

# The Mediating Effect of Quality Delivery on the Relationship between Customer Satisfaction and Loyalty of Three Star Hotels

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**Abstract:** *This study aimed to investigate the mediating effect of quality delivery on the relationship between customer satisfaction and loyalty of three-star hotels of 300 customers in Davao City, Philippines. This study employed non-experimental design utilizing descriptive correlation technique. The statistical tools used were mean, Pearson r, regression technique, and medgraph using Sobel z-test. Research instruments on quality delivery, customer satisfaction and loyalty which were pilot tested, and content validated were used as sources of data. Using Pearson r, the results revealed significant relationships between quality delivery, customer satisfaction, and loyalty of three-star hotels in Davao City. Utilizing medgraph Sobel z-test, the results of the study revealed partial mediating effect of quality delivery on the relationship between customer satisfaction and loyalty of three-star hotels. This implies that the mediating role played by quality delivery assisted in clarifying the process that was responsible for the relationship between customer satisfaction and loyalty of three-star hotels.*

**Keywords:** Quality Delivery, Customer Satisfaction, Loyalty, Three Star Hotels

## I. INTRODUCTION

Many hotels realize the cost of gaining a customer, but they are unaware of the cost of losing a customer. There are several reasons behind the customers stop doing business with the firm, such as uncertainties of moving away, not understanding the value of the customers unsatisfied. Bad service, poor products, and quality that do not meet customer requirements are often the product of providing customers with value, as emphasized by Khadka and Maharjan (2017). The critical values should be generated based on the appropriate understanding of the customer situation and needs of the business (Gupta, Lehmann & Stuart, 2004.) Loyalty building requires the business to focus the value of its products and services and to show that it is interested to fulfill the desire or build the relationship with customers. (Griffin, 2002).

Customer loyalty is one of the best intangible assets of a hospitality industry as espoused by Cossío-Silva, Palacios-Florencio, Revilla-Camacho and Vega-Vázquez, (2016). For this reason, developing customer loyalty is one of the key parts of enhancing competitiveness in the industry as well as ensuring business continuity (Mubiri, 2016) by providing excellent service quality and reaching customer satisfaction is the most significant and challenging issue facing the contemporary service industry nowadays (Janković&Marković, 2013). Designing for customer loyalty requires customer-centered approaches that recognize the want and the interest of service receiver. Customer loyalty is built over time across multiple transactions (Khadka & Maharjan, 2017). A relationship with a customer is equally important in customer loyalty. This requires that company competitiveness in a broader context extends beyond itself, as no company can be world-class at everything (Keen & McDonlad, 2000).

The level of competition is very high in modern business, so every organization tries to attract loyal customers to ensure their success. Customer loyalty information is a measure of how well or poorly an organization meets the needs of its clients (Fedotova, Kryvoruchko, & Shynkarenko, 2019). It is also strategically critical that what different customers say is interpreted correctly. Perhaps, the precedent of customer loyalty is customer satisfaction, and firm success is the product of customer loyalty (Bae, 2012). As the metric of customer satisfaction is affected by moderators, academics describe the impact of heterogeneity on the customer loyalty metric across individual customers and market conditions. For hospitality industry firms, customer loyalty is important because customer defects can have more to do with the profits of a service business than size, market share, unit costs, and many other factors typically associated with a competitive advantage (Firoozbakht, Rahmani-Nejad&Taghipoor, 2014).

Hotels of all kinds and sizes are increasingly facing changing circumstances (Boon-itt&Rompho, 2012; Azam, Ab Yazid, Khatibi& Mohamad, 2017). Such modifications may be minor or significant, but there is an immediate need to deal with changes. It is a real challenge to cope effectively with these challenges in the external and internal

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environments and meet anticipated standards of efficiency. Decision-makers should analyze all the important factors by systematically analyzing the input from customers to assess the most suitable decisions and behavior to please customers to maintain them. Therefore, the intentional management process structure forces hotel workers to analyze variables in determining what to do and how to do it. Thus, based on the problem statement and the background of the research, this study will examine the mediating effect of quality delivery on the relationship between customer satisfaction and loyalty of three-star hotels in Davao City.

The aim of this study is to probe the mediating effect of quality delivery on the relationship between customer satisfaction and loyalty in three-star hotels in Davao City. Moreover, this study was guided by the following objectives: To measure the level of customer satisfaction among three-star hotels in Davao City in terms of *Ambience, Hospitality* and *Added Value*; to assess the level of loyalty among three-star hotels in Davao City in terms of *Attitudinal Loyalty* and *Behavioral Loyalty*; to ascertain the level of quality delivery among three-star hotels in Davao City; to discover the significant relationship in terms of Customer Satisfaction and Loyalty, Customer Satisfaction and Quality Delivery and Quality Delivery and Loyalty; and to determine the mediating effect of quality delivery on the relationship between customer satisfaction and loyalty of three-star hotels in Davao City.

Customer satisfaction plays an important role in hospitality products and services. Customer satisfaction is very important to the success of hotel marketing because it influences the choice of hotel and the decision of the customers to return to the same hotel (Azam, Ab Yazid, Khatibi, & Mohamad, 2017). As highlighted by (Oliver, 2014; Hinlayagan, 2018) that customer satisfaction comes from a great customer experience. Perhaps, customer experience is a very important factor contributing to the high level of customer satisfaction in the hospitality industry that may focus on gaining loyalty. Indeed, customer satisfaction has been known for study since customer responses determine the long-term customer relationship, which can subsequently lead to the sustainability of a business (Anderson, Fornell & Mazvancheryl, 2004; Hackl & Westlund, 2000; Cheng, Gan, Imrie, & Mansori, 2018).

