

The Role of Private Label Brands in Enhancing Service Satisfaction in the Hotel Industry: Comparing Luxury and Boutique Hotels

HERSTEIN, Ram, SHAKED, Gilboa, EYAL, Gamliel, BERGER, Ron
<<http://orcid.org/0000-0002-6356-5506>> and ALI, Alisha
<<http://orcid.org/0000-0002-7667-4293>>

Available from Sheffield Hallam University Research Archive (SHURA) at:

<https://shura.shu.ac.uk/15720/>

This document is the Accepted Version [AM]

Citation:

HERSTEIN, Ram, SHAKED, Gilboa, EYAL, Gamliel, BERGER, Ron and ALI, Alisha (2018). The Role of Private Label Brands in Enhancing Service Satisfaction in the Hotel Industry: Comparing Luxury and Boutique Hotels. *Services Marketing Quarterly*, 39 (2), 140-155. [Article]

Copyright and re-use policy

See <http://shura.shu.ac.uk/information.html>

The Role of Private Label Brands in Enhancing Service Satisfaction in the Hotel

Industry: Comparing Luxury and Boutique Hotels

Abstract

This research proposes private label branding as a strategy that can have a positive effect on guest satisfaction and loyalty in hotels that cater to travelers seeking a special hotel experience. We test this using the well-established SERVQUAL model of service quality, based on a sample of guests in two hotels: a five-star luxury hotel (N=225) and a boutique hotel (N=101). The findings show that in the luxury hotel but not the boutique hotel, perception of a private label had a direct impact on loyalty, and an indirect impact on loyalty through its effect on guest satisfaction. The theoretical implications and recommendations for hoteliers based on the findings are discussed.

INTRODUCTION

Customer satisfaction is critical for the survival of any hospitality business (Pizam, Shapoval, & Ellis, 2016) as it directly impacts on new customers through recommendations and stimulating future purchases (Abubakar & Mavondo, 2014; Kwun, Ellyn, & Choi, 2013). Meeting customer requirements presents challenges to the hospitality industry in sustaining high levels of service quality (Kim-Soon, Rahman, & Visvalingam, 2014; Pizam et al., 2016) because delivering such services, as opposed to producing tangible goods, have three characteristics that pose a challenge to marketers: intangibility, heterogeneity, and inseparability (Parasuraman, Zeithaml, & Berry, 1988; Stefano, Casarotto, Barichello, & Sohn, 2015). Therefore, in hotels, the service supplied has a direct interaction with its customers (Kim-Soon et al., 2014; Stefano et al., 2015) and it is critical that service providers understand their customers to ensure superior service at all levels of delivery (Shi & Su, 2007). Quality alone does not prescribe a competitive advantage and businesses therefore must angle their strategies to focus on their markets and customers to deliver value (Pizam et al., 2016).

In this study we propose that private label branding can be such a strategy. Store brands which are generally brands owned, controlled and sold exclusively by particular retailers are known as *private label brands* (Gilboa, Herstein, & Gamliel, 2012; Kumar & Steenkamp, 2007). Specifically, we posit that the strategic use of private label branding can have a positive effect on guest satisfaction and loyalty in hotels that cater to customers seeking a special hotel experience. Private brands can be value-added products that increase the perceived quality of the service provided. In order to build a more complete picture of how private label branding relates to perceived service quality in the hospitality industry, we draw our sample from two different hotel types, a luxury hotel and a boutique hotel. Thus, the aim

of the present study is to examine the role of private label brands in enhancing perceptions of service quality and satisfaction in hotels.

We test this proposal using the well-established SERVQUAL model of service quality. Created by Parasuraman et al. (1988), SERVQUAL has been a foundation for measuring service quality in a number of industries. Alternative models have been developed for different service contexts such as SERVPERF (Cronin & Taylor, 1992), which measures the performance of services, LODGSERV (Knutson, Stevens, Patton, & Thompson, 1990) and HOLSERV (Mei, Dean, & White, 1999) which measures service quality of hotel enterprises, CASERV (Wong & Fong, 2012) for customer perceptions in casinos, DINESERV (Stevens, Knutson, & Patton, 1995) for the restaurant sector and RURALQUAL (Loureiro & Gonzalez, 2008) for determining service quality in rural accommodation. All of these modified models emphasize comparable dimensions and have their foundations in SERVQUAL (Dedeoğlu & Demirer, 2015), hence its applicability for this research. It is undeniable that there is a plethora of literature on the use of SERVQUAL in the service sector, however as this research is seeking to examine the contribution of a relatively new concept to the hotel sector (private label branding), it is imperative that our understanding adheres to the approach which is seminal and has been empirically tested and validated in the literature. There is a deficiency of literature in service quality in hotels despite the criticality of this issue (Alrousan & Abuamoud, 2013); therefore, this research strengthens the knowledge on service quality in hotels. It is also important to continuously oversee hotel service quality to sustain a competitive advantage (Saghier, 2013).

Few researchers have studied in depth the effect of private label brands on service quality. To our knowledge, this is the only paper that has attempted to investigate private label brands, service quality and customer satisfaction in hotels. As a contribution to practice, it

provides hoteliers with a deeper insight into the how they can enhance their service quality and become more competitive.

Below, we firstly review the relevant literature on service quality, private label branding and the hospitality management literature on consumers' perceptions of service quality. We then describe the methodology in detail and our findings. To conclude, we discuss the theoretical and practical implications of this research.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Service Quality

The quality of services can be a critical factor in distinguishing a business from its competitors (Mazumder & Hasan, 2014). The most widely used definition is that of Parasuraman et al. (1985), who argued that service quality is best understood as the degree and direction of discrepancy between consumers' perceptions and expectations of performance. This view is supported by researchers such as Kim-Soon et al. (2014), Manhas & Tukamushaba (2015) and Stefano et al. (2015). Service quality is therefore the difference between customers' expectations of a service and with the performance of the service when received (Parasuraman et al., 1988). This forms the basis for SERVQUAL, the model of measurement of service quality.

