLS is present when there are significant path coefficients, acceptable  $R^2$  values, and good construct reliability (Gefen et al., 2000). The model predictability reflected by the values of  $R^2$ , is another strength vital determinant of the model (Chin, 1998; Komiak and Benbasat, 2004). For the evaluation of reliability, composite reliability and average variance extracted (AVE), shown in Table 1 are the two major measurements utilized in this research. Composite reliability does not presume that all indicators are equally weighted (Chin, 1998) which suggests that composite reliability may be more suitable to assess reliability. Composite reliability is proposed to be greater than 0.7 (Barclay et al., 1995; Fornell and Larcker, 1981). The other measurement, AVE, indicates the variance amount that a construct confines from its indicators relative to the amount due to measurement error (Chin, 1998). For the first-order factor, the proposed minimal critical value for AVE is 0.5 (Hu et al., 2004). The composite reliability and AVE values shown in Table 1 are looked to achieve these requirements.

**Table 1: Construct Reliability & Validity**

	AVE	AVE Square Root	CR	R Square	Cronbachs Alpha	Communality
LOY	0.745	0.863	0.921	0.607	0.884	0.745
SAT	0.760	0.872	0.905	0.619	0.842	0.760
SQ	0.740	0.860	0.934	0.00	0.912	0.740
TRU	0.727	0.852	0.888	0.571	0.812	0.727

Convergent validity is items in a scale ability to come or load together as a single construct. It is gauged by examining each loading for each block of indicators. The standardized loadings should be larger than 0.7, suggesting that the indicators share more variance with their respective latent variable than with error variance. A lower bound of 0.50 may be adequate (Chin, 1998). Table 5 presents a list of standardized loadings for each construct, and it is seen that they are higher than acceptable minimum values. For second-order constructs, convergent validity is instituted by having path coefficients that are significant, and larger than 0.7, between each first-order construct and the corresponding second-order construct (Fornell and Larcker, 1981). The entire path coefficients in this study are statistically significant. Discriminant validity signifies how well individual item factor connects to its hypothesized construct comparatively to others (Kerlinger, 1973; Swafford et al., 2006). Discriminant validity is approximated via cross-loadings and the relationship between correlations among first-order constructs and the square roots of AVE (Chin, 1998; Fornell and Larcker, 1981).

**Table 2: Variable Correlation Matrix based on AVE Square Root.**

	LOY	SAT	SQ	TRU
LOY	<b>0.863</b>			
SAT	0.700	<b>0.872</b>		
SQ	0.718	0.7868	<b>0.860</b>	
TRU	0.703	0.6853	0.7355	<b>0.852</b>

The cross-loadings demonstrated in Table 3 display adequate discriminant validity levels for each construct. Each item factor in the bold value of Table 3 demonstrates strong loading values to the corresponding latent construct and low loading values to other constructs. The link between AVE square roots values and the correlations among first-order latent constructs hold the similar conclusion. In Table 2, it is clearly indicated that the square roots of AVE (bold numbers in diagonal) are higher than the correlations among the constructs (off-diagonal values).

**Table 3: Cross Loadings 7 Item Loadings**

	LOY	SQ	SAT	TRU
LOY1	<b>0.874</b>	0.649	0.649	0.654

LOY2	<b>0.886</b>	0.600	0.591	0.583
LOY3	<b>0.906</b>	0.624	0.662	0.616
LOY4	<b>0.780</b>	0.603	0.501	0.567
MASSU	0.614	<b>0.891</b>	0.692	0.679
MEMP	0.660	<b>0.894</b>	0.697	0.673
MREL	0.606	<b>0.840</b>	0.654	0.577
MRES	0.619	<b>0.868</b>	0.727	0.604
MTAN	0.588	<b>0.808</b>	0.612	0.629
SAT2	0.593	0.692	<b>0.858</b>	0.608
SAT4	0.619	0.648	<b>0.875</b>	0.560
SAT5	0.619	0.716	<b>0.883</b>	0.622
TRU1	0.642	0.665	0.610	<b>0.856</b>
TRU3	0.575	0.642	0.591	<b>0.874</b>
TRU4	0.575	0.569	0.548	<b>0.826</b>

### 5.2 Structural model

Firstly, the first model was presented with six direct paths and all six were found to be significant at the 0.000 level (Table 4). At this point no indirect effect was hypothesized or evaluated.