Oliver (1999) highlighted that loyalty is a deeply held commitment to rebuild and re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behaviors. Also, customer loyalty is the primary objective of customer satisfaction measurement, as cited by Mohamad et. al. (2017). Loyal customers are less likely to be swayed by negative news or information about the services, as emphasized by Deng, Lu, Wei, & Zhang (2010). Avcikurt and Dogdubay (2016) opine that customer loyalty is subject to how the customer compares a perceived performance of their service and expectations, where the customer feels delighted if the perceived performance is better than the expectation. According to Adetunji, Mohamad, and Priyo (2019), customer loyalty refers to customers' positive mindset and favorable attitudes toward a company which can be reflected through their commitment to repurchase the company's product/service and recommend the product/service to others. In other words, customer loyalty is an indication of favorable customer attitudes and positive behaviors. Customer loyalty is a focus of every serious organization because it defines consumers' willingness to repurchase and recommend a product and service. In the context of hotel service industry, a loyal customer is expected to re-visit and recommend a hotel to other prospective patrons (Cronin & Taylor, 1992; Feick & Lee, 2001; Priyo et al., 2019).

The significance of service quality to the economic performance of service businesses has been well established, specifically in the hospitality industry (Campos-Soria, Garcia & Garcia, 2005; Kandampully & Suhartanto, 2000; Dean, Mei & White, 1999; Heringto, Merrilees & Wilkins, 2007; Ladhari, 2012). Hence, the service quality increases customer satisfaction, improves loyalty, enlarges market share, increases return on investment, enhances profitability, and facilitates the establishment of a sustainable competitive advantage (Han, Kwornik, & Wang, 2008; Gagnon & Roh, 2008; Bre'a & Gonza'lez, 2005; Heringto, Merrilees & Wilkins, 2010). Some of the authors who have examined the issue have applied the generic SERVQUAL instrument (Berry, Parasuraman & Zeithaml, 1988) to the measurement of hotel service quality (Hussain & Nadiri, 2005; Emenheiser, Tas & Wuest, 1996), whereas others have developed new instruments for measuring service quality in this specific service setting (Getty & Getty, 2003; Juwaheer, 2004; Mei et al., 1999; Katics & Schofield, 2006; Herington, Merrilees & Wilkins, 2007). In assessing the service quality in the hospitality industry, the finest model that has been used for many researchers is the SERVQUAL model, which highlights the comparative differentiation of the service quality to the customer service expectations and perceptions, as customers evaluate the actual performance of the service obtained within a stipulated time (Berry, Parasuraman, & Zeithaml, 1985, 1991, 1994; Mavondo & Nasution, 2008). The lodging quality index (LQI) is a multidimensional scale developed by Getty & Getty (2003) on the basis of the SERVQUAL instrument.

The development process of the LQI scale began with the ten dimensions initially suggested in the first version of SERVQUAL (Berry, Parasuraman, & Zeithaml, 1985). In fact, Parasuraman et. al., (1985) was developed in 1988 that a conceptual model of service quality are recognized gaps in service quality and advised to measure the five dimensions namely; reliability, responsiveness, assurance, empathy and tangibility that considered to be a multidimensional measure of perceived service quality in the hospitality industry (Babakus & Inhofe, 2015) which is specifically defined in terms of customer satisfaction towards service quality (Bag & Ray, 2015).

Further studies show that customers' loyalty is an important outcome of the relationship between quality delivery and customer satisfaction and serves as a significant correlation by Ismail and Yunan (2016). This study showed two important findings: first, service quality act as an important predictor of customer satisfaction. This finding also has supported, and broadened studies done by (Baldwin &Sohal, 2003; Ates, Aydin, Cetin&Ozturkcan, 2009; Al-Borie&Damanhour 2013; Ismail, Rose &Zaki, 2016). Second, service quality does act as an important predictor of customer loyalty. This finding also has supported and extended studies by (Sohal& Wong, 2003; Alzaidiyeen, Akbar, Jamil, Matsom&Wadood, 2010; Dortyol, Gulmez, Kitapci&Yaman, 2013; Awwad, Bandar, Mohammed & Muhammed, 2014).

Previous studies have maintained that the effect of quality delivery on customer loyalty can be either direct or indirect. The indirect effect is intervened by customer satisfaction. However, the direct relationships between quality delivery, customer satisfaction and customer loyalty have gained more attention from researchers leaving the indirect relationships understudied. Also, customer satisfaction plays a significant role in shaping their perceptions and behavioural reactions (Priyo et al., 2019). As such, in as much as organizations invest heavily in ensuring the quality of their services, customer satisfaction might put such efforts into jeopardy especially when the quality fails to meet their service quality (Keller & Kotler, 2009; Priyo et al., 2019). This because there is a broad difference between quality and satisfaction. Also, quality does not always lead to satisfaction because people satisfactions are based on several judgements and expectations. Hence, it is not easy to gain customers loyalty through quality delivery alone (Fatima, Malik & Shabbir, 2018). In line with the above, quality delivery is expected to mediate the relationship between customer satisfaction and loyalty.

## II. METHODOLOGY

The quantitative, non-experimental design of research using correlational technique is use in this study. Correlational technique is a non-experimental design, where researcher examined the relationship between two or more variables in a natural setting without manipulation or control. In correlational studies, the researchers examine the strength of associations between variables by looking how change in one variable was correlated with change in the other variable (Patidar, 2013). Moreover, a mediation model is used in this study. Mediation model is one that seeks to identify and explicate the mechanism or process that underlies an observed relationship between an independent variable (customer satisfaction) and a dependent variable (loyalty) via the inclusion of a third explanatory variable, known as a mediator variable (quality delivery). Rather than hypothesizing a direct causal relationship between the independent variable and the dependent variable, a meditational model hypothesizes that the independent variable influences the mediator variable, which in turn influences the dependent variable. Thus, the mediator variable serves to clarify the nature of the relationship between the independent and dependent variables. In other words, mediating relationships occur when a third variable plays an important role in governing the relationship between the other two variables (MacKinnon, 2008).

An adapted survey instrument patterned after the original work of Sim, et. al., (2006) for customer satisfaction, Wang (2007) for loyalty, the instrument for quality delivery indicators; the questions under quality delivery are from the study of Getty and Getty (2013). These instruments were adapted from standard questionnaires and were modified to contextualize in the local setting.