Parasuraman et al. (1985) advanced Grönroos' (1982) proposition that service quality levels derived by customers was the variance between the actual and the expected service received into the 5 gap model, which was used as the core for SERVQUAL. SERVQUAL is fundamental in assessing the service quality provided to customers and it is often relied upon and widely adopted (Osman & Sentosa, 2013). Parasuraman et al.'s (1985) SERVQUAL scale is based on five dimensions of service quality, namely tangibles, reliability, responsiveness, assurance, and empathy, i.e. it measures attributes of the customer service

experienced. In each dimension, the smaller the gap between customers' expectations and their perceptions of actual performance, the better the quality of service and greater the customer's likely satisfaction (Su, 2004).

The SERVQUAL scale is not without criticism (Oh, 1999). This usually revolves around the representation of the score measured (Stefano et al., 2015) and poor reliability and problems of variance restriction (Brown, Churchill, & Peter, 1993; Peter, Churchill, & Brown, 1993). Despite these criticisms, the SERVQUAL scale still remains dominant for research in many services industries and sectors (Manhas & Tukamushaba, 2015).

Service Quality in Hotels

Research has validated that SERVQUAL is appropriate to the hospitality and tourism industry (Yuan, Cai, Morrison, & Linton, 2005; Shaikh & Khan, 2011). Table 1 summarizes some of the studies on service quality in the hotel industry which have employed the SERVQUAL model. As Table 1 shows, the features and dimensions identified may be broad and abstract or quite specific. For example, Mei et al. (1999) focused on three broad categories (employees, tangibles, and reliability) whilst Saleh & Ryan (1991) split the non-tangible aspects of service into quite specific features of employee communication: conviviality, reassurance, avoidance of sarcasm, and empathy.

Table 1: SERVQUAL Model in the Hotel Industry

| Year | Researcher/s | Place of hotel | Service quality dimensions |
|------|--------------|----------------|---|
| 1991 | Saleh & Ryan | Canada | (1) Conviviality (2) Tangibles (3) Reassurance (4) Avoidance of sarcasm (5) Empathy |
| 1995 | Getty & | U.S. | (1) General appearance of the property |

| | | | |
|------|-----------------------|-------------------------|---|
| | Thompson | | (2) Perceived value associated with the stay (3) Willingness of employees to listen (4) Perceived safety of environment |
| 1999 | Mei at al. | Australia (Victoria) | (1) Employees (2) Tangibles (3) Reliability |
| 2000 | Qu, Ryan, & Chu | Hong-Kong | (1) Staff performance (2) Room facilities(3) Calue for money (4) Variety and efficiency (5) Business-related services (6) Safety and security |
| 2003 | Getty & Getty | U.S. | (1) Tangibility (2) Reliability(3) Responsiveness (4) Confidence (5) Communication |
| 2008 | Loureiro & Gonzalez | Spain and Portugal | (1) Image (2) Quality (3) Satisfaction (4) Trust (5) Loyalty |
| 2011 | Loureiro & Kastenholz | Portugal | (1) Image (2) Quality (3) Satisfaction (4) Trust (5) Loyalty (6) Satisfaction (7) Overall reputation (8) Disconfirmation (9) Delight |

Service Quality in Luxury and Boutique Hotels

There are no standardized definitions for luxury and boutique hotels as these businesses evolve to satisfy the requirements of the changing customer landscape. Yet the two types of hotels are not identical. In its simplest form a luxury hotel can be defined as being upscale and more costly than typical accommodation (Mobile Travel Guide, 2013, cited in Chu, 2014). Such hotels are usually rated five star, owned by multinational companies, are quite large, and differentiate themselves from other accommodation types on the basis of their elaborate physical surroundings, superior facilities, and personalized services (Hung, Lin, & Yang, 2012).

Boutique hotels tended to be family-owned and relatively small, with no more than 100 rooms (Rogerson, 2010). However these hotels have progressed and are now being developed by independent investors and hotel chains. Like luxury hotels, boutique hotels emphasize personal service, but whereas the hotels in a given luxury chain tend to be quite similar, boutique hotels strive to express their uniqueness – for example, through customized design and decoration (Henderson, 2011). As boutique hotels were developed to avoid standardization, it is recommended not to define but rather consider the qualities associated with them (HVS, 2012). Therefore, the key differences between boutique and luxury hotels are summarized in Table 2.

Table 2: Differences between Luxury Hotels and Boutique Hotels

| Hospitality characteristics | Luxury hotels | Boutique hotels |
|------------------------------------|----------------------|------------------------|
| Size | Large or very large | Small or medium |
| Design | Standardized | Customized |
| Service | Personal | Very personal |

| | | |
|---------------|----------------|------------------------|
| Target market | Age 55+ | Under age 55 |
| Price | Upper bands | Middle and upper bands |
| Experience | Very exclusive | Very personalized |

Sources: Based Chittum (2004); Chu (2014); Rogerson (2010)

Little research, if any, has been conducted on differences in service quality between luxury and boutique hotels. The literature has examined the different factors that affect guests' perceptions of service quality in luxury hotels (for example Wilkins, Merrilees, & Herington, 2007) whilst a small number of studies have examined the most important attributes of boutique hotels (for example McIntosh & Siggs, 2002 and Henderson, 2011). Yet this question is worth examining, because of the integral role that these hotels play in providing the facilities that make travel convenient and comfortable (Middleton & Clarke, 1999). It is therefore important to investigate the factors that affect service quality in these establishments, and particularly those aspects of service that will satisfy current customers and motivate new customers (Presbury, Fitzgerald, & Chapman, 2005).

