

Hotel Brand of Origin: Do Guests Perceive Service Differences?

Dwi Suhartanto

*Jurusan Administrasi Niaga, Politeknik Negeri Bandung
Jl. Gegerkalong Hilir, Ds. Ciwaruga, Bandung,
INDONESIA*

ABSTRACT

This study reports an assessment of perceived service differences based on brand of origin (international and domestic brands) in the hotel industry. This study endeavours to extend recent advances in services marketing theory on service evaluation constructs: service quality, customer satisfaction, perceived value, brand image and brand loyalty at the international and domestic brand level of analysis. A total of 240 four-star hotel guests responded to the survey. The results suggest that international hotel guests perceived better service quality and brand loyalty compared with domestic hotel guests. The differences in how loyalty determinants affect brand loyalty persist across domestic and international hotel brands.

Keywords: *Brand loyalty, customer satisfaction, perceived value, service quality, brand image, hotel brand of origin.*

INTRODUCTION

Globalisation is a rampant phenomenon where international companies and brands enter the domestic market causing intense competition between international and domestic brands. In the competitive environment, delivering high service quality to create customer satisfaction and customers' loyalty is essential for the survival of any organisation (Heskett, 2002). From the customers' perspective, as globalisation accelerates, consumers are presented with a growing number of brands, both domestic and global (Kinra, 2006). Faced with a large number of brands, besides using price, warranty and brand name, customers also use brand of origin (i.e., international and domestic brands) as extrinsic cues when making a purchasing decision (Shanahan & Hyman, 2007; Zhuang et al., 2008).

Considering the importance of brand origin in influencing the consumers' purchasing behaviour, this issue has been a key research area in the last decade. Previous studies examined this issue both in developed and developing countries (Batra et al., 2000; Lee et al., 2008; Schuiling & Kapferer, 2004). Those studies generally agreed that brand of origin affected customers' perceptions of quality, perceived value, brand image, level of satisfaction and brand loyalty. However, most previous studies focussed on a tangible product context, but studies in the services context, especially in the hotel industry, are scant. Thus, how consumers perceive the competitive positioning of international and domestic service brands in the hotel industry is still largely unknown.

The purpose of this study is to obtain a better understanding of the differences between domestic and international hotel brands for brand loyalty and its four determinants: service quality, customer satisfaction, perceived value and brand image in the Indonesian hotel industry. This study also proposes to reveal how loyalty determinants affect brand loyalty in both domestic and international hotel brands. Conducting such a study in the highly competitive hotel industry is important because hotel brands' marketing strategies must go head-to-head not only with regional or national brands (domestic brands), but also with other international brands (Palumbo & Herbig, 2000). Understanding customer perceptions of brand loyalty and its determinants across domestic and international hotel brands will help hotel managers to develop an appropriate competitive strategy.

LITERATURE REVIEW AND HYPOTHESES

The Conceptualisation of Brand of Origin

The country in which a product is manufactured, country-of-origin, is an important cue when customers make a purchasing decision (Kinra, 2006). However, in the services context, it is arguable that customers use brand of origin, a region or country to which the brand is perceived to belong by its target consumers (Thakor, 1996), rather than country of origin as an important cue in making service purchase decisions. The reason for using brand of origin as a cue is that the characteristic of simultaneous production and consumption of service causes difficulties for customers in indentifying the country-of-origin of a service. For example, hotel guests may not associate a hotel with a particular country (country-of-origin) but they will identify the brand of origin of the hotel (i.e. domestic or international hotel) from its brand. Brand of origin can be classified into two categories: domestic or local brand, and international or global brand (Zhuang et al., 2008). Schuiling and Kapferer (2004) defined domestic brand as a brand that is present in only one country or in a limited geographical area. An international brand is a brand that has a marketing mix and strategy in all target country markets (Palumbo & Herbig, 2000; Schuiling & Kapferer, 2004). In a similar vein, Zhuang et al. (2008) defined foreign brands as brands originating in developed countries and regions outside China and Taiwan (the research context). These definitions suggest that domestic and international brands are associated with the region where the marketing activities are conducted.