## III. RESULTS

Table 1, which is displayed in the subsequent page, reflects the level of customer satisfaction of three-star hotels in Davao City. As revealed in the table, the overall level of customer satisfaction is 4.54 with a standard deviation of 0.49 described as very high. The standard deviation conveyed that the respondents have an almost homogeneous choice of answers from the given scale. The high-level result means that customer satisfaction of three-star hotels in Davao City was very much observed. Examining the data closely, it revealed slight differences in the mean and standard deviations scores. In fact, all mean scores belong to the same category of very high level. These were ambience obtained the highest mean score of 4.55 with a standard deviation of 0.57; hospitality got an average score of 4.54 with an equivalent to standard deviation of 0.47; and added value obtained the lowest mean score of 4.53 with standard deviation of 0.43.

**Table 1: Level of Customer Satisfaction**

Indicator	SD	Mean	Descriptive Level
<b>Ambience</b>	0.57	4.55	Very High
<b>Hospitality</b>	0.47	4.54	Very High
<b>Added Value</b>	0.43	4.53	Very High
<b>Overall</b>	<b>0.49</b>	<b>4.54</b>	<b>Very High</b>

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Data on level of loyalty in Davao City is reflected in Table 2. It can be seen in the table that the overall mean score is 4.14 with a standard deviation of 0.47. The overall mean score is described as high level, which means that the level of loyalty towards customers of three-star hotels was much observed. The cited overall mean score was the result based on the mean score of 3.92 or high level with a standard deviation of 0.41 for attitudinal loyalty and a standard deviation of 0.57 which is equivalent to the mean of 4.37 or very high for behavioural loyalty.

**Table 2: Level of Loyalty**

Indicator	SD	Mean	Descriptive Level
<b>Attitudinal Loyalty</b>	0.41	3.92	High
<b>Behavioural Loyalty</b>	0.54	4.37	Very High
<b>Overall</b>	<b>0.47</b>	<b>4.14</b>	<b>High</b>

The data on the level of quality delivery of the three-star hotel employees in Davao City is reflected in Table 3. The table reveals an overall average mean score of 4.58 and a standard deviation of 0.40, describes as very high. This means that quality delivery of three-star hotel employees was very much observed. Scrutinizing the individual results of the indicator revealed that the mean score for tangibility got the highest mean score of 4.62 with a standard deviation of 0.56; reliability is 4.61 of 0.58 standard deviation; responsiveness and confidence got the same mean score of 4.56 of 0.40 standard deviation; and communication got the lowest mean of 4.55 with 0.40 standard deviation.

**Table 3: Level of Quality Delivery**

Indicator	SD	Mean	Descriptive Level
<b>Tangibility</b>	0.56	4.62	Very High
<b>Reliability</b>	0.58	4.61	Very High
<b>Responsiveness</b>	0.57	4.56	Very High
<b>Confidence</b>	0.40	4.56	Very High
<b>Communication</b>	0.40	4.55	Very High
<b>Overall</b>	<b>0.50</b>	<b>4.58</b>	<b>Very High</b>

Data outputs of the Customer Satisfaction and Loyalty correlation tests are shown in Table 4. The overall coefficient of correlations is .839 with a p-value of .000. This is described as a significant correlation owing to the fact that the p-value was lesser than the value that was set for the level of significance of the study.

Going into data specifics disclosed that when indicators of customer satisfaction were correlated with the indicators of loyalty it yielded the following results: *Ambience* correlated with attitudinal loyalty and behavioural loyalty yielded an overall coefficient of .747 at p-value of .000; *Hospitality* correlated with attitudinal loyalty and behavioural loyalty got an overall coefficient of .748 with a p-value of .000; and *Added Value* when correlated with all indicators of loyalty yielded an overall coefficient of .717 with a p-value of .000.

Moreover, the correlation tests between indicators of customer satisfaction and loyalty yielded these results: attitudinal loyalty linked with ambience, hospitality, and added value got an overall coefficient of .794 with p-value of .000; behavioural loyalty when linked with ambience, hospitality, and added value got an overall coefficient of .808 with p-value of p-value of .000. The p-values, which were all .000 indicated a significantly reciprocal correlation concerning customer satisfaction and loyalty.

**Table 4. Correlation of Customer Satisfaction and Loyalty**

Customer Satisfaction	Loyalty		
	Attitudinal Loyalty	Behavioural Loyalty	Overall
<b>Ambience</b>	.690** (.000)	.735** (.000)	.747** (.000)
<b>Hospitality</b>	.719** (.000)	.709** (.000)	.748** (.000)
<b>Added Value</b>	.681** (.000)	.688** (.000)	.717** (.000)
<b>Overall</b>	<b>.794**</b> <b>(.000)</b>	<b>.808**</b> <b>(.000)</b>	<b>.839**</b> <b>(.000)</b>

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Table 5 shows the result of the test of correlation between independent variable (CS) and the mediating variable (QD). The data in the table revealed that when indicators of quality delivery were correlated with the indicators of customer satisfaction yielded with the following results: *Tangibility* was correlated with ambience, hospitality and added value yielded an overall coefficient of .703 with a p-value of .000; *Reliability* correlated with ambience, hospitality and added value got an overall coefficient of .685 at p-value of .000; *Responsiveness* correlated with ambience, hospitality and added value has an overall coefficient of .685 at p-value of .000; *Confidence* correlated with ambience, hospitality and added value yielded an overall coefficient of .674; and communication when correlated with all indicators of customer satisfaction yielded an overall coefficient of .757 with a p-value of .000.

Furthermore, the bivariate correlation tests between indicators of CS and QD yielded these results: *Ambience* linked with tangibility, reliability, responsiveness, confidence and communication got an overall coefficient of .796 with p-value of .000; *Hospitality* linked with tangibility, reliability, responsiveness, confidence and communication has an overall coefficient of .723 with a p-value of .000; and *Added Value* when correlated with all the indicators of quality delivery got an overall coefficient of .716 with a p-value of .000. The overall coefficient of correlation was .846 at p-value of .000. All p-values indicated a significant correlation between customer satisfaction and quality delivery.