**Table 4: Path Coefficient, t-value,  $f^2$  and  $Q^2$**

Path	Beta	t-value	$f^2$	$Q^2$
SQ => LOY	0.275	2.328	0.059	0.936
SQ => SAT	0.787	17.262	1.625	
SQ=> TRU	0.515	4.369	0.235	
SAT => LOY	0.265	2.01	0.061	
SAT=> TRU	0.280	2.083	0.070	
TRU => LOY	0.318	2.717	0.112	

Then, the second model was presented with mediating variables play mediating role between independent variable and dependent variable (refer to Table 5, Table 6 & Table 7). The two distinct models were made based on Barron and Kenny (1986) four-step technique to assess the mediating effect.

Mediation is said to be existed when the direct path coefficient between the independent variable and dependent variable is decreases when the indirect path through the mediator is

established in the model. The direct path is assessed without the intervention of mediator and with the intervention of mediator. The mediation effect significance was measured by using PROCESS by Hayes, A. F. (2012) with the application of bootstrapping technique where the specific model in question with both direct and indirect paths included and execute N bootstrap re-sampling and explicitly compute the product of direct paths that form the indirect path being assessed. Then, the significance of the mediating effect can be ascertained by observing either percentile bootstrap or bias corrected bootstrap which has been shown to have the least biased confidence intervals, greatest power to detect nonzero effects and contrasts, and the most accurate overall Type I error (Williams and MacKinnon 2008). First, the mediating effect of customer satisfaction on service quality and customer loyalty was tested. The direct standardized beta was 0.439 and changed to 0.275 after the introduction of customer satisfaction as a mediator (Table 5).

**Table 5: SQ->SAT->LOY**

Direct	Beta	t-values
SQ->SAT	0.787	16.385
SQ->LOY	0.439	4.243
Indirect		
SQ->SAT	0.787	17.262
SQ->LOY	0.275	2.328
SAT->LOY	0.265	2.009

The direct path standardized beta was 0.439 and change to 0.275 after the introduction of customer satisfaction as a mediator. The amount of the decrease of the relationship between service quality and loyalty accounted by the mediator was 0.164 which represent 37.36% of the direct effect. The result extracted from PROCESS shows that the indirect effect of service quality to loyalty with the present of trust as a mediating factor is significant at  $p < .000$  where the lower level confidence level (LLCL) is 0.172 and upper level confidence level (ULCL) is 0.478 (Table 6).

**Table 6: Indirect Effect Significance Test SQ->SAT->LOY**

Indirect	Effect	Boot SE	Boot LLCI	Boot ULCI
Satisfaction	0.322	0.077	0.172	0.478

Second, the mediating effect of customer satisfaction on service quality and customer trust was tested. The direct effect of service quality to trust has changed from 0.736 to 0.515 following the introduction of customer satisfaction as a mediator (Table 7). The amount of relationship change was 0.221 which represent 30.03% of the direct effect. The result extracted from PROCESS shows that the indirect effect of service quality to loyalty with the present of trust as a mediating factor is significant at  $p < .000$  where the lower level confidence level (LLCL) is 0.114 and upper level confidence level (ULCL) is 0.407 (Table 8)

**Table 7: SQ->SAT->TRU**

Direct	Beta	t-values
SQ->SAT	0.787	17.981
SQ->TRU	0.736	15.537
Indirect		
SQ->SAT	0.787	17.262
SQ->TRU	0.515	4.369
SAT->TRU	0.280	2.083

**Table 8: Indirect Effect Significance Test SQ->SAT->TRU**

Indirect	Effect	Boot SE	Boot LLCI	Boot ULCI
Satisfaction	0.260	0.073	0.114	0.407

Third, the mediating effect of customer trust on service quality and customer loyalty was tested. The direct standardized beta was 0.439 and changed to 0.275 after the introduction of customer satisfaction as a mediator (Table 9). The direct path standardized beta was 0.439 and change to 0.275 after the introduction of customer satisfaction as a mediator. The amount of the decrease of the relationship between service quality and loyalty accounted by the mediator was 0.164 which represent 37.36% of the direct effect. The result extracted from PROCESS shows that the indirect effect of service quality to loyalty with the present of trust as a mediating factor is significant at  $p < .000$  where the lower level confidence level (LLCL) is 0.339 and upper level confidence level (ULCL) is 0.575 (Table 10).