Private Label Branding Impact on Perceived Service Quality and Satisfaction

Private labels, also known as retail or store brands, are those which are managed by a retailer or wholesale distributor and bears the retailer or wholesaler's name (Gilboa, Herstein, & Gamliel, 2012; Kumar & Steenkamp, 2007). Traditionally, these brands were considered to be inferior in quality and were seen to be favored by price conscious customers seeking cheaper alternatives (Kwon & Kwon, 2008). However, the quality of these private brands have advanced, offering them as a high quality, premium choice now demanded by customers (Cuneo, Milberg, Benavente, & Palacios-Fenech, 2015). Private label brands are now available for nearly every item that consumers can buy at the retail level (Herstein et al.,

2013). Such brands rank higher than manufacturers' brands in quality perceptions and consumer preference (De Wulf, Odekerken-Schröder, Goedertier, & Van Ossel, 2005) making them a fundamental competitor of manufacturer and national brands (Bao, Bao, & Sheng, 2011; Goldsmith, Flynn, Goldsmith, & Stacey, 2010).

In the service sector, private label brands work on several interrelated levels. They can act as a *differentiation device*, enabling retailers to separate themselves from their competitors (Ailawadi, Pauwels, & Steenkamp, 2008)). Many retailers employ their own label brands as tools to convey a desired image and personality for the organization (Bao et al., 2011). In hotels, such labels can add value by clearly differentiating the business from its competitors and offering customers a distinct offer (Herstein & Gamliel, 2006). This can lead to increase customer *volume* by attracting new customers.

Private label brands can increase customer *loyalty* (Goldsmith et al., 2010; Liu & Wang, 2008). The mechanism by which this works is readily apparent with tangible goods, where private label products carry the store's image into consumers' homes. In hotels, this is also applicable when consumption of the private labels occurs. Regular purchasers of private labels become loyal to the brand and also the seller (Collins & Burt, 2003).

Finally, private label brands can increase *profits* (De Wulf et al., 2005; Gómez & Benito, 2008) for hotels. These higher margins are accrued from reduced costs for research, development and advertising (Beneke, 2010). Additionally, such labels are produced by small or medium-sized firms rather than large manufacturers (Gómez & Benito, 2008) who are often willing to produce goods at lower prices than larger manufacturers, thus enabling higher profit margins for each item produced.

Herstein & Gamliel (2006) and Herstein et al. (2014) work are the most significant on private labels in the service sector. Herstein & Gamliel (2006) focused on the contribution of private label brands to improving customer satisfaction in a health maintenance organization

(HMO) which is a business that offers a broad range of health coverage to customers at an agreed cost. The second study (Herstein et al., 2014) examined the effects of private label brands in the fitness (gyms and health clubs) and food sector (coffee shops and restaurants) on perceptions of service quality and service satisfaction. Their findings suggest that private label brands in service industries can replicate the effect of tangible goods in impressing the organization's name and logo on consumers' consciousness (the origin of the term "make an impression"). In hotels, private brand labels will be those visible items with the hotel's names on it such as the amenities provided in the guest room, linens and robes.

Private brands are typically found in the food sector (Beneke 2010), which has dominated the literature. Herstein et al. (2013) reviewed the major empirical work on private brand labels from 1990-2012 and found only one study related to the service sector. Herstein & Gamliel (2006) argue that in the service sector, private labels do stay with customers for a while after the service encounter and as a result they can augment the service quality and enhance the status of the provider. Therefore this research is critically important as it offers hoteliers an alternative means of improving their competitive advantage and can become important for their marketing strategy and delivering high quality customer service. Given the paucity of research which exists on private labels in services this paper also contributes to the literature by evolving an unexplored area which can have significant value for the hospitality industry. Based on the above the following hypothesis was derived.

H1: The contribution of a private label will be positively related to scores on the SERVQUAL dimensions.

Guest Satisfaction and Guest Loyalty

Establishing customer loyalty is a key goal for service providers in general, and in the hotel industry in particular. Customer loyalty manifests itself through both behaviors, in the

sense of repeat purchases, and attitudes, in the sense of a positive disposition toward the provider relative to competing providers (Kandampully & Suhartanto, 2003). Therefore, customer satisfaction is a central precondition for loyalty (Javalgi & Moberg, 1997) and occurs when the service provider's performance rises above consumer's expectations (Kotler & Keller, 2006),.

Satisfaction with the service received is not the only factor that can influence customer loyalty. Alongside satisfaction with the present level of service, for instance, customers may assess the organization's commitment to innovation, and its ability to anticipate customers' evolving needs (Kandampully & Duddy, 1999). Another important factor is the costs involved in finding a new service provider, which can have a significant positive influence on customer loyalty (Lee & Cunningham, 2001). Such costs explain why loyal customers are even willing to pay a premium to use a service provider they know well (Jones, Mothersbaugh, & Beatty, 2002). Customers weigh the cost of the premium against the unknown costs of finding a new provider, and assess the former as less costly in the long run.

Studies have found a significant relationship between satisfaction and loyalty in the service and hospitality sectors (Tepeci, 1999). For example, Getty & Thompson (1995) suggested that guests' intentions to recommend are a function of their perception of hotel service quality and their satisfaction with the lodging experience whilst the findings by Kandampully & Suhartanto (2003) suggest that hotel guests' satisfaction with reception, housekeeping, food and beverage offerings, and price are important factors in determining guest loyalty. From the above, the following hypotheses will be tested.

H2: Scores on the SERVQUAL dimensions will be positively related to guest satisfaction.

H3: The contribution of a private label will be positively related to guest satisfaction.

H4: Guest satisfaction will mediate the relationship between the SERVQUAL dimensions and perception of a private label and guest loyalty.

Parasuraman, Berry, & Zeithaml's (1991) study of a variety of service industries found that lodging guests expect to receive a higher level of service when they pay more for that service. In addition, Bojanic (1996) found a significant positive relationship between perceived price and perceived quality among lodging patrons. These findings strengthen the likelihood that luxury hotel guests will perceive private label brands more positively than boutique hotel guests, since the former tend to pay more for their hotel stay. This leads to the following hypothesis:

H5: The relationship between contribution of a private label, guest satisfaction, and guest loyalty will be stronger for luxury hotels than for boutique hotels.

The conceptual model underlying the hypotheses is presented in Figure 1.

[Figure 1 about here.]