**Table 5. Correlation of Customer Satisfaction and Quality Delivery**

Quality Delivery	Customer Satisfaction (CS)			
	Ambience	Hospitality	Added Value	Overall
<b>Tangibility</b>	.719** (.000)	.569** (.000)	.579** (.000)	.703** (.000)
<b>Reliability</b>	.636** (.000)	.576** (.000)	.599** (.000)	.685** (.000)
<b>Responsiveness</b>	.663** (.000)	.644** (.000)	.610** (.000)	.727** (.000)
<b>Confidence</b>	.592** (.000)	.594** (.000)	.590** (.000)	.674** (.000)
<b>Communication</b>	.727** (.000)	.648** (.000)	.629** (.000)	.757** (.000)
<b>Overall</b>	.796** (.000)	.723** (.000)	.716** (.000)	.846** (.000)

Table 6 contains the bivariate correlation data between Quality Delivery (QD) and Loyalty (L). When the indicators of quality delivery were correlated with the indicators of loyalty, it yielded an overall coefficient of .781 with a p-value of .000 which is significant at .05. Looking closely, *Attitudinal Loyalty* correlated with tangibility, reliability, responsiveness, confidence and communication got an overall coefficient of .742 with p-value of .000; and *Behavioural Loyalty* when correlated with the variable of quality delivery got an overall coefficient of .749 with p-value of .000. In addition, the bivariate correlation tests between indicators of QD and L yielded these results: *Tangibility* linked with attitudinal loyalty and behavioural loyalty got an overall coefficient of .607 with p-value of .000; *Reliability* linked with attitudinal loyalty and behavioural loyalty got an overall coefficient of .608 with p-value of .000; *Responsiveness* linked with attitudinal loyalty and behavioural loyalty got an overall coefficient of .698 with p-value of .000; *Confidence* linked with attitudinal loyalty and behavioural loyalty got an overall coefficient of .611 with p-value of .000; and when *Communication was correlated with the indicators of loyalty, it yielded an overall coefficient of .740 with p-value of .000. This means that quality delivery and loyalty are significantly correlated.*

**Table 6. Correlation of Quality Delivery and Loyalty**

Loyalty (L)	Quality Delivery (QD)					Overall
	Tangibility	Reliability	Responsiveness	Confidence	Communication	
<b>Attitudinal Loyalty</b>	.555** (.000)	.576** (.000)	.671** (.000)	.600** (.000)	.701** (.000)	.742** (.000)
<b>Behavioral Loyalty</b>	.604** (.000)	.584** (.000)	.664** (.000)	.569** (.000)	.712** (.000)	.749** (.000)
<b>Overall</b>	.607** (.000)	.608** (.000)	.698** (.000)	.611** (.000)	.740** (.000)	.781** (.000)

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The data entry for the different paths is displayed in Table 7. The Independent Variable (IV) is Customer Satisfaction (CS), the Dependent Variable (DV) is Loyalty (L), and the Mediating Variable (MV) is Quality Delivery (QD). There were four steps involved in the path analysis.

In Step 1, customer satisfaction was regressed on loyalty. This was called Path C (IV and DV). The result yielded an Unstandardized Regression Coefficient (B) of .978 and a Standard Error (SE) of .032. The value of significance was .000. In Step 2, quality delivery was regressed on loyalty. This was called Path B (MV and DV). This path yielded an Unstandardized Regression Coefficient (B) of .819 and Standard Error (SE) of .047 with a .000 significance. In Step 3, which was called Path A (IV and MV), customer satisfaction was regressed on quality delivery. It yielded an Unstandardized Regression Coefficient (B) of .712 and Standard Error (SE) of .039 with a significance of .000. In Step 4, Loyalty was regressed on quality delivery and customer satisfaction. This was the analysis on the combined influence of MV and IV on DV, which yielded the following results: When loyalty (L) was combined with quality delivery (QD) it resulted to an unstandardized regression coefficient (B) .202 and a standard error (SE) of .047. For the results to be interpretable, the variable was rescaled, and regression was repeated. It then yielded a Standardized Regression Coefficient (B) of .176. The result was Part Correlation at .839. Moreover, when loyalty (L) was regressed with customer satisfaction (CS), it yielded a Beta (Standardized Regression Coefficient) of .74, which was Part Correlation at .781. The total R Square was .767, which means that the combined effect of MV (Quality Delivery) and IV (Customer Satisfaction) on DV (Loyalty) was only 76.7%.

**Table 7 Data Entry for Different Paths**

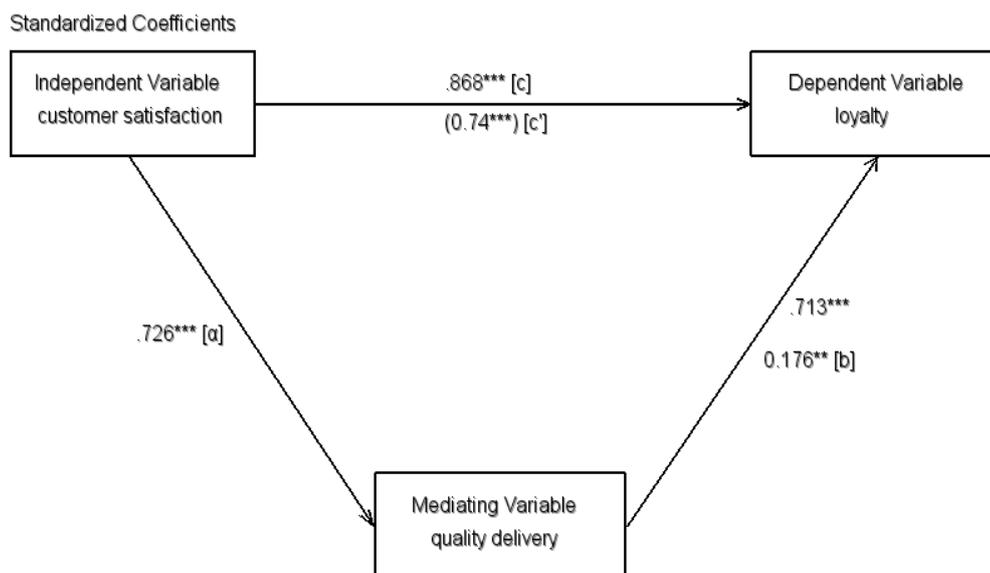
Independent Variable (IV)	Customer Satisfaction (CS)
Dependent Variable (DV)	Loyalty (L)
Mediating Variable (MV)	Quality Delivery (QD)
STEPS	
1. Path C (IV and DV)	
Loyalty Regressed on Customer Satisfaction	
B (Unstandardized Regression Coefficient)	.978
SE (Standard Error)	.032
Significance	.000
2. Path B (MV and DV)	
Loyalty Regressed on Quality Delivery	
B (Unstandardized Regression Coefficient)	.819
SE (Standard Error)	.047
Significance	.000
3. Path A (IV and MV)	
Quality Delivery Regressed on Customer Satisfaction	
B (Unstandardized Regression Coefficient)	.712
SE (Standard Error)	.039
Significance	.000
4. Combined Influence of MV and IV on DV	
Loyalty Regressed on Quality Delivery and Customer Satisfaction	
Quality Delivery	
B (Unstandardized Regression Coefficient)	.202
SE (Standard Error)	.047
Beta (Standardized Regression Coefficient)	.176
Part Correlation	.839
Customer Satisfaction	
Beta (Standardized Regression Coefficient)	.74
Part Correlation	.781
<b>Total R Square</b>	<b>.767</b>