**Table 9: SQ->TRU->LOY**

Direct	Beta	t-values
SQ->TRU	0.516	4.634



SQ->LOY	0.439	3.235
<b>Indirect</b>		
SQ->TRU	0.515	4.369
SQ->LOY	0.275	2.328
TRU->LOY	0.318	2.717

**Table 10: Indirect Effect Significance Test SQ->TRU->LOY**

Indirect	Effect	Boot SE	Boot LLCI	Boot ULCI
Trust	0.451	0.061	0.339	0.575

Fourth, the mediating effect of customer trust on customer satisfaction and customer loyalty was tested. The direct effect customer satisfaction to loyalty has changed from 0.701 to 0.413 following the introduction of customer satisfaction as a mediator (Table 11). The amount of relationship change was 0.29 which represent 41.08% of the direct effect. The result extracted from PROCESS shows that the indirect effect of service quality to loyalty with the present of trust as a mediating factor is significant at  $p < .000$  where the lower level confidence level (LLCL) is 0.314 and upper level confidence level (ULCL) is 0.527 (Table 12).

**Table 11: SAT->TRU->LOY**

Direct	Beta	t-values
SAT->TRU	0.685	10.081
SAT->LOY	0.701	10.979
<b>Indirect</b>		
SAT->TRU	0.685	9.948
SAT->LOY	0.413	3.439
TRU->LOY	0.419	3.497

**Table 12: Indirect Effect Significance Test SAT->TRU->LOY**

Indirect	Effect	Boot SE	Boot LLCI	Boot ULCI
Trust	0.417	0.054	0.314	0.527

The paths were analyzed in order to assess the effect size ( $f^2$ ) to differentiate the path that contributes in explaining the dependent variable to which they are attached. Chin (1998b) explains that the  $R^2$  for each latent variable (LV) can be an opening point when evaluating PLS for the structured model, since explanation of the PLS is similar to that of a traditional regression. The author also suggests that the change in the  $R^2$  can be investigated to see whether

the impact of a specific independent LV on a dependent LV is extensive. Following Chin's (1998b) recommendation, effect size can be calculated as:

$$f^2 = \frac{R^2_{\text{included}} - R^2_{\text{excluded}}}{1 - R^2_{\text{Included}}}$$

where  $R^2$  included and  $R^2$  excluded are the  $R^2$  provided on the dependent LV, when the predictor LV is used or omitted from the structural equation, respectively. The  $f^2$  of 0.02, 0.15 and 0.35 can be translated as a predictor LV having a small, medium, or large effect at the structural level (Table 4).

The Q-square ( $Q^2$ ) for the structural model which imply the predictive relevance of the model is acceptable which is 0.936 (Table 4). Q-square for the structural model is to gauge how fit the observations produced by the model and to assess its parameters. If the value of  $Q^2 > 0$ , it signifies that the model has predictive relevance; on the other hand, if the value of  $Q^2 < 0$ , it signifies that the model is having predictive relevance deficiency. This shows that the ability of the Partial Least Model to demonstrate the model is 93.6%. Therefore, only 6.4% of other factors are not observable to describe this effect. Therefore it can be concluded that the model can be used appropriately. The predictive measure for the block becomes:

$$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2) \dots (1 - R_p^2)$$

On the whole, the generated results, as exhibited in Table 13, showed that all the three hypotheses are well supported.

**Table 13: Hypotheses Result**

Hypothesizes Relationship		Path Coefficient	p-value	Conclusion
H1	There is a positive relationship between service quality and customer loyalty	0.275	0.00*	Supported
H2	There is a positive relationship between customer satisfaction and customer loyalty	0.413	0.00*	Supported