METHOD

Participants and Procedures

The sample consisted of guests at two hotels in Jerusalem, Israel, 225 guests at an exclusive five-star hotel, and 101 guests at a boutique hotel (the sample size ensured sufficient statistical power: 95% for Cohen's $d = 0.50$; Cohen, 1988). Based on the ranking of the Israeli Hotel Association, the highest ranked luxury and boutique hotels were selected.

The luxury hotel participants had a mean age of 50.5 (SD=11.1); 44% were women, 90% self-identified as having an income above average or highly above average, and 87% reported having higher education. The boutique hotel participants had a mean age of 44.1 (SD=8.4); 54% were women, 76% self-identified as having an income above average or highly above average, and 85% reported having higher education. The differences in age and income between the two samples likely stem from the guests' self-selection of the two types of hotels.

This study was performed with the full cooperation and approval of both hotels. The questionnaires were placed at the reception desk, and guests were asked to fill them in when they checked out of the hotel. Most guests at both hotels were tourists, therefore the questionnaires were in English. The data collection was performed during February-April, 2013.

Measures

The questionnaire comprised 32 items, of which the last four gathered the demographic variables (age, gender, education, and income). The remaining items were assessed on a 5-point scale where 1 = "to a very small extent" and 5 = "to a very great extent."

Guest satisfaction. This question sought to measure guests' general satisfaction with the hotel. This research was focused on measuring overall customer satisfaction rather than various elements of satisfaction therefore a multi-item scale was not necessary. When measuring general satisfaction, the use of a single item scale is suitable as a multi-item scale can lead to inaccurate responses, lower response rates and it does not increase the reliability (Drolet & Morrison, 2001; LaBarbera & Mazurksy, 1993). Several studies have used a single item scale for measuring customer satisfaction (see for example Cronin & Taylor, 1992; Mitchell, 2010).

Private label's contribution to service quality. This variable was measured using one question. Participants were asked whether the private brand used by the hotel contributed to the quality of the service provided by the hotel. Similar to above a single-item scale was deemed appropriate as the intention was to uncover guest's general view on private labels contribution to service quality rather than the transactional aspects.

SERVQUAL dimensions. The five dimensions of service quality were measured using twenty-two questions based on Zeithaml & Bitner's adaptation (1996) of the original SERVQUAL questionnaire (Parasuraman et al., 1991) and modified slightly to fit the hotel context. Table 3 details the items reflecting each of the five dimensions (reliability, responsiveness, assurance, empathy, and tangibles). The internal reliability (Cronbach's alpha) of the five dimensions was 0.71, 0.87, 0.69, 0.71, and 0.81, respectively. These values are relatively high, considering the small number of items (4-5) that constitute each dimension.

Guest loyalty. This measure comprised four questions adapted from Yoo & Donthu (2001). Participants were asked whether they would return in the future to the current hotel or to patronize other hotels belonging to the same chain and whether they would recommend the hotel or the chain to their friends. The internal reliability measure of these four questions was very high (alpha=0.94).

Table 3: The Items Measuring the Five SERVQUAL Dimensions

| Dimension | Items |
|-----------|--|
| Tangibles | The equipment and furnishings (e.g. the bathrooms) are modern and comfortable; the facilities (e.g. the pool) are attractive; the hotel staff are neat and clean; the accessories and equipment (e.g. towels, soaps) are pleasing to the eye (four items). |

| | |
|----------------|---|
| Assurance | The hotel staff's behavior inspires confidence and trust; hotel customers feel confident when paying their room bill; the hotel staff always provide courteous and polite service; the hotel staff can answer customers' questions knowledgeably (four items). |
| Reliability | The hotel maintains a strict schedule; managers show genuine willingness to resolve hotel customers' problems; managers seek to resolve problems immediately; the hotel provides services at the scheduled times; the hotel maintains error-free service (five items). |
| Responsiveness | The hotel staff update customers regarding the service schedule (e.g. facility opening hours); provide fast service; are always ready to assist customers; are never too busy to serve customers (four items). |
| Empathy | The hotel gives customers individual attention; the opening hours of the hotel facilities are convenient for all customers; the hotel staff give customers personal attention; customers' wellbeing comes first; the hotel staff understand customers' individual needs (five items). |

FINDINGS

The conceptual model described in Figure 1 was tested through structural equation analysis using AMOS20 software. To reduce noise in the analysis, Bollen's (1989) recommendation to calculate the latent constructs and use them as indices in the model was followed. Hence the structural equation analysis was based on the constructs themselves rather than on the original indicators. This procedure reduced the degrees of freedom of the overall model. In addition, as the independent variable (perception of the private label) and

the mediating variable (general satisfaction) were measured by single items, all the constructs in the analysis were standardized.

Table 4 presents the correlations among the five SERVQUAL dimensions and contribution of the private label. Table 5 presents the factor loadings of the model for the overall sample and separately for each type of hotel.

Table 4: Correlation between the SERVQUAL Dimensions and contribution of the Private Label

| | Contribution of private label | Empathy | Responsiveness | Reliability | Assurance |
|----------------|-------------------------------|---------|----------------|-------------|-----------|
| Tangibles | .27** | .60** | .53** | .61** | .36** |
| Assurance | .07 | .55** | .68** | .55* | |
| Reliability | .46** | .65** | .64** | | |
| Responsiveness | .30** | .53** | | | |
| Empathy | .35** | | | | |

** p<.01

The estimated model fits for the general sample were highly satisfactory ($\chi^2= 6.5$, $df= 5$, $p>.10$; $\chi^2/df= 1.3$; $NFI= 1.00$; $RFI= .98$; $IFI= 1.00$; $TLI= 1.00$; $CFI= 1.00$; $RMSEA=.03$). As demonstrated in Table 4, all the correlations except one were significant. Only the relationship between the assurance dimension and contribution of the private label was insignificant, thus almost fully supporting Hypothesis 1. Additionally, Hypothesis 2 was partially supported. As can be seen in Table 5, two of the five SERVQUAL dimensions – tangibles and reliability – were found to be positively related to guest satisfaction. Hypothesis

3, positing a positive relationship between the contribution of the private label and guest satisfaction with the service, was fully supported.