The result of the mediation is displayed in Figure 1. The Sobel test yielded a z-value of 4.256 with a p-value of 2.1E-5, which is significant of 0.05 level. This means that the partial mediation results generated by Med Graph tell us that quality delivery acted as a significant mediator between customer satisfaction and loyalty. In addition, the casual relationship between customer satisfaction and loyalty has been reduced from a significant betacoefficient value of 0.868 to 0.740, which is still significant at the inclusion of quality delivery, the mediator variable.

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Lastly, the figure shows the results of the computation of the effect size in the mediation test conducted between the three variables. The effect size measures how much of the effect of customer satisfaction on loyalty of the customers can be attributed to the indirect path. The total effect value of 0.868 is the raw correlation between customer satisfaction and loyalty of customers. The direct effect value of 0.740 is the size of the correlation between customer satisfaction and loyalty of customer with loyalty included in the regression.

Further, the indirect effect value of 0.128 is the amount of the original correlation between the customer satisfaction and loyalty that now goes through quality delivery to loyalty ( $a*b$ ) where “a” refers to the path between the independent variable and mediator variable and “b” refers to the path between the mediator variable and the dependent variable. The ratio index is computed by dividing the indirect effect by the total effect; in this case, 0.128 by 0.868 equals 0.147. it seems that about 14.70 percent of the total effect of the independent variable on the dependent variable goes through the mediator variable, and about 86.80 percent of the total effect is either direct or mediated by other variables not included in the model.



NOTE: The numerical values in the parentheses are beta weights taken from the second regression and the other values are zero order correlations.

Significance of Mediation		Significant
<b>Sobel z-value</b>	4.255996	$p = 2.1E-5$
<b>95% Symmetrical Confidence Interval</b>		
<i>Lower</i>	.10658	
<i>Upper</i>	.28854	
<b>Unstandardized indirect effect</b>		
<i>a*b</i>	.19756	
<i>se</i>	.04642	
<b>Effect Size Measures</b>		
<b>Standard Coefficients</b>		<b>R<sup>2</sup> Measures (Variance)</b>
<b>Total:</b>	.868	.753
<b>Direct:</b>	.740	.753
<b>Indirect:</b>	.128	0000
<b>Indirect to Total Ratio:</b>	.147	-.00

**Figure 1. Results of the Mediation Computation**

#### IV. DISCUSSION

##### **Customer Satisfaction**

The three-star hotel customers in Davao City were found to have a high level of customer satisfaction, which when given a closer scrutiny could be interpreted to mean that the customer of three star hotel have totally manifested the satisfaction by which they are measured. So, to thoroughly analyze this strongly agree result, among the three indicators of customer satisfaction identified, namely: ambience, hospitality, and added value, which customer respondents got a high level results which belong to category of very high level, it means that the customer of three star hotels in Davao City was very much observed.

To further explain the high level results of customer satisfaction using the instrument utilized in gathering the above data, the respondent's manifested claimed always the ambience such as an experiencing a high class luxury hotel, beautiful accommodation with architectural design and interior decorations, fantastic and unique ambience, there is an ambience of genuine friendliness and warmth, the atmosphere will made you welcome, comfortable and at ease, the ambience offers a lifetime setting of elegance, and the employee dress code, color harmony, and audio effects of the hotel all blended in very well to create an elite atmosphere.

Moreover, the respondents have a very high level of hospitality as very much observed in which the employees of the three star hotel are meet the needs of the customer without having to ask them, greet with courtesy and smiles at all times, there are friendly, cheerful, polite ,responsive, patient and spending time responding and explaining things to address the concerns of the customer, can communicate well and are good listeners, able to anticipate the unmet needs, secured and protected, the staff creates a special mood of comfort and relaxation, treated like a queen/king. In addition, the same data set showed that the respondents have a very high level of added value as very much observed in the following: the hotel is accessible to dining, shopping, and groceries, offers a great value for 24 hour free or reduced parking, offers an array of awesome amenities and facilities inside the hotel premises. Authors have asserted that when ambience, hospitality, and added value were drawn together, they can stimulate the effectual working of three star hotels. This assertion that customer satisfaction is significant to all hotels because its influence on repeated purchased and word of mouth recommendations (Pizam, Shapoval& Ellis, 2016). In the service settings, customer satisfaction identifies a desired outcome of service experiences, which includes evaluation whether the service has met the needs and expectations of the customer (Kara and Orel 2014). Customer satisfaction is the leading criterion for determining the quality that is delivered to customers through the product/service and loyalty will follows experienced as highlighted by Pizam et al., (2016).

