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Understanding the influence of service quality on customer loyalty in the hospitality industry: A structural equation modelling approach

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Abstract

Obtaining customer loyalty is of the utmost importance in the fiercely competitive environment of the hostel assiduity. To create effective tactics and keep a devoted clientele, hospitality associations must have a thorough understanding of the elements that affect client loyalty. The main goal of this study is to investigate the connection between customer loyalty to the hostel and service quality, particularly customer happiness and trust. This study uses Structural Equation Modeling (SEM) with the SPSS to explore the nuanced link between several service quality components and their influence on customer loyalty. The results of this study significantly support hospitality service directors and marketers in their efforts to boost customer loyalty and improve overall service performance. The research's findings provide nonprofit organizations with invaluable insight, enabling them to improve client loyalty and create powerful marketing plans. To improve client experiences and promote loyalty, businesses should invest funds and develop well-informed decisions. This can be done by showcasing an awareness of the elements that have a big impact on customer loyalty. By providing empirical support for the variables that affect consumer loyalty, the study adds also add to the body of knowledge already existing in the hospitality industry.

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Keywords: Customer loyalty, hospitality industry, customer satisfaction, service quality, perceived value, loyalty programs, brand image, online reviews

Introduction

The hospitality industry is highly competitive, and building customer loyalty has become a critical success factor for service providers. The quality of services delivered plays a pivotal role in shaping customers' perceptions and their subsequent loyalty towards a particular brand or establishment. To understand the dynamics of this relationship, it is crucial to explore the underlying dimensions of service quality and their impact on customer loyalty. This study aims to address this gap by employing SEM with SPSS to analyze the relationships between service quality dimensions and customer loyalty (Shoriwa, 2017) [10]. Since so many hotels, resorts, restaurants, and other companies fight for consumers' attention and business, the hospitality industry is known for its severe competitiveness. The loyalty of a company's customers is essential to its success and viability in this fiercely competitive industry. Customer loyalty not only ensures repeat business but also fosters the growth of constructive communication and contributes to the remaining organisations of goodwill.

To successfully attract, retain, and satisfy their audience, hospitality businesses must have a thorough awareness of the aspects that affect customer loyalty. Businesses can develop targeted programmes to increase customer loyalty, improve customer experiences, and gain a competitive edge by identifying and analysing these factors.

This study makes an effort to assess the critical factors that influence supporter steadfastness in the friendliness domain. Customer satisfaction, service quality, perceived value, loyalty programmes, brand image, and internet reviews are just a few of the variables that will be considered in the study's thorough approach. The purpose of the study is to shed light on the complex mechanisms that affect patron loyalty in the hospitality sector.

The study's usefulness rests in its capacity to educate the hospitality industry about the key elements that affect patron loyalty. Businesses can better cater their goods and services to the wants and preferences of their clients by developing a deeper awareness of these factors. The results of this study could also help firms decide how to use their resources, create more focused marketing plans, and keep customers longer (Xu and Schrier, 2019) [11].

To accomplish the goals of the test, a blended methods approach will be used. In-depth assessments of thoughts and experiences related to client loyalty will be possible thanks to the use of inside and outside interviews with directors, industry experts, and purchasers. A substantial sample of consumers in the hotel sector will be polled in order to gather quantitative information that will allow statistical analysis to look at the relationships between different factors and customer loyalty. Overall, the purpose of this study is to evaluate the factors that affect customer loyalty and to add that information to the body of knowledge already available in the neighbourliness industry. The results of the study will give hospitality organisations vital knowledge about how to enhance customer experiences, foster client loyalty, and succeed over the long run in this cutthroat industry.

Hospitality Sector

Numerous businesses, including hotels, resorts, eateries, cafés, and travel agencies, are included in the hospitality industry. It is a dynamic and diverse industry. Due to globalisation and increased rivalry in this sector, customer loyalty is increasingly crucial for success. Building and maintaining a solid customer base is essential for a business to be successful, bring in new customers through positive word-of-mouth marketing, and ensure repeat business. Numerous studies have been conducted on the variables that affect the dependability of accommodation customers. These investigations have significantly contributed to our understanding of the fundamental elements that influence client steadfastness by shedding light on the complex interactions between hospitality and visitor organizations (Debata *et al.*, 2015) [2].

Organizations should be aware of these traits in order to develop successful procedures and solidify relationships with their clients. One of the basic factors determining client dependability is customer satisfaction. Customers who are happy are obligated to remain loyal and continue disparaging a particular act of neighbourliness. Numerous studies in the lodging industry have established a link between customer satisfaction and brand loyalty. Customer loyalty and satisfaction have been linked to support excellence, responsiveness, dependability, and personalized attention. Client loyalty is primarily affected by perceived respect. Customers consider the price, the quality of the goods or services received, and their overall perception when determining the value of a neighbourliness foundation. A few

factors that affect apparent worth are market analyses, the foundation's reputation and brand image, and the apparent value of the contributions.

Loyalty initiatives are also recognised as being essential components in fostering customer loyalty. These schemes, include incentive systems, frequent visitor programmes, and membership benefits, persuade customers to choose one hospitality facility over another. Loyalty programmes allow businesses the option to collect vital client information and customise their goods and services to particular customer preferences in addition to raising consumer satisfaction and loyalty (Rather and Camilleri, 2019) [9]. The impact of social media and online reviews on brand loyalty has drawn a lot of attention lately. Consumers are using online platforms more and more to share their opinions and create opinions. Positive internet comments and recommendations may significantly improve client loyalty, whilst bad comments can harm a company's reputation and its capacity to keep consumers.

Even though the hotel industry has seen a lot of research on customer loyalty, additional studies and empirical data are still needed. The sector is always experiencing new developments, including the effect of technology, environmentally friendly business practices, and altering customer expectations. This study aims to add to the body of knowledge by studying the factors affecting customer loyalty in the hotel industry and providing current insights for businesses to enhance customer loyalty strategies and practices.

Research Objectives

The research objectives of the proposed research are as follows:

- To identify the various aspects of administrative quality within the context of the hospitality sector.
- To look at the impact of a few administration quality parameters on customer loyalty.
- To examine the potential role of customer loyalty as an intermediary in the relationship between service excellence and devoted patronage.
- To examine how segment attributes affect the relationship between administration quality and client loyalty.

Hypothesis

The hypothesis of the proposed research is as follows:

- H1: Service quality positively influences customer satisfaction.
- H2: Customer satisfaction positively influences customer trust.
- H3: Customer trust positively influences customer loyalty.
- H4: Service quality indirectly influences customer loyalty through customer satisfaction and trust.

This study aims to investigate the impact of various factors on client dependability in the housing industry through the application of quantitative techniques, such as backslide testing. The experiences described above will assist businesses in developing effective methods to foster customer loyalty by providing an understanding of the full significance of each viewpoint.

Literature Review

The literature review with the studied variables and the respective research variables

Table 1

Studied variable	Research objectives	Reference				
Customer Satisfaction	To examine the impact of customer satisfaction on customer loyalty in the hospitality industry.	Aldaibani, F.M.F. and Ali, N.A., 2018.				
2. Service Quality	To assess the relationship between service quality and customer loyalty in the hospitality industry.	MOUZAEK, E., ALAALI, N., A SALLOUM, S.A.I.D. and ABURAYYA, A., 2021				
3. Perceived Value	To investigate the influence of perceived value on customer loyalty in the hospitality industry.	Moutle, T. and Shonke, L., 2017.				
4. Loyalty Programs	To analyze the effectiveness of loyalty programs in fostering customer loyalty in the hospitality industry.	Dimitrieska, S. and Efremova, T., 2021.				
5. Brand Image	To explore the association between brand image and customer loyalty in the hospitality industry.	Shoriwa, C., 2017.				
6. Online Reviews	To assess the impact of online reviews on customer loyalty in the hospitality industry.	Xu, X. and Schrier, T., 2019.				
7. Trust	To examine the role of trust in shaping customer loyalty in the hospitality industry.	Rather, R.A., Tehseen, S., Itoo, M.H. and Parrey, S.H., 2019				
8. Customer Engagement	To investigate the relationship between customer engagement and customer loyalty in the hospitality industry.	Radojevic, T., Stanisic, N. and Stanic, N., 2017.				
9. Switching Costs	To assess the influence of switching costs on customer loyalty in the hospitality industry.	Li, Z., Long, M., Huang, S., Duan, Z., Hu, Y. and Cui, R., 2023.				
10. Perceived Convenience	To explore the impact of perceived convenience on customer loyalty in the hospitality industry.	Ing, P.G., Zheng Lin, N., Xu, M. and Thurasamv, R., 2020.				

Materials and Methods

In this project, data was acquired from a sample of customers in the neighbourliness industry using a planned survey. Numerous aspects of administration quality, customer loyalty, and client dependability were assessed by the survey. To investigate the gathered data and assess the dependability and viability of the estimating model, the factual programming package SPSS was used. The interrelationships between the discovered factors will then be determined, and the proposed hypotheses was evaluated, using primary condition demonstrating (SEM) (Priyo *et al.*, 2019) [8].

Research Model

The review model illustrates the relationships between a few variables and customer loyalty in the field of cordiality. It considers numerous elements that have been identified in earlier studies as having an influence. The model incorporates the following crucial elements:

- Customer Satisfaction: A latent variable representing the overall satisfaction of customers with the hospitality services they receive. It is measured by multiple observed indicators such as satisfaction with staff behaviour, room cleanliness, quality of amenities, etc.
- Service Quality: An exogenous variable representing the quality of services provided by the hospitality establishment. It is measured by multiple observed indicators such as responsiveness of staff, tangibles (e.g., physical facilities), reliability of service delivery, etc.
- 1. Customer Trust: A latent variable representing the level of trust customers have in the hospitality establishment. It is measured by multiple observed indicators such as trust in the staff, trust in the brand, perceived reliability, etc.
- Customer Loyalty: A latent variable representing the extent to which customers are loyal to the hospitality establishment. It is measured by multiple observed

indicators such as intention to revisit, intention to recommend, frequency of visits, etc.

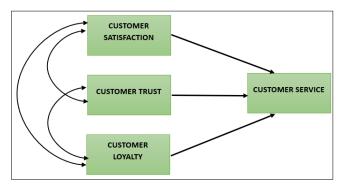


Fig 1: Research Model

Expected Contribution

This study's goal is to give service managers and marketers who operate in the hospitality sector crucial information. This study aims to add to the body of knowledge on services marketing (Mouzaek *et al.*, 2021) ^[7]. The study's goal is to offer crucial insights to service managers and marketers. The following are the study's goals:

- 1. To comprehend more fully the connection between customer loyalty and service quality
- 2. To assist service providers in determining areas for development
- 3. To boost client satisfaction
- 4. To encourage steadfast consumer loyalty

Sample Size

Researchers may use recommendations, such as those that suggest a minimum number of samples based on factors and population sizes, to determine the sample size for their study topics. The rule of "10 participants per variable" is one that is frequently applied. However, the calculations for sample size may differ from one research design to another depending on the methods used for data processing, the level of precision that is desired, and other factors.

In this case, the researcher has a total of 14 questionnaires with 10 independent variables and 4 dependent variables. Given a population size of 50 participants, the guideline of "10 participants per variable" was applied to calculate an estimated minimum sample size.

 $\begin{array}{ll} \textit{Total number of variables} &= 10 \, (\textit{independent}) \, + \, 4 \, (\textit{dependent}) \\ &= \, 14 \, \textit{variables} \end{array}$

Minimum Sample Size

= 10 participants per variable * 14 variables

 $=\ 10\ *\ 14\ =\ 140\ participants$

Based on the guideline, the researcher identified the need for a minimum sample size of 140 participants to adequately analyze the relationship between the variables in the study.

Data Analysis

A useful quantifiable method for analysing the variables influencing customer loyalty in the neighbourhood is the underlying condition display (SEM). Researchers may

understand the complex relationships between observable and latent variables and their causal connections using SEM. The researcher first identified the pertinent variables of interest, such as customer satisfaction, service quality, perceived value, and brand image, in order to employ SEM in the evaluation of aspects that affect customer loyalty. These variables can be viewed as unobserved structures that represent underlying concepts or dimensions (Mmutle and Shonhe, 2017) [6].

Analysts then needed to collect information utilising overviews or other information-collecting techniques in order to analyse the recognisable variables that address these inactive developments. For these perceptible aspects, explicit research inquiries or estimations related to customer satisfaction, administration quality, saw esteem, brand image, and other suitable qualities may be recalled. After gathering the data, researchers used SEM to create a model that demonstrates the suggested relationships between the latent components and observable variables. The model may suggest both direct links, such as what customer satisfaction directly implies for customer loyalty, and indirect connections, such as what customer loyalty indirectly means for customer steadfastness through the intermediary variable of viewed esteem.

The model's parameters, such as error variances, which represent the measurement error of the observed variables, path coefficients, and factor loadings, which show the strength of the correlation between the observable and latent variables, are estimated using statistical methods. Examining the projected route coefficients and determining their significance and direction is important in order to evaluate the SEM results. Studies can analyse the direct and indirect effects of many factors on customer loyalty within the hotel industry, eventually identifying the key drivers.

SEM generally provides a strong framework for analysing the many links and interactions between variables that affect patronage in the hospitality sector. It gives academics a thorough understanding of the fundamental concepts and equips them to test hypotheses, develop fictitious models, and guide contemporary essential navigation.

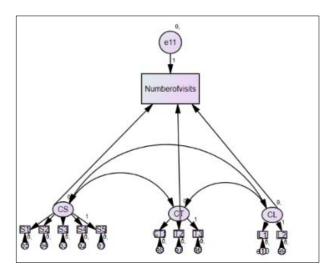


Fig 2: Sem Model

 Table 2: Research variables

Variable	Description			
Customer	The overall evaluation of a customer's experience with a hospitality establishment encompasses factors such as			
Satisfaction	service quality, product offerings, staff interactions, and ambience.			
Service Quality	The level of service provided by the hospitality establishment, including responsiveness, reliability, tangibles,			
	empathy, and assurance.			
Loyalty Programs	Incentives offered by the hospitality establishment to reward and encourage repeat patronage, such as reward			
	systems, frequent guest programs, membership benefits, discounts, and special privileges.			
Trust	The level of confidence and reliance customers have in the hospitality establishment is based on previous			
	experiences, reputation, and perceptions of integrity, reliability, and competence.			

Notes for Model (Default model) Computation of degrees of freedom (Default model) Number of distinct sample moments: 77 Number of distinct parameters to be estimated: 38 Degrees of freedom (77 - 38): 39 Result (Default model) Minimum was achieved Chi-square = 70.063 Degrees of freedom = 39 Probability level = .002

Fig 3: Chi-Square Outcome

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Fig 4: Model Fit

ummary of Bootstrap Iterations (Default model) Default model)						
1	0	0	0			
2	0	0	0			
3	0	0	0			
4	0	0	0			
5	0	0	0			
6	0	0	0			
7	0	0	0			
8	0	0	0			
9	0	0	0			
10	0	1	0			
11	0	0	0			
12	0	1	2			
13	0	2	0			
14	0	5	1			
15	0	3	1			
16	0	6	2			
17	0	10	3			
18	0	8	0			
19	0	146	9			
Total	0	182	18			
bootstrap s	samples were	unused beca	ause of a sing	gular covariance matri		

0 bootstrap samples were unused because of a singular covariance matrix 13 bootstrap samples were unused because a solution was not found. 200 usable bootstrap samples were obtained.

Fig 5: Bootstrap Iterations

Minimization	Ainimization History (Default model)								
Iteration		Negative eigenvalues	Condition #	Smallest eigenvalue	Diameter	F	NTries	Ratio	
0	е	7		466	9999.000	245.963	0	9999.000	
1	e	4		151	2.168	128.789	20	.465	
2	e	1		061	.708	89.476	5	.861	
3	e	0	350.378		.518	76.754	5	.885	
4	e	0	259.554		1.107	75.232	1	.225	
5	e	0	266.479		.270	70.699	1	1.149	
6	e	0	275.981		.153	70.113	1	1.148	
7	e	0	280.948		.053	70.063	1	1.070	
8	e	0	276.572		.007	70.063	1	1.009	
9	e	0	266.884		.000	70.063	1	1.000	

Fig 6: Minimization History

Findings

The SEM model analysis outcome provides information about the goodness of fit of the model to the data:

- 1. Computation of degrees of freedom (Default model):
- Number of distinct sample moments: 77
- Number of distinct parameters to be estimated: 38
- Degrees of freedom (sample moments parameters): 39

This information indicates that there were 77 distinct moments (i.e., unique data points or observations) available in the sample, and the model required estimating 38 parameters. Therefore, the degrees of freedom for the analysis are calculated as 39 (77 - 38).

- 2. Result (Default model)
- Chi square (χ^2) value: 70.063
- Degrees of freedom: 39
- Probability level: .002

The study found that the chi-square statistic was at its

minimum. There are 39 degrees of freedom and a chi-square value of 70.063 for this model. This chi-square value also corresponds to a p-value of 0.002.

Interpreting the chi-square statistic and degrees of freedom

- The chi-square test ensures no significant discrepancy exists between the observed and expected covariance matrices. A chi-square value close to 0 indicates excellent agreement between the model and the data.
- The number of degrees of freedom indicates how many variables can be utilized to make an estimate for the model parameters. The analysis can make use of a sizable number of observations because there are 39 degrees of freedom in this example.

Interpreting the probability level

The probability level (p-value) associated with the chisquare test represents the likelihood of obtaining a chisquare value as extreme as, or more extreme than, the observed value if the null hypothesis is true. • In this case, the probability level is .002, which is below the conventional threshold of .05 (or 5% significance level). This suggests that the observed chi-square value is statistically significant, indicating a discrepancy between the observed data and the hypothesized model.

In summary, the analysis outcome suggests that the default model does not provide a perfect fit to the data, as indicated by the significant chi-square value. Researchers should further explore the model, such as examining modification indices or considering alternative models, to improve the fit between the model and the data.

Discussion

The main goal of this research model is to have a thorough understanding of how administration quality and customer loyalty are related in the hospitality industry. The interfering factors of customer loyalty and client trust are also examined in this connection. The presented model establishes that there is a direct link between administration quality and both client satisfaction and trust, as suggested by Dimitrieska and Efremova (2021) [3]. Additionally, it is argued that client constancy is impacted by consumer loyalty and trust in this way.

The manner the outline handles the relationship between the exogenous variable, administration quality, and the idle factors, notably consumer loyalty, client trust, and client unsavoriness:

- Customer Satisfaction: This is a latent variable that represents the total level of customer satisfaction with the hospitality services they receive. Multiple observable indicators, such as satisfaction with staff behaviour, room hygiene, quality of amenities, etc., are used to measure it. The arrow from the exogenous variable (service quality) to customer satisfaction indicates that service quality has a direct effect on customer satisfaction.
- Service Quality: This is the model's exogenous variable, meaning it is not directly influenced by any other model variable. It reflects the excellence of the services provided by the establishment. Multiple observable indicators of service quality include staff responsiveness, tangibles (e.g., physical facilities), service delivery dependability, etc. The arrow indicates that the exogenous variable (Service quality) has a direct effect on the endogenous variables (customer satisfaction, customer trust, and customer loyalty).
- Customer Trust: This is a latent variable indicating the level of customer trust in the hospitality establishment. Multiple observed indicators, such as faith in the staff, trust in the brand, perceived dependability, etc., are used to measure it. The arrow from the exogenous variable (service quality) to customer trust indicates that service quality has a direct effect on customer trust.
- Customer Loyalty: This is a latent variable indicating the level of customer loyalty to the hospitality establishment. Multiple observed indicators, such as intent to return, intent to recommend, frequency of visits, etc., are used to measure customer satisfaction. The arrows pointing to customer loyalty indicate that customer satisfaction and customer trust have direct effects on customer loyalty.

Consumer loyalty and client trust are directly impacted by

quality, whereas client unwaveringness is directly impacted by both consumer loyalty and client trust. The suggested model enables the evaluation of the mediator components of client satisfaction and confidence in the relationship between the effectiveness of administration and client steadfastness. Researchers can assess the strength and measurable significance of the relationship, as well as investigate further factual examinations, to acquire a more profound understanding of the unpredictable elements among various factors inside the domain of the neighbourliness business. This is done through the use of underlying condition displaying (SEM) procedures and the assessment of the compiled information.

Managerial Implications

The findings of this analysis show that the implications for associations working in the neighbourliness industry are of significant administrative value. The review emphasises how important administration quality is to the growth of customer loyalty. This includes the idea of maintaining a consistent arrangement of services of high quality across a number of resources, taking into account both the leadership of personnel and the state of the actual foundation. To maintain a consistently high level of customer satisfaction, hospitality organisations should allocate resources towards employee training, office support, and administration delivery of constant quality.

The analysis also includes the crucial concepts of customer satisfaction and trust. Organisations must understand that growing client loyalty can build the basis of public trust in their brand, leading to increased customer dependability. To take advantage of this affiliation, it is wise for friendly organisations to concentrate on creating positive client interactions that meet and exceed customer expectations. The manifestation of openness, dependability, and ongoing support for clients is necessary for building trust.

Finally, the investigation includes the indirect relationship between administration quality and client loyalty, which is mediated by customer loyalty and trust. This claim suggests that an increase in administration quality has a dual impact on client loyalty. It directly affects customer happiness and also indirectly builds trust, which leads to steadfast customer behaviour. It is essential for hospitality projects to place the utmost emphasis on the ongoing improvement of administration quality while making sure that it is in line with their customers' preferences and requirements. Additionally, following protocols aimed at establishing a trustworthy reputation and developing strong client relationships will enhance the optimum impact of administration quality on client loyalty.

Overall, the research's findings offer enormous recommendations for hotel company executives. By concentrating on assistance quality, cultivating customer loyalty and trust, and realising the complex relationships among these variables, businesses can significantly increase client dedication, resulting in expanded support, positive verbal, and supported progress in the competitive lodging market.

Conclusion

Using a primary condition displaying (SEM) approach, the main objective of this study was to investigate the relationship between administration quality and customer loyalty with regard to the hotel industry. In order to collect

data for a quantitative report that would estimate administration quality, client happiness, client loyalty, and client trust, a planned survey was used. To assess the legality and reliability of the estimation model, the gathered data was subjected to an analysis using SPSS. The review then employed underlying condition demonstrating (SEM) analysis to evaluate the given hypotheses and examine the perplexing relationships between components.

The review's findings provide substantial and important experiences. The important impact of administrative quality on customer loyalty is examined. The findings show a strong correlation between administration quality and customer loyalty, indicating that better customer service in the hotel industry increases levels of customer satisfaction.

The review also sheds light on the beneficial role that consumer loyalty plays in building customer trust. The analysis demonstrates that customers who have a positive shopping experience are likely to grow their confidence in the friendliness business. According to the relationship between trust and fulfilment, persons who are happier are more likely to develop a trustworthy relationship with the object of their scrutiny (Aldaihani and Ali, 2018) ^[1].

The investigation also highlights the significant role that client trust plays in promoting client steadfastness. The findings highlight areas of strength in a relationship between client trust and loyalty, demonstrating that when clients have faith in a friendliness organization, they are compelled to demonstrate dependability by returning visits, offering frank criticism, and engaging in behaviours that reflect their dependability.

Finally, the evaluation assumes that the mediator components of client satisfaction and trust convey implicitly the effect of administration quality on client dependability. The improvement of administrative quality fosters greater feelings of trust while also increasing levels of fulfilment. The previously described twofold effect, which highlights the astounding interdependence of various elements within the hotel industry, contributes to the creation of more firmly-rooted customer loyalty.

Overall, this investigation provides a thorough analysis of the complications present in the neighborhood, emphasizing the interconnected concepts of administration quality, client satisfaction, trust, and dedication. The findings of this study provide insight into the ways in which administrative excellence, customer fidelity, and trust interact to promote long-term consumer steadfastness.

Recommendations

Based on the study findings, the following recommendations can be made for the hospitality industry:

- Focus on enhancing service quality: Hospitality establishments should prioritize improving service quality by addressing areas that impact customer satisfaction, such as responsiveness of staff, tangible aspects of the facilities, and reliability of service delivery. By investing in service quality improvements, establishments can enhance customer satisfaction and foster customer loyalty.
- 2. Foster customer satisfaction: Efforts should be made to consistently meet and exceed customer expectations. This can be achieved through effective training of staff, personalized service, and regular feedback mechanisms to identify and address customer concerns. Satisfied customers are more likely to exhibit loyalty and positive

- word-of-mouth.
- 3. Build customer trust: Establishments should strive to build and maintain customer trust by demonstrating reliability, transparency, and consistent service delivery. Establishing strong customer relationships, ensuring data security and privacy, and implementing ethical practices can contribute to building trust and fostering long-term customer loyalty.
- 4. Continuously monitor and improve customer experiences: Regularly assess customer feedback, conduct satisfaction surveys, and track loyalty indicators to gain insights into areas for improvement. By continuously monitoring and enhancing customer experiences, hospitality establishments can adapt to changing needs and preferences, ultimately enhancing customer loyalty.

It is important to note that these recommendations are based on the findings of this specific study and should be considered within the context of the hospitality industry. Further research and analysis may be necessary to validate and extend these recommendations.

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