Hypothesis 4 was partially supported. According to Baron & Kenny (1986), the conditions for mediation testing are that the independent variable significantly affects the mediator, the independent variable has a significant impact on the dependent variable in the absence of the mediator and the mediator has a significant impact on the dependent variable. A review of Table 5 shows that only the results for the reliability dimension of the SERVQUAL are consistent with the three conditions. Therefore, a mediation effect was tested through bootstrap analysis and Sobel-test (Preacher & Hayes, 2004) for the path between reliability and loyalty mediated by guest satisfaction. Both bootstrap analysis and Sobel-test indicated that the mediation effect is significant (Bootstrap analysis results: effect size= .027, Range: .063-.17; Sobel-test: $Z=4.48$, $p<.001$).

To test Hypothesis 5, a two-group structural equation analysis was run with type of hotel (luxury/boutique) as a grouping variable. The estimated model fits were highly satisfactory ($\chi^2= 17.8$, $df= 12$, $p>.10$; $\chi^2/df= 1.48$; NFI= .99; RFI= .95; IFI= 1.00; TLI= .98; CFI= 1.00; RMSEA=.04.). Comparing the free model (with the moderation of hotel type) to a constrained model (no moderation) showed a significant difference ($\Delta\chi^2=39.08$, $\Delta df=0$, $p<.01$), indicating that type of hotel moderates the relationship in the model. As can be seen in Table 5, in the luxury hotel sample, the contribution of a private label was positively related both to guest satisfaction and to loyalty. However, in the boutique hotel sample, the contribution of a private label was not related to either guest satisfaction or loyalty. These findings fully support Hypothesis 5.

Table 5: Standardized Factor Loadings in Structural Equation Analysis for the Overall Sample and for Each Hotel Sample

| | Overall sample | Luxury hotel sample | Boutique hotel sample |
|--|----------------|---------------------|-----------------------|
| Tangibles→ Guest satisfaction | .16** | .15 | .20* |
| Assurance→ Guest satisfaction | .06 | .04 | .10 |
| Reliability→ Guest satisfaction | .47** | .37** | .55** |
| Responsiveness→ Guest satisfaction | -.11 | .03 | -.35** |
| Empathy→ Guest satisfaction | -.02 | -.14 | .18 |
| Contribution of private label → Guest satisfaction | .19** | .20** | .13 |
| Tangibles→ Loyalty | .03 | -.009 | -.02 |
| Assurance→ Loyalty | .11* | .07 | .24** |
| Reliability→ Loyalty | .18** | .28** | .006 |
| Responsiveness→ Loyalty | .09* | .23** | -.01 |
| Empathy→ Loyalty | .36** | .35** | .37** |
| Contribution of private label → Loyalty | .06 | .10** | -.08 |
| Guest satisfaction → Loyalty | .23** | .12** | .49** |

* p<.05, ** p<.01

Note: the analysis of the overall sample serve to test hypotheses 1-4. The analysis with the two groups served to test hypothesis 5.

DISCUSSION

This present study expounds the contribution of a private label on customer loyalty and satisfaction in hotels. The results confirmed that the perception of a private label can be regarded as additional contributor to service satisfaction, within the framework of the five SERVQUAL dimensions; supporting the proposed framework. The findings are aligned to previous studies on private labels in the service sector (Herstein & Gamliel, 2006; Herstein et al., 2014) but also have theoretical and managerial implications.

Notably, in this research, the impact of the private label on guest satisfaction and loyalty was found only among luxury hotel guests, as compared to guests of a boutique hotel. In outlining our hypotheses, we posited that private labels would have a stronger effect among luxury hotel guests in part because these consumers tend to pay more for their hotel stay, and therefore expect to receive higher-quality service (Bojanic, 1996; Parasuraman et al., 1991). This finding may also reflect the fact that luxury hotels tend to belong to large multinational chains, which market themselves in part on providing a predictable level of service and comfort, along with an impressive atmosphere and physical presence (Mattila, 1999). Through private label brands, these hotels can solidify the association between their name and their reputation of predictable luxury. This research reflects the impact of private labels in the service industry as a loyalty device, and fits the findings of Corstjens & Lal (2000) and Liu & Wang (2008) that private labels increase customers' loyalty.

A developed body of knowledge already exists on private labels however the focus of this research has been primarily on manufacturing sector which a concentration on food suppliers and retailers. This current research adds value as it extends the existing literature on private labels into the service sector which is an area which has been largely unexplored.

In the hospitality management literature, a contribution is also made as this research is one of the first to investigate the value of private brands on service quality and customer

satisfaction in the hotel sector. It elucidates the value that the use of these private labels can have for hoteliers by offering them an alternative opportunity to gain a competitive advantage in a crowded marketplace. Traditionally, hotels are not seen as resellers as most of the physical products exist to support the functions of their operations. Given the challenging environment in which operators are confronting today, hoteliers are transforming their business models to derive revenue from other avenues which private labels are included.

Our findings suggest as a managerial implication that hotel managers, particularly in luxury hotel chains, should consider developing and marketing their own unique luxury items such as wines, clothing, or jewellery, which reflect the personality of the hotel brand. Through such items, luxury hotels can offer guests the opportunity to continue enjoying the hotel's atmosphere and exclusive reputation once they return home whilst offering luxury an opportunity to differentiate themselves from their rivals.