##### **Loyalty**

The result of this study revealed an overall high level of loyalty of customers. It was also revealed that the respondents as much observed with the level of attitudinal loyalty and behavioural loyalty. By attitudinal loyalty it means when a client continues to be loyal due to a favorable hotel choice (a brand fulfills main functional and/or emotional needs or the customer has an emotional brand affiliation). By behavioural loyalty it means when a customer wants to purchase / use a particular product, service or brand (at least as much as before). So, to examine this high result extensively, the researcher feels it is important to look closely at the data set for this loyalty variable. There were two sub-constructs of loyalty are identified, namely, attitudinal loyalty and behavioural loyalty. Looking at the results, respondents got only high on attitudinal loyalty, although they had very high-performance rates that are very high on in behavioral loyalty. This means that the respondents much observed but not always, in attitude loyalty much of the time. While they are very much observed to behavioural loyalty. Moreover, the respondents have a high level of attitude loyalty as much observed a moderate inclination in the two indicators such as trust and commitment. In other words, the respondents claimed that the hotel is basically honest, cares about their guest, can keep promises that it makes, emotionally attached and sense of belonging many times. Inversely, the data showed very much observed and have a very high level in behavioural loyalty which has two indicators namely: cooperation and word of mouth. The definition of customer loyalty was seen as a combination of the favorable attitude of customers and the behaviour or repurchases which revealed by customers' willingness to recommend the product / service to others and to repeat purchases (Kaura Durga Prasad & Sharma, 2015). Therefore, this study considers customer loyalty to be a combination of behavioural and attitude loyalty.

However, satisfaction is often regarded as a consequence of the customers post-purchase evaluations of both tangible and intangible label attributes and a primary determinant of customer loyalty (Chrysochou and Krystallis, 2014). Previous studies of Khajehzadeh andNyadzayo (2016) note the positive effects of satisfaction on behavioral and attitudinal loyalty outcomes such as customer retention, purchasing preferences, service utilization and duration of relationship. Also, effectively managing the customer satisfaction, quality delivery and enhancing customer loyalty have been addressed by the industry practitioner and researchers as mentioned by Ali, Esa, &Shamsudin, (2019).

##### **Quality Delivery**

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The employees are one of the most important influences in the understanding of customers regarding quality of service as highlighted by Chien, Dong, Lee, Lu, Tsai Wang, & Wu (2016). Perhaps, Dedeoğlu and Demirer (2015) Stressing factors contributing to the quality delivery of the hotel are both employee behavior-related resources and measurable ones. Providing high quality delivery can improve the good behavioural intentions of customers and reduce unfavorable intentions (Ramadania, Sadalia& Theresia, 2018). Hence, the effect of high-quality delivery, especially in the hotel industry, is attracting more customers who will stay longer because they are more satisfied. Quality delivery has been recognized as a factor for achieving customer satisfaction with service providers (Shamsudin et al., 2019). Also, quality delivery has been gradually recognized as a key factor in achieving competitive advantage and retaining customers (Nasution, 2016). Currently, hotel organizations from a customer perspective, have difficulty in adequately assessing and improving their service performance (Lee et al., 2016). They also fail to understand which factors that customer find significant, and when their hotel experience should be best evaluated. In addition, while most of the literature studies on the hotel sector concentrate primarily on customer assessment for quality delivery, the expectations of other stakeholders (employees and managers) have been overlooked (Dedeoğlu and Demirer 2015).

### **Significance of the Relationship of Quality Delivery, Customer Satisfaction and Loyalty**

The Three relationships of variables were tested in this study: between Independent Variable (IV) and Dependent Variable (DV); between Independent Variable (IV) and Mediating Variable (MV); and between Mediating Variable (MV) and Dependent Variable (DV). To reiterate, the independent variable (IV) in this study is Customer Satisfaction (CS), the dependent variable (DV) is Loyalty (L), and the mediating variable (MV) is Quality Delivery (QD). The correlation test revealed a significant relationship between all tested variables. For instance, the test of bivariate correlation between customer satisfaction and loyalty showed that all indicators between two variables have significant relationships. There is evidence in the literature to support links between quality delivery, customer satisfaction and loyalty (Kumar, Pozza& Ganesh, 2013). The framework of this study works out the transitive relationship between quality delivery, customer satisfaction and loyalty. Whilst some studies on quality delivery as a major construct and its relationship with customer satisfaction and loyalty (Cheng, Kasiri, Sambasivan&Sidin, 2017). Most of the studies use SERVQUAL as a measure of quality delivery (Liu, Tsaur, Wang & Yen, 2014). A considerable amount of literature on quality delivery has demonstrated the correlation between customer satisfaction and loyalty (Ganesh, Kumar &Pozza, 2013). A study by Kasiri et al., (2017) indicates that the hotels can improve customer satisfaction and loyalty through efficient operations, employee engagement, and quality delivery. They also found that this high-performance work program improves the response of workers and the level of quality delivery in hotel organizations. Therefore, a customer may either continue or increase the scope and duration of the service provider relationship or may refer the service provider to other potential customers. As suggested by Bowen and Chen (2015) that customer satisfaction is related to loyalty and loyalty, and in effect related to the quality delivery efficiency of the hotel. Izogo and Ogba (2015) asserted that the quality delivery contributes to improved customer satisfaction and loyalty as a result of several factors. The causal link between perceived quality delivery and customer satisfaction, and which of this construct has a direct impact on customer loyalty has been debated in the literature (Cronin & Taylor, 1992, 1994; Izogo& Ogba, 2015).