H3	There is a positive relationship between customer trust and customer loyalty	0.419	0.00*	Supported
H4	There is a positive relationship between service quality and customer satisfaction	0.787	0.00*	Supported
H5	There is a positive relationship between service quality and customer trust	0.515	0.00*	Supported
H6	There is a positive relationship between customer satisfaction and customer trust	0.685	0.00*	Supported
		<b>Effects</b>	<b>p-value</b>	<b>Conclusion</b>
H7	There is a positive mediation effect of customer satisfaction on service quality and customer loyalty relationship	0.322	0.00*	Supported
H8	There is a positive mediation effect of customer satisfaction on service quality and customer trust relationship	0.260	0.00*	Supported
H9	There is a positive mediation effect of customer trust on service quality and customer loyalty relationship	0.451	0.00*	Supported
H10	There is a positive mediation effect of customer trust on customer satisfaction and customer loyalty relationship	0.417	0.00*	Supported

\* Significant at  $p < 0.000$

The measure of the goodness-of-fit index (GoF) was also computed as suggested by Amato et al. (2004) to evaluate the fit of the outer-measurement and inner-structural models at the same time to the data. The GoF operates as a global fit index for the PLS model verification. The GoF is calculated by obtaining the square root of the product of the average communality of all constructs and the average  $R^2$  value of the endogenous constructs as:

$$GOF = \sqrt{\text{Communality} \times R^2}$$

Based on the classification of  $R^2$  effect sizes by Cohen (1988) and using the cut-off value of 0.5 for commonality (Fornell and Larcker, 1981), GoF criteria for small, medium, and large effect sizes are 0.1, 0.25 and 0.36 respectively (Scheepers et al., 2005). The calculated GoF for model was 0.578 signifying that good fit to the data.

## 6. DISCUSSION & CONCLUSION

### 6.1 Research Conclusion

The purpose of this work is to study the main customer loyalty antecedents and recommend a structural equations model, which was used to investigate the relevant relationships among the antecedents of loyalty in rural tourism context. The outcomes emphasize the importance of all the variables (service quality, customer satisfaction, and trust) over customer loyalty. Customer satisfaction with the rural tourism spots is the most important element produces the future encounter expectation. With regards to the relationship between service quality and customer satisfaction and between each of them and loyalty, the structural equation model also authenticated that satisfaction was boosted by higher service quality (H4), which was in line with the quality -> satisfaction -> loyalty relationship flow that conceptually guided this study. The result has also shown that service quality has a positive and significant influence on customer loyalty (H1). The result also confirmed that the relationship between service quality and loyalty has an indirect effect through satisfaction (H7). Since service quality is an immediate antecedent of satisfaction and loyalty, both directly and through satisfaction, its measurement and improvement are a crucial aspect for managements of the rural tourism spots. Further, service quality has a positive and significant direct relationship with trust (H5) and indirect relationship with customer loyalty through trust (H9). Satisfaction is also associated to loyalty through trust. The support of hypotheses H3 and H6 demonstrates a positive relationship between satisfaction and trust, and also a positive relationship between trust and loyalty. However, anyone can observe that the influence of trust on loyalty is higher than the influence of satisfaction. The PLS analysis also shows that rural tourism satisfaction has a direct positive effect on loyalty (H2) and also an indirect effect through trust (H10). In addition, the result also demonstrates the significant and positive indirect relationship between service quality and trust via customer satisfaction (H8). In the tourist's views, service quality plays a significant role in the establishing the tourist's satisfaction and trust. An improvement on overall service quality of a rural tourism spot held by an individual enhances his or her loyalty and to recommend it in the future. This study has shown service quality as a key factor in the hands of rural tourism operators. It is a direct antecedent of, satisfaction, trust and loyalty. Service quality also plays the

main factor that influences the choice of rural tourism spot, although this has not been studied in this research. Therefore, rural tourism operators cannot ignore the importance of service quality in rural tourism spot. Although it is impossible to manage all the elements that contribute to the rural tourism spot service quality, there is possibility to manipulate some of them. Therefore, to make sure that tourist will visit again the rural tourism spot; this study proposes that other factors, like satisfaction and trust, must be considered. This study can assist marketers to describe or validate market strategies to encourage customer loyalty and produce a high quality service. From the practical aspect, operators of rural tourism spot should use the SERVQUAL scale occasionally to assess their service quality and to manage their rural tourism spot effectively and efficiently, which will be directed towards tourist satisfaction.