CONCLUSION, LIMITATIONS AND FUTURE RESEARCH

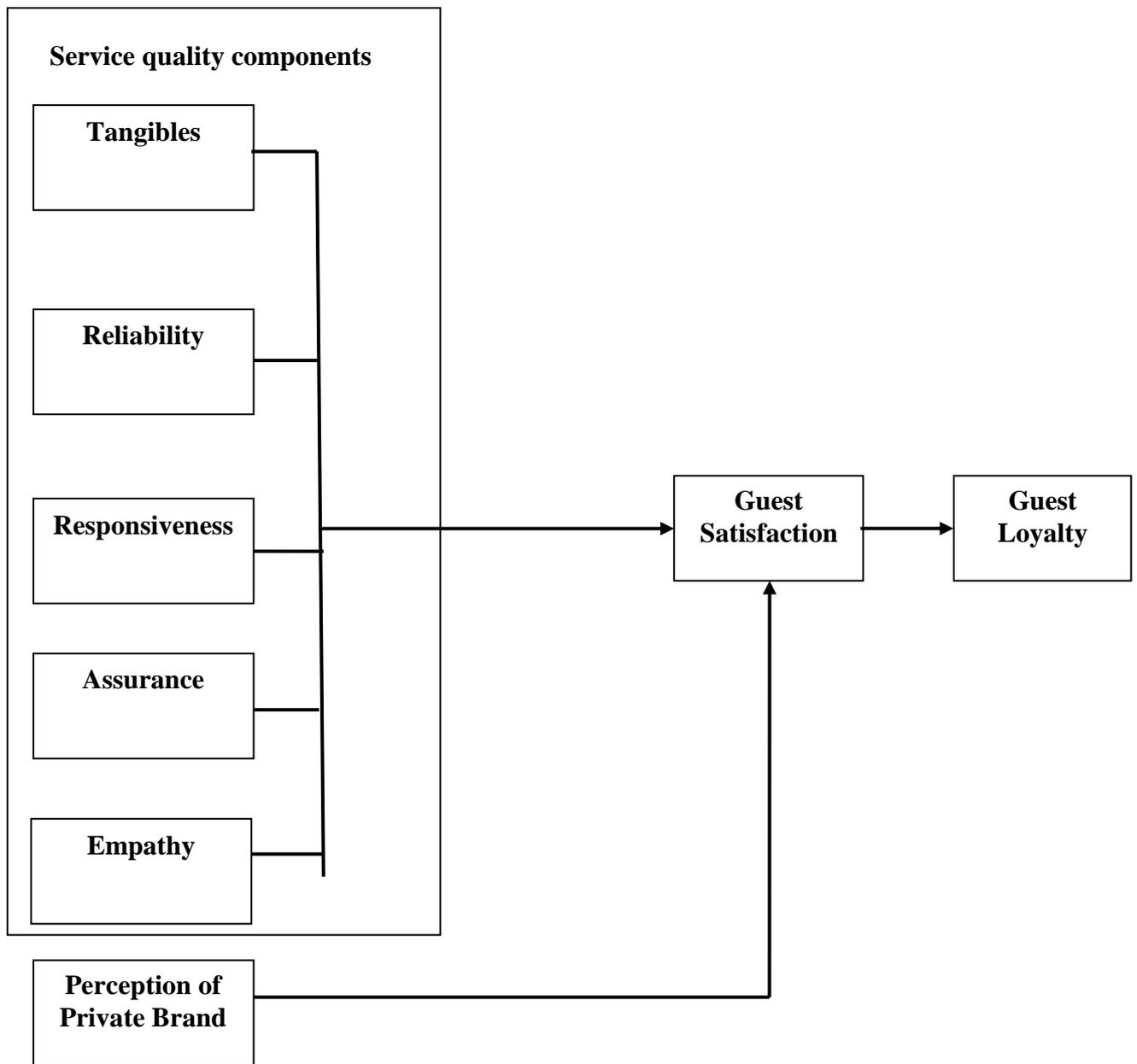
This research has illuminated the value of private brand labels and how it can drive customer satisfaction in the hotel sector, an area of research which is mainly unexamined. The results have contributed to the literature in private brand labels and hospitality management and have demonstrated that in hotels, the use of such private labels can further augment service satisfaction.

This study has several limitations. The most important is that our study was based on samples from only one representative of each type of hotel in one city. Future studies should consider a larger number of hotels in a variety of locations, including those that draw both foreign tourists and domestic guests. Additionally, single items measures were used for general satisfaction and private label contribution to service quality. Whilst these measures were deemed appropriate for the purpose of this research, future studies can focus on

repeating this research but using multi-scale items to determine if there are any variances in results.

Future research should also focus more on identifying the reasons for the different impact of private label brands on service quality, guest satisfaction, and guest loyalty in the two hotel types. As noted above, the higher prices paid by luxury hotel guests helps to explain this finding. More research is required to learn more about the various considerations affecting hotel guests' loyalty and the role of private label brands in this dynamic.

Figure 1: The PLB-Service Quality Framework



REFERENCES

- Abubakar, B., & Mavondo, F. (2014) Tourism destinations: antecedents to customer satisfaction and positive word-of-mouth. *Journal of Hospitality Marketing & Management*, 23(8), 833–864.
- Ailawadi, K. L., Pauwels, K., & Steenkamp, J. B. E. (2008). Private-label use and store loyalty. *Journal of Marketing*, 72(6), 19-30.
- Alrousan, M. R., & Abuamoud, M. I. (2013). The mediation of tourists satisfaction on the relationship between tourism service quality and tourists loyalty: Five stars hotel in Jordanian environment. *International Business Research*, 6(8), 79-90.
- Bao, Y., Bao, Y., & Sheng, S. (2011). Motivating purchase of private brands: Effects of store image, product signatureness, and quality variation. *Journal of Business Research*, 64(2), 220-226.
- Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51(6), 1173.
- Beneke, J. (2010). Consumer perceptions of private label brands within the retail grocery sector of South Africa. *African Journal of Business Management*, 4(2), 203-220.
- Bojanic, D. C. (1996). Consumer perceptions of price, value and satisfaction in the hotel industry: An exploratory study. *Journal of Hospitality & Leisure Marketing*, 4(1), 5-22.
- Bollen, K.A. (1989). *Structural equations with latent variables*. New York: Wiley & Sons.
- Brown, T. J., Churchill Jr, G. A., & Peter, J. P. (1993). Improving the measurement of service quality. *Journal of Retailing*, 69(1), 127-139.
- Chittum, R. (2004). A better sleep, at a higher price. *The Wall Street Journal*, 22 November 2004, R9.