### **Mediation Analysis of the Three Variables**

In a service setting, this relationship is vital for the survival of the hotel. The mediating effect of quality delivery between customer satisfaction and loyalty has been found to be significant. Between the dimensions, the strength of relationship between quality delivery and customer satisfaction through loyalty is the strongest (Kasiri et al., 2017). The impact of quality delivery on customer satisfaction and loyalty has both direct and indirect impacts on the hotel industry as highlighted by Jasinskas, Simanavicius, Streimikiene&Svagzdiene (2016). The loyalty of existing customers is very important, since the attraction of new customers was calculated to be much more expensive than the retention of existing customers (Dabija, Dinu, Tăchiciu, & Pop, 2014). Increasing customer loyalty allows the organization to make savings, decreasing marketing and transaction expenses, also decreasing customer-related expenses, increasing the consumption of related products, pursuing positive 'word of mouth' communication, decreasing the cost of failures (Jasinskas et al., 2016). Quality delivery via customer satisfaction determined customer loyalty suggesting that customers' satisfaction promoted their loyalty in tourism sector Kaura, Durga Prasad, & Sharma, (2015). Thus, quality delivery plays as mediating variable between customer satisfaction and loyalty.

This research advances our understanding of quality delivery, and how they interact with customer satisfaction and loyalty in three-star hotels. With considerations on the findings of the study, conclusions are drawn in this section. The foregoing results can be concluded, thus: The level of customer satisfaction of three-star hotels in Davao City in terms of ambience, hospitality and added value were very high because within the business, customer satisfaction plays an important role. It is not only the leading metric for assessing consumer satisfaction, recognizing dissatisfied customers, minimizing turnover, and increasing revenue; it is also a crucial point of differentiation that allows you in competitive market environments to gain new customers.

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The level of loyalty of three-star hotels in Davao City in terms of Attitudinal loyalty and behavioural loyalty were high or much observed man because It is directly related to fulfilling customer expectations to create customer loyalty. In the hospitality sector, knowing how to please a guest helps hoteliers accelerate growth. They can use several customer loyalty tactics to turn new customers into frequent visitors and still maintain your existing guest list.

The level of quality delivery of three-star hotels in Davao City in terms of tangibility, reliability, responsiveness, confidence and communication are found to be very high because this study particularly supports to the proposition of the (Ali, 2015) quality delivery provided by hotel operators will not only help increase customers ' satisfaction, but also result in the increase in customer loyalty and has been recognized as a key factor in influencing the loyalty of valued hotel customers and the profitability of hotels (Chang, Cheng, Lai, &Kuo, 2013).

The correlation of customer satisfaction and loyalty, customer satisfaction and quality delivery, quality delivery and loyalty have a significant relationship. It means the strength of the relationship between quality delivery and customer satisfaction by loyalty is the greatest among the dimensions (Kasiri et al., 2017).

In, the results of the study also suggest that quality delivery significantly but partially mediates the relationship between customer satisfaction and loyalty of three-star hotels. This study particularly supports to the proposition of Jasinskis et. al., (2016) that the impact of quality delivery on customer satisfaction and loyalty affects the hotel industry both directly and indirectly. Lastly, the study found that there are other variables was not identified in the study that made significantly serves as mediator between quality delivery, customer satisfaction and loyalty.

### **V. CONCLUSION AND RECOMMENDATION**

Based on the result underscores that the quality delivery significantly but partially mediates the relationship between customer satisfaction and loyalty of three-star hotels. The researcher therefore recommends to the hotel management from various of level of departments to improve the trust of each guest by making sure that the services shown in the publicity is given to each and every customer. This can be done by innovating the service delivery of the establishment through attending Certified Guest Service Professional (CGSP) training and workshop that motivates employees in providing exceptional service and beyond the call of duty that leads to increase the customer trust and loyalty. As well as making an audit check to the services provided by the hotel enable to provide independent assurance that an organization's risk management, governance and internal control processes are operating effectively. Similarly, the hotel property can also improve the commitment towards guest by ensuring the marketing collaterals or the branding of the hotel that support the product or service are delivered according to their promised which is stated in the brochures and ads promotion specifically referred in the sales kit since, the said collaterals helps to communicate the key benefits of the business and product to prospective customers in a visually compelling manner and build the credibility of the hotel. This can be achieved by retaining and establishing the property or hotel's brand marketing to advertise your product or service by promoting your brand as a whole. Essentially, it tells the story of your service or product by underlining your whole brand. Hotel branding is important because it not only gives the customer a memorable experience, but also helps customers to know what to expect from your company. It is a way to separate yourself from the competition and explain what you sell, which makes you the best choice.

In addition, the study found a significant relationship between customer satisfaction and loyalty. The researcher therefore recommends the hotel management to have an excellent service to all the guests enable the hotel property management will have a customer satisfaction that will leads to customer loyalty and increase the revenue because the of the reengineering of the quality delivery.

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**RESEARCH QUESTIONNAIRE**

Dear Respondents,

The undersigned master’s in business administration student at University of Mindanao is currently conducting research entitled: **“THE MEDIATING EFFECT OF QUALITY DELIVERY ON THE RELATIONSHIP BETWEEN CUSTOMER SATISFACTION AND LOYALTY OF THREE-STAR HOTELS”**.

This questionnaire consists of four parts questions, requesting you to check appropriate boxes. It may take 5-10 minutes to complete the survey. Please respond to the items based on your personal opinion.

Upon completion, results of this study will be held with utmost confidentiality.

Thank you for your cooperation.

Hospitably yours,

**KIVEN G. OLIVAR**  
*Researcher*

**PART I. PROFILE OF THE RESPONDENTS**

**Instructions:** For each statement below, please specify its importance to you as a hotel guest. Similar, please indicate how the hotel performance in each area. Check the box corresponding to the column that best describes your personal opinion as a hotel guest.