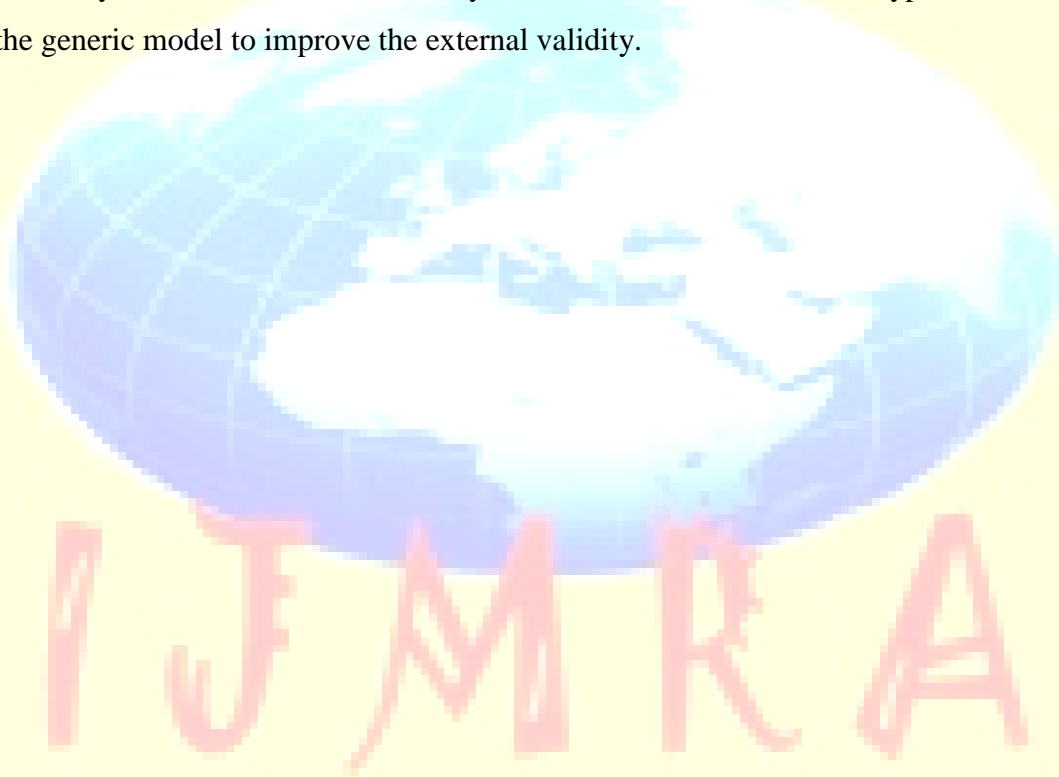
### 6.2 *Practical Implications*

The practical implications that can be drawn are, first is to improve customer satisfaction and customer trust of rural tourism spots. As the research revealed, service quality, customer satisfaction and customer trust has positively and significantly affect customer loyalty. Then, customer satisfaction and customer trust partially mediates customer loyalty. Secondly, is that rural tourism spots should put in place good customer relationship with tourists, execute customer relationship management and create tourist satisfaction and tourist's trust. Research demonstrates that rural service quality, customer satisfaction and customer trust lead to customer loyalty. Thirdly, is that tourist satisfaction and trust should be paid attention to by rural tourism operators. Research signifies that rural tourist satisfaction and trust are the most indirect and important antecedent to loyalty. Satisfied and trusted rural tourists not only will revisit and be low probability to look alternatives, but also have word-of-mouth recommendations, which means that satisfied customers are absolutely loyal to rural tourist areas and helpful with new market development.

### 6.3 *Research Limitations and Directions for Future Research*

As an exploratory study, this paper instituted the service quality, customer satisfaction and customer trust on rural tourist loyalty influential mechanism model, and performed scientific and systemic empirical research, and made firm conclusions, while it has some shortcomings due

to research funding and ability. In view of that, some future directions should be carried out. Firstly, with regards to research samples, this study only chose rural tourist in Klang Valley areas as respondents. And this study is lacking in discussions on that whether the geographical factors, as a mediating variable, will have impact on rural tourist loyalty. Secondly, on the sampling time and space, they study only acquired the latitudinal data belonging to static research. Nevertheless, if we desire to institute the causal relationships between variables, it's better to make a follow-up examination to collect longitudinal data to analyses. In view of the above limitations, on one hand, further research may be performed on cleansing our scale to get better internal validity. On other hand, the survey should be done on different types and timings to obtain the generic model to improve the external validity.



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