Domestic and international brands compete head to head in every market around the globe; neither has a universal advantage. Much attention has been paid to international brands and the importance of domestic brands has been largely overlooked (Schuiling & Kapferer, 2004). Domestic brands have three key sources of competitive advantage: cultural capital, unique perceived value and alternative targeting and positioning based on the perception of localness (Ger, 1999). As domestic brands are produced and marketed locally, domestically branded firms have a better understanding of their customers' culture and environment compared with international firms. Local firms can respond to a domestic market's specific needs by designing unique perceived values of their brand for domestic customers (Aaker, 1996; Schuiling & Kapferer, 2004). Further, domestic brands

can select positioning strategies that reflect local insight. Schuiling and Kapferer (2004) suggested that domestic brand firms can develop more flexible pricing strategies for their specific domestic markets because, unlike international brands, domestic brands are not linked to international pricing strategies. Such flexibility can increase profits because prices can be fixed at locally competitive levels.

International brands have substantial advantages and have become a subject of discussion and a topic of research for years. The most significant advantage of an international brand is that the firms have the opportunity to benefit from economies of scale (Pine & Qi, 2004; Schuiling & Kapferer, 2004). Standardised business activities including research and development, production, distribution and promotion across firms around the globe enable the firms to gain cost savings. In the hotel industry, for example, standardised distribution systems mean that international hotels can attract overseas customers through centralised reservation systems (Pine & Qi, 2004). As a result of standardised business activities, an international firm can generate significant cost reductions and thus improve the firm's financial performance (Schuiling & Kapferer, 2004). Sending prestige and assurance messages to a larger audience is another advantage of international brands (Aaker, 1996). As marketed across nations, international brands can enhance their reputation in terms of international quality and acceptability. Thus, international firms can provide substantive savings in communication costs and the development of an international brand image across nations (Schuiling & Kapferer, 2004).

Service Quality and Customer Satisfaction

International brands signal durability, resources to invest in the brand and a commitment to the brand's future (Ger, 1999), so international brands are likely to be perceived as high quality, reliable products (Steenkamp et al., 2003). In developing countries, international brands are associated with products from developed countries (Batra et al., 2000). This association results in perceptions of better quality, prestige, credibility and higher customer satisfaction compared with domestic brands (Aaker, 1996; Ghose & Lowengart, 2001; Kinra, 2006). In Chinese hotel industry, a comparison between internationally and domestically branded hotels based on sales and occupancy rates conducted by Pine and Phillips (2005) indicated that foreign hotels out performed domestic hotels. As service performance is

related to the business's capability to deliver better service, this results in higher customer satisfaction (Zeithaml et al., 1996), Pine and Phillips's (2005) study implied that foreign hotels were perceived to have better service than domestic hotels. Additionally, Shanahan and Hyman's (2007) study of Chinese and Irish hotels reported that tourists generally perceived that hotels in developing countries had lower standards than those from developed countries. Based on this discussion, the hypotheses on customers' perception of service quality and customer satisfaction in domestic and international hotel are formulated as follows.

Hypothesis 1: Domestic hotel guests perceive a lower level of service quality than international hotel guests.

Hypothesis 2: Domestic hotel guests perceive a lower level of customer satisfaction than international hotel guests.

Perceived Value

In developing countries, domestic products are generally perceived as lower quality and lower priced than international products (Ghose & Lowengart, 2001). Although higher in price, studies conducted in various industries provide evidence that internationally branded products are perceived as higher value compared with domestically branded products (Agbonifoh & Elimimian, 1999; Koubaa, 2008; Min-Young et al., 2008). In contrast, a study conducted by Kinra (2006) in India, suggested that for durable goods, domestic products were perceived as having higher value than international products. These studies implied that international brands may not always enjoy higher customer perceived value.

In the Indonesian hotel industry, most domestic hotels charge lower rates than their international counterparts, even when offering similar services. In a competitive service industry, such as in the hotel industry, the offerings of service companies are increasingly similar (Andreassen & Lindestad, 1998; Peterson & Iyer, 2006). The differences in the facilities, technology and standard of service between domestic and international hotels are reducing. As domestic hotels have lower rates for relatively equal services, it is arguable that domestic hotels provide higher value for their guests. Based on this discussion, the hypothesis about customer perceived value between domestic and international hotels is as follows:

Hypothesis 3: Domestic hotel guests perceive a higher level of perceived value than international hotel guests.

Brand Image

Customers often purchase a branded product not only for its function but also for symbolic acquisition to communicate their status. In developing countries, the status display could be more important than in developed countries (Batra et al., 2000). Given this greater salience of status markers in developing countries, internationally branded products are usually perceived as better quality, more expensive and scarcer than domestic products (Batra et al., 2000). In addition, internationally branded products are also intensely exposed in the international media, so those products that have an international and cosmopolitan image are perceived as being of better quality (Cheng et al., 2007). The mixture of quality, scarcity, and international image means that international brands have become high status symbols. Thus, international brands become more inspirational and are better received in developing countries. In other words, international brands are attractive among domestic customers because they allow them to be associated with foreigners who have higher status and prestige (Ahmed et al., 2004; Batra et al., 2000; Ghose & Lowengart, 2001; Palumbo & Herbig, 2000). Studies conducted on various tangible products in developing countries have indicated that international brands have better images compared with domestic brands (Batra et al., 2000; Ghose & Lowengart, 2001; Palumbo & Herbig, 2000). Without evidence to suggest significant differences of brand image between tangible product and services, the following hypothesis on customer perception of domestic and international hotel brand image is proposed:

Hypothesis 4: Domestic hotel guests perceive a lower level of brand image than international hotel guests.

Brand Loyalty

The majority of Indonesian hotel guests are Indonesian (Statistik, 2010). The scores of the dimension of uncertainty avoidance and individualist for Indonesia are 48 (ranking 60-61) and 14 (ranking 68-69), respectively (Hofstede & Hofstede, 2005), suggesting that Indonesians avoid uncertainty and tend to be more collective rather than individualistic.

The high level of uncertainty avoidance indicates that Indonesians are more resistant to change, slow to adopt differences, more nationalistic, and more ethnocentric (Hofstede & Hofstede, 2005). As a consequence of this high uncertainty avoidance, they would presumably be more likely to favour domestic providers and less open to foreign providers (Straughan & Albers-Miller, 2001). Further, in collective cultures, individuals tend to be mutually dependent on other members of their group. The members of collective cultures feel an obligation to support, favour and patronize members of the same group over non members (Straughan & Albers-Miller, 2001). When customers from a collective culture choose a different brand from the group of which they are member, the act could differentiate them from the group (Palumbo & Herbig, 2000). Additionally, members of a culture with a high degree of collectivism tend to show a higher degree of brand loyalty to products or services similar to their group over non group members (Usunier & Lee, 2009). Based on this discussion, the hypotheses on the differences of customer perceptions of brand loyalty, both attitudinal and behavioural loyalty, between domestic and international hotel are as follows:

Hypothesis 5: Domestic hotel guests perceive a higher level of attitudinal loyalty than international hotel guests.

Hypothesis 6: Domestic hotel guests perceive a higher level of behavioural loyalty than international hotel guests.

The Effect of Brand Loyalty Determinants

Comparative studies on how loyalty determinants affect brand loyalty in domestic and international brands are limited. Lu et al.'s (2010) study in Chinese supermarket revealed that customer satisfaction and the quality of services affected customer loyalty differently in domestic and international supermarkets. Further, they reported that price was not significantly different in influencing loyalty in those supermarkets. In a services context, a study conducted by Brady et al. (2005) revealed that in developed countries service quality, value and satisfaction were significant determinants of behavioural intentions (a dimension of attitudinal loyalty). In less developed countries, they found that service quality did not significantly affect behavioural intentions but satisfaction was a significant determinant. Considering these studies and consistent with the hypothesised differences between domestic and international hotels on brand loyalty and its determinants

(Hypotheses 1 to 6), it is expected that how loyalty determinants influence both attitudinal and behavioural loyalty will differ between domestic and international hotel brands.

Hypothesis 7: Service quality, customer satisfaction, perceived value and brand image affect attitudinal loyalty differently in domestic and international hotels.

Hypothesis 8: Service quality, customer satisfaction, perceived value and brand image affect behavioural loyalty differently in domestic and international hotels.

RESEARCH METHODS

Measurement of Constructs

The conceptualisation of and items for measuring the constructs' variables were developed drawing on the literature. Following previous studies on loyalty (Dick & Basu, 1994; Kumar & Shah, 2004; Lee & Back, 2009; Odin et al., 2001), this study proposes that brand loyalty consists of attitudinal and behavioural components. Attitudinal loyalty is the degree of dispositional commitment in terms of some unique value association with the brand (Chaudhuri & Holbrook, 2001). This construct was operationalized with four items adopted from Back and Park's (2003) and Han et al.'s (2008) studies in the hotel context. Behavioural loyalty is consumers' purchasing frequency and amount spent at a provider compared with the amount spent at other providers (DeWulf et al., 2001). Based on this definition, three self-reported behaviour items adapted from Han et al.'s (2008) study were applied to measure behavioural loyalty. Perceived value is operationalised as the consumers' evaluation of what is received compared with what is given (Cronin et al., 2000). Four items were used to measure perceived value based on measures from Nasution and Mavondo (2008) and Chitty et al. (2007). Brand image is viewed as the perceptions of brand associations held in consumers' memories (Keller, 1993). This construct was measured with six items based on the research of Kayaman and Arasli (2007) and Kandampully and Suhartanto (2003). Service quality is a consumer's judgment about the overall superiority of a product or service (Zeithaml, 1988). Five items, adapted from previous studies, were used to measure

service quality (Cronin et al., 2000; Han et al., 2008; Kim et al., 2008). All of these constructs (see Appendix 1) were measured using a 7-point Likert-type scale anchored by 1 (strongly agree) and 7 (strongly disagree).

Sampling

The sample population in this study comprised guests at four-star domestic hotel and international hotels in Indonesia. The difficulty in identifying the population of hotel guests and the inequality of being chosen as participants made it impossible to apply random sampling. Therefore, a convenience sampling procedure was applied. As one objective of this study was to test the theoretical relationship between loyalty determinants and brand loyalty, this non-probability sampling was considered as acceptable method (Reynolds et al., 2003). Self-administered questionnaires were distributed to 293 hotel guests using the personal approach where the hotels guests were requested personally to respond to the questionnaire. Of the 240 questionnaires returned, 40 questionnaires were excluded for analysis because of missing data and outlier reasons, which resulted in 200 usable questionnaires.

Data Analysis

Hypotheses 1 to 6 test the mean differences of guest perceptions between domestic and international hotel brands. As the data are normally distributed, ANOVA is a suitable method for testing these six hypotheses. To test Hypotheses 7 and 8, multiple regression tests were conducted by means of partial least square (PLS). This method was used because of its ability to handle multicollinearity among independent variables and small samples (Chin & Dibbern, 2010; Daryanto et al., 2010). A bootstrapping test with 500 runs was used to determine the stability and significance of the parameter estimates.

DATA ANALYSIS AND RESULTS

Respondents' Profile

Of the 200 sample, 107 respondents (53.5%) were staying in domestic hotels, 93 (46.5%) in international hotels. The demographic characteristics of the respondents are shown in Table 1.

Table 1: Demographic Characteristics of the Respondents

| Variable | Category | Frequency | % |
|-----------------|----------------------|-----------|----|
| Purpose of Stay | - Business | 80 | 40 |
| | - Pleasure | 97 | 49 |
| Gender | - Male | 122 | 61 |
| | - Female | 64 | 32 |
| Age | - Under 25 years | 14 | 7 |
| | - 25 to 35 years | 85 | 43 |
| | - 36 to 45 years | 65 | 33 |
| | - 46 to 55 years | 26 | 13 |
| | - More than 55 years | 2 | 1 |
| Education | - High School | 15 | 8 |
| | - Diploma | 56 | 28 |
| | - Bachelor | 94 | 47 |
| | - Post Graduate | 26 | 13 |
| Occupation | - Professional | 49 | 25 |
| | - Businessman | 63 | 32 |
| | - Civil servant | 43 | 22 |
| | - Others | 41 | 21 |

Measurement Accuracy Analysis

As the variables tested in this study are constructs, analysis of the measurement accuracy of the construct was needed before testing the hypotheses. The measurement analysis was assessed by evaluating the reliability and validity (both convergent and discriminant) of the constructs. Table 2 shows that the composite reliability of all constructs was above the cut-off level of .60 and satisfied the minimum average variance extracted value of .50 (Bagozzi & Yi, 1988). Anderson and Gerbing (1988) maintained that convergent validity can be assessed by determining whether each indicator's estimated coefficient of the underlying construct is significant. All factor loadings were significant at $p < 1\%$ (see Appendix 1) indicating that the items measured the construct they were expected to measure. Thus, the convergent validity requirement of the constructs was satisfied. Discriminant validity between the two constructs is demonstrated if the average variance extracted between constructs is greater than the squared correlation between the constructs (Fornell & Larcker, 1981). Table 2 shows that all paths between the constructs satisfied the criteria suggested

by Fornell and Larcker (1981). This leads to the conclusion that all the constructs were reliable and valid.

Table 2: Correlation, Variance Extracted, and Composite Reliability

| | BI | SQ | PV | CS | AL | BL |
|----------------------------|------|------|------|------|------|------|
| Brand Image (BI) | 1 | | | | | |
| Service Quality (SQ) | .703 | 1 | | | | |
| Perceived Value (PV) | .705 | .744 | 1 | | | |
| Customer Satisfaction (CS) | .732 | .753 | .760 | 1 | | |
| Attitudinal Loyalty (AL) | .681 | .626 | .612 | .706 | 1 | |
| Behavioural Loyalty (BL) | .447 | .354 | .399 | .455 | .638 | 1 |
| Variance Extracted | .651 | .601 | .807 | .808 | .736 | .844 |
| Composite Reliability | .850 | .882 | .807 | .926 | .917 | .942 |

Hypotheses Testing

Hypotheses 1 to 6 were tested by the mean differences of the guest perceptions of service quality, customer satisfaction, perceived value, brand image and brand loyalty between domestic and international hotels. The results of testing these hypotheses using ANOVA are shown in Table 3.

Table 3: Mean and ANOVA Test Results

| | Mean | | F-value |
|-----------------------|----------|---------------|------------|
| | Domestic | International | |
| Service Quality | 5.657 | 5.905 | 4.806** |
| Perceived value | 5.433 | 5.567 | .986 (ns) |
| Customer Satisfaction | 5.389 | 5.582 | .797 (ns) |
| Brand Image | 5.374 | 5.582 | 2.301 (ns) |
| Attitudinal Loyalty | 4.517 | 5.188 | 15.554* |
| Behavioural Loyalty | 4.612 | 5.110 | 6.787** |

*significant at 1%, **significant at 5%

The F values of the ANOVA tests shown in Table 3 indicate that service quality, attitudinal loyalty and behavioural loyalty are significantly different between domestic and international guests. Thus, Hypotheses 1, 5, and 6 are supported. As the means of domestic hotel respondents on service quality, attitudinal loyalty and behavioural loyalty (5.657, 4.517 and 4.612, respectively) are lower than those of international hotel respondents (5.905,

5.188, and 5.110, respectively), these findings suggest that international guests perceived higher levels of service quality, and had attitudinal and behavioural loyalty. In terms of perceived value, customer satisfaction and brand image, the ANOVA tests show that domestic hotel respondents were not significantly different from international hotel respondents. Thus there is no support for Hypotheses 2, 3 and 4. Although the means of domestic hotel respondents for perceived value, customer satisfaction and brand image (5.433, 5.389, and 5.374, respectively) were lower than those of international hotel respondents (5.567, 5.582 and 5.582, respectively), the differences were not significant.

The results of the regression analysis to test how service quality, customer satisfaction, perceived value and brand image affect attitudinal and behavioural loyalty in both international and domestic hotels (Hypothesis 7 and 8) are presented in Tables 4 and 5.

Table 4: Results of PLS Regression on Attitudinal Loyalty

| | Domestic Hotel Estimate (t-value) | International Hotel Estimate (t-value) | Significant Differences |
|--------------------------------------|---|---|----------------------------|
| Service Quality | .005 (.039) | .127 (1.291) | * |
| Customer Satisfaction | .521 (3.618*) | .390 (4.038*) | * |
| Perceived Value | -.126 (1.099) | .253 (2.375**) | * |
| Brand Image | .424 (3.485*) | .004 (.307) | * |
| R ² (Attitudinal Loyalty) | 63.5% | 47% | |

*significant at 5%, **significant at 1%

Table 5: Results of PLS Regression on Behavioural Loyalty

| | Domestic Hotel Estimate (t-value) | International Hotel Estimate (t-value) | Significant Differences |
|--------------------------------------|--------------------------------------|---|----------------------------|
| Service Quality | -.017 (.855) | .113 (1.291) | * |
| Customer Satisfaction | .259 (1.289) | .342 (3.134*) | * |
| Perceived Value | -.017 (0.108) | .207 (1.806) | * |
| Brand Image | .377 (2.193**) | .078 (.752) | * |
| R ² (Behavioural Loyalty) | 27% | 38.7% | |

*significant at 1%, **significant at 5%

The R^2 of attitudinal loyalty in Table 4 (63.5% for domestic hotel respondents and 47% for international hotel) indicates that service quality, customer satisfaction, perceived value and brand image simultaneously explain more variance of attitudinal loyalty to domestic hotels than to international hotels. The R^2 of behavioural loyalty in Table 5 (27% for domestic hotel respondents and 38.7% for international hotel respondents) indicates that service quality, customer satisfaction, perceived value and brand image simultaneously explain more variance of behavioural loyalty to international hotels than to domestic hotels. Further, using the criteria of effect size for R^2 (small, .02; medium, .13; large, .26) proposed by Cohen (1988), these results suggest that attitudinal loyalty and behavioural loyalty models for both domestic and international hotels perform well.

Table 4 shows that the effect of customer satisfaction on attitudinal loyalty is significant for both domestic and international hotels ($\beta = .52$ and $\beta = .39$), but the effect of service quality is not significant. The regression analysis result also reveals that perceived value is an important determinant of attitudinal loyalty in international hotels as indicated by its significant value ($\beta = .25$), but this construct is not significant for domestic hotels. In contrast, brand image was significant in domestic hotels ($\beta = .42$) but not in international hotels. Tests of estimate differences using multi-group analysis, as suggested by Chin and Dibbern's (2010), show that all coefficient estimates are significantly different between domestic and international hotels (support for Hypothesis 7).

The results of regression test of the effect of loyalty determinants on behavioural loyalty (Table 5) show that the effect of customer satisfaction on behavioural loyalty is significant for international hotels ($\beta