Name (Optional) : \_\_\_\_\_

Sex	:	<input type="checkbox"/> Male	<input type="checkbox"/> Female	
Age	:	<input type="checkbox"/> 19 below	<input type="checkbox"/> 20 – 29	<input type="checkbox"/> 30 – 39
		<input type="checkbox"/> 40 – 59	<input type="checkbox"/> 50 – 59	<input type="checkbox"/> 60 above
Civil Status	:	<input type="checkbox"/> Single	<input type="checkbox"/> Married	<input type="checkbox"/> Widowed/Widower
Educational attainment		<input type="checkbox"/> Elementary Level	<input type="checkbox"/> Elementary Graduate	
		<input type="checkbox"/> High School Level	<input type="checkbox"/> High School Graduate	
		<input type="checkbox"/> College Level	<input type="checkbox"/> College Graduate	

**PART II. LEVEL OF QUALITY DELIVERY**

*Directions: Please check the box corresponding to the column that best describes your opinion as a hotel guest.*

Scale	Interpretation
5	Very High
4	High
3	Moderate
2	Low
1	Very Low

	5	4	3	2	1
<b>TANGIBILITY</b>					
1. The front desk was visually appealing.					
2. The employees had clean, neat uniforms.					
3. The restaurant’s atmosphere was inviting.					
4. The shops were pleasant and attractive.					
5. The outdoor surroundings were visually attractive.					
6. The hotel was bright and well lighted.					
7. The hotel interior and exterior were well maintained.					
8. The hotel was clean.					
<b>REALIABILITY</b>					
1. My reservation was handled efficiently.					
2. My guestroom was ready as promised.					
3. TV, radio, A/C, lights, and other mechanical equipment worked properly.					
4. I got what I paid for.					
5. I received the type of room requested.					
<b>RESPONSIVENESS</b>					

*The Mediating Effect of Quality Delivery on the Relationship Between Customer Satisfaction and Loyalty of Three Star Hotels*

1. Employees responded promptly to my requests.					
2. Informative literature about the hotel was provided.					
3. Employees were willing to answer my questions.					
4. Employees responded quickly to solve my problems.					
5. Room service was prompt.					
<b>CONFIDENCE</b>					
1. Employees knew about local places of interest.					
2. Employees treated me with respect.					
3. Employees were polite when answering my questions.					
4. The hotel provided a safe environment.					
5. The facilities were conveniently located.					
<b>COMMUNICATION</b>					
1. Charges on my account were clearly explained.					
2. I received undivided attention at the front desk.					
3. Reservationists tried to find out my particular needs.					
4. Employees anticipated my needs.					

Source: Getty, J. M., & Getty, R. L. (2003). *Lodging quality index (LQI): assessing customers' perceptions of quality delivery.*

*International Journal of Contemporary Hospitality Management*, 15(2), 94-104. doi:10.1108/09596110310462940

**PART III. LEVEL OF CUSTOMER SATISFACTION**

*Directions: Please check the box corresponding to the column that best describes your personal opinion as a hotel guest.*

Scale	Interpretation
5	Very High
4	High
3	Moderate
2	Low
1	Very Low

<b>AMBIENCE</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1. This hotel gives me a feeling that I am staying at a high-class luxury hotel.					
2. I am very impressed with the architectural design, interior decorating, accessory selections, artwork, and overall color and décor of this hotel.					
3. This hotel has beautiful accommodation.					
4. This hotel has a fantastic and unique ambience.					
5. There is an ambience of genuine friendliness and warmth at this hotel.					
6. The atmosphere here makes me feel welcome, comfortable and at ease.					
7. The ambience offers me lifetime setting of elegance at this hotel.					
8. The employee dress code, color harmony, and audio effects of this hotel all blend in very well to create an elite atmosphere.					
<b>HOSPITALITY</b>					
1. The employees here meet all my needs without having to ask them.					
2. The employees of this hotel greet me with courtesy and smiles at all times.					
3. The employees here are friendly, cheerful, polite, and responsive.					
4. This hotel provides me with all my needs without having to ask for them.					
5. The employees here are patient and spend time responding and explaining things to me.					
6. The employees here always make me feel very important at this hotel.					
7. The employees here communicate well and are good listeners.					
8. The employees at this hotel can anticipate my unmet needs.					
9. The employees here make me feel protected and secure.					
10. The employees here are positive towards customers and never say negative things, such as "We can't do such and such".					
11. At this hotel, the staff creates a special mood of comfort and relaxation.					
12. At this hotel I feel as I am treated like a queen/king.					
<b>ADDED VALUE</b>					
1. This hotel is conveniently located for me to take advantage of near area low-cost attractions, dining, shopping, and groceries within walking distance.					

*The Mediating Effect of Quality Delivery on the Relationship Between Customer Satisfaction and Loyalty of Three Star Hotels*

2. This hotel offers a great value for 24-hour free or reduced parking.					
3. This hotel offers a great value for locals.					
4. This hotel offers an array of awesome amenities.					
5. This hotel has great in-room facilities, such as coffee maker, mini-refrigerator, ironing board and hair dryer for my daily conveniences.					

Source: Sim, J., Mak, B., & Jones, D. (2006). A Model of Customer Satisfaction and Retention for Hotels. *Journal of Quality Assurance In Hospitality & Tourism*, 7(3), 1-23. [http://dx.doi.org/10.1300/j162v07n03\\_01](http://dx.doi.org/10.1300/j162v07n03_01)

**PART IV. LEVEL OF LOYALTY**

Directions: Please check the box corresponding to the column that best describes your personal opinion as a hotel guest.

Scale	Interpretation
5	Very High
4	High
3	Moderate
2	Low
1	Very Low

ATTITUDINAL LOYALTY	5	4	3	2	1
<b>Trust</b>					
1. This hotel is basically honest.					
2. This hotel cares about their customer.					
3. I have found that I can rely on this hotel to keep the promises that it makes.					
<b>Commitment</b>					
1. I am emotionally attached to this hotel.					
2. I have sense of belonging to this hotel.					
3. I enjoy visiting this hotel.					
<b>BEHAVIOURAL LOYALTY</b>					
<b>Cooperation</b>					
1. If I saw an idea that I liked another hotel, I would share this idea with hotel's management or employees.					
2. I would allow my name and a positive comment that I made this hotel to be used in an advertisement.					
3. I would like to receive any information (letters, promotional material or email) from this hotel regularly.					
<b>Word of Mouth</b>					
1. I often encourage other people to stay at this hotel.					
2. I will always tell other people positive words about this hotel.					
3. I take pride in telling other people about my experiences about this hotel.					

Source: Wang, R. J. (2007). *Relationship, Loyalty, and Marketing--a Correlation Study of Taiwan Hotel Customers' Perspectives* (Doctoral dissertation, Oklahoma State University).