- Chu, Y. (2014). A review of studies on luxury hotels over the past two decades. *Graduate Theses and Dissertations. Iowa State University*. Retrieved from <http://lib.dr.iastate.edu/cgi/viewcontent.cgi?article=4920&context=etd#>
- Cohen, J. (1988). *Statistical power analysis for the behavioral sciences* (2nd ed.). Hillsdale, NJ: Erlbaum.
- Collins, A., & Burt, S. (2003). Market sanctions, monitoring and vertical coordination within retailer-manufacturer relationships: The case of retail brand suppliers. *European Journal of Marketing*, 37(5/6), 668 - 689.
- Corstjens, M., & Lal, R. (2000). Building store loyalty through store brands. *Journal of Marketing Research*, 37(3), 281-291.
- Cronin, J.J., & Taylor, S.A. (1992). Measuring service quality: a re-examination and extension. *Journal of Marketing*, 56(3), 55-68.
- Cuneo, A., Milberg, J. S., Benavente, M.J., & Javier Palacios-Fenech, J. (2015). The Growth of private label brands: A worldwide phenomenon? *Journal of International Marketing*, 23(1), 72–90.
- Dedeoğlu, B.B., & Demirer, H. (2015). Differences in service quality perceptions of stakeholders in the hotel industry. *International Journal of Contemporary Hospitality Management*, 27(1), 130 - 146.
- De Wulf, K., Odekerken-Schröder, G., Goedertier, F., & Van Ossel, G. (2005). Consumer perceptions of store brands versus national brands. *Journal of Consumer Marketing*, 22(4), 223-232.
- Drolet, A.L., & Morrison, D.G. (2001). Do we really need multiple-item measures in service research? *Journal of Service Research*, 3(3), 196-204.

- 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.
- Getty, J. M., & Thompson, K. N. (1995). The relationship between quality, satisfaction, and recommending behavior in lodging decisions. *Journal of Hospitality & Leisure Marketing*, 2(3), 3-22.
- Gilboa, S., Herstein, R., & Gamliel, E. (2012). The potential of private labels in agricultural markets: An exploratory study. *Journal of Brand Strategy*, 1(1), 69–78.
- Goldsmith, E. R., Flynn, R. L., Goldsmith, E., & Stacey, E.C. (2010). Consumer attitudes and loyalty towards private brands. *International Journal of Consumer Studies*, 34(3), 339–348.
- Gómez, M., & Benito, N. R. (2008). Manufacturer's characteristics that determine the choice of producing store brands. *European Journal of Marketing*, 42(1/2), 154-177.
- Grönroos, C. (1982). An applied service marketing theory. *European Journal of Marketing*, 16(7), 30 - 41
- Henderson, J. C. (2011). Hip heritage: The boutique hotel business in Singapore. *Tourism and Hospitality Research*, 11(3), 217-223.
- Herstein, R., & Gamliel, E. (2006). The role of private branding in improving service quality. *Managing Service Quality*, 16(3), 306-319.
- Herstein, R., Gilboa, S., & Gamliel, E. (2013). Private and national brand consumers' images of fashion stores. *Journal of Product & Brand Management*, 22(5/6), 1-11.
- Herstein, R., Gilboa, S., & Gamliel, E. (2014). The effect of private brands on leveraging service quality and satisfaction. *Services Marketing Quarterly*, 35(3), 222-235.

- Hung, J.-Y., Lin, F.-L., & Yang, W.G. (2012). Developing experience-based luxury brand equity in the luxury resorts hotel industry. *Global Journal of Business Research*, 6(4), 45-58.
- HVS (2012). *Boutique hotel segment: The Challenge to stand out from the crowd*. London: HVS.
- Javalgi, R. R. G., & Moberg, C. R. (1997). Service loyalty: Implications for service providers. *Journal of Services Marketing*, 11(3), 165-179.
- Jones, M. A., Mothersbaugh, D. L., & Beatty, S. E. (2002). Why customers stay: Measuring the underlying dimensions of services switching costs and managing their differential strategic outcomes. *Journal of Business Research*, 55(6), 441-450.
- Kandampully, J., & Duddy, R. (1999). Competitive advantage through anticipation, innovation and relationships. *Management Decision*, 37(1), 51-56.
- Kandampully, J., & Suhartanto, D. (2003). The role of customer satisfaction and image in gaining customer loyalty in the hotel industry. *Journal of Hospitality & Leisure Marketing*, 10(1-2), 3-25.
- Kim-Soon, N., Rahman, A., & Visvalingam, L. SERVQUAL: Can It be used to differentiate guest's perception of service quality of 3 star from a 4 star hotel. *International Business Research*, 7(7), 37-47.
- Knutson, B., Stevens, P., Wullaert, C., Patton, M. & Yokoyama, F. (1990). LODGSERV: A service quality index for the lodging industry. *Journal of Hospitality & Tourism Research*, 14(2), 277-284.
- Kotler, P., & Keller, K. L. (2006). *Marketing management* (12th ed). Upper Saddle River, NJ: Prentice-Hall.
- Kumar, N., & Steenkamp, J.B. (2007). *Private label strategy*. Boston: Harvard Business School Press.

- Kwon, K., & Kwon, M.L.Y.J. (2008). The effect of perceived product characteristics on private brand purchases. *Journal of Consumer Marketing*, 25(2), 105 - 114.
- Kwun, D., Ellyn, E., & Choi, Y. (2013), Campus foodservice attributes and their effects on customer satisfaction, image, and word-of-mouth. *Journal of Foodservice Business Research*, 16(3), 276-297.
- LaBarbera, P.A., & Mazursky, D. (1983). A longitudinal assessment of consumer satisfaction/dissatisfaction: the dynamic aspect of the cognitive process. *Journal of Marketing Research*, 20(4), 393-404.
- Lee, M., & Cunningham, L. F. (2001). A cost/benefit approach to understanding service loyalty. *Journal of services Marketing*, 15(2), 113-130.
- Liu, T. C., & Wang, C. Y. (2008). Factors affecting attitudes toward private labels and promoted brands. *Journal of Marketing Management*, 24(3-4), 283-298.
- Loureiro, S., & Gonzalez, F.J.M. (2008). The importance of quality, satisfaction, trust, and image in relation to rural tourist loyalty. *Journal of Travel and Tourism Marketing*, 25(2), 117-136.
- Loureiro, S., & Kastenholz, E. (2011). Corporate reputation, satisfaction, delight, and loyalty towards rural lodging units in Portugal. *International Journal of Hospitality Management*, 30, 575–583.
- Manhas, S.P., & Tukamushab, K. E. (2015). Understanding service experience and its impact on brand image inhospitality sector. *International Journal of Hospitality Management*, 45, 77–87.
- Mattila, A. S. (1999). Consumers' value judgments: How business travelers evaluate luxury-hotel services. *The Cornell Hotel and Restaurant Administration Quarterly*, 40(1), 40-46.

- Mazumder, S., & Hasan, R. A. B. M. (2014). Measuring service quality and customer satisfaction of the hotels in Bangladesh: A study on national and international hotel guest. *Journal of Tourism and Hospitality Management*, 2(1), 95-111.
- McIntosh, A. J., & Siggs, A. (2005). An exploration of the experiential nature of boutique accommodation. *Journal of Travel Research*, 44(1), 74-81.
- Mei, A. W. O., Dean, A. M., & White, C. J. (1999). Analysing service quality in the hospitality industry. *Managing Service Quality*, 9(2), 136-143.
- Middleton, V. T. C., & Clarke, J. (1999). *Marketing in travel and tourism*. Oxford: Butterworth Heinemann.
- Mitchell, V. W. G. (2010). The effect of consumer confusion proneness on word of mouth, trust, and customer satisfaction. *European Journal of Marketing*, 44(6), 838-859.
- Oh, H. (1999). Service quality, customer satisfaction, and customer value: A holistic perspective. *International Journal of Hospitality Management*, 18(1), 67-82.
- Osman, Z., & Sentosa, I. (2013). Mediating effect of customer satisfaction on service quality and customer loyalty relationship in Malaysian rural tourism. *International Journal of Economics Business and Management Studies*, 2(1), 25-37.
- Parasuraman, A., Berry, L. L., & Zeithaml, V. A. (1991). Understanding customer expectations of service. *Sloan Management Review*, 32(3), 39-48.
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing*, 49(4), 41-50.
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL. *Journal of Retailing*, 64(1), 12-40.
- Peter, J. P., Churchill Jr, G. A., & Brown, T. J. (1993). Caution in the use of difference scores in consumer research. *Journal of Consumer Research*, 19(4), 655-662.

- Pizam, A., Shapoval, V., & Ellis, T. (2016). Customer satisfaction and its measurement in hospitality enterprises: a revisit and update. *International Journal of Contemporary Hospitality Management*, 28(1), 2 - 35.
- Preacher, K. J. & Hayes, A. F. (2004). SPSS and SAS procedures for estimating indirect effects in simple mediation models. *Behavior Research Methods, Instruments & Computers*, 36, 717– 731.
- Presbury, R., Fitzgerald, A., & Chapman, R. (2005). Impediments to improvements in service quality in luxury hotels. *Managing Service Quality*, 15(4), 357-373.
- Qu, H., Ryan, B., & Chu, R. (2000). The importance of hotel attributes in contributing to travelers' satisfaction in the Hong Kong hotel industry. *Journal of Quality Assurance in Hospitality & Tourism*, 1(3), 65-83.
- Rogerson, J. M. (2010). The boutique hotel industry in South Africa: Definition, scope, and organization. *Urban Forum*, 21(4), 425-439.
- Saghier, N. M. E. (2013). Managing service quality: Dimensions of service quality: A study in Egypt. *Standard Research Journal of Business Management*, 1(3), 82–89.
- Saleh, F., and Ryan, C. (1991). Analysing service quality in the hospitality industry using the SERVQUAL model. *Service Industries Journal*, 11(3), 324-345.
- Shaikh, U. A. A. & Khan, N. R. (2011). Impact of service quality on customer satisfaction: evidences from the restaurant industry in Pakistan. *Management & Marketing*, 9(2), 343-355.
- Shi, J. H., & Su, Q. (2007). Evaluation of hotel service quality based on customer satisfaction. *Service Systems and Service Management*, 9(11), 1–5.
- Stefano, N.M, Casarotto F., N., Barichello, R., & Sohn, A.P (2015). A fuzzy SERVQUAL based method for evaluated of service quality in the hotel industry. *Procedia CIRP*, 30, 433 – 438.

- Stevens, P., Knutson, B., & Patton, M. (1995). DINESERV: a tool for measuring service quality in restaurants. *The Cornell Hotel and Restaurant Administration Quarterly*, 36(2),56-60.
- Su, A. Y. L. (2004). Customer satisfaction measurement practice in Taiwan hotels. *International Journal of Hospitality Management*, 23(4), 397-408.
- Tepeci, M. (1999). Increasing brand loyalty in the hospitality industry. *International Journal of Contemporary Hospitality Management*, 11(5), 223-230.
- Wilkins, H., Merrilees, B., & Herington, C. (2007). Towards an understanding of total service quality in hotels. *International Journal of Hospitality Management*, 26(4), 840-853.
- Wong, I.A. & Fong, V.H. (2012). Development and validation of the casino service quality scale: CASERV. *International Journal of Hospitality Management*, 319(1), 209-217.
- Yoo, B., & Donthu, N. (2001). Developing and validating a multidimensional consumer-based brand equity scale. *Journal of Business Research*, 52(1), 1-14.
- Yuan, J., Cai, L. A., Morrison, A. M., & Linton, S. (2005). An analysis of wine festival attendees' motivations: A synergy of wine, travel and special events? *Journal of Vacation Marketing*, 11(1), 41-58.
- Zeithaml, V.A., & Bitner, M.J. (1996). *Services marketing*. New York: McGraw-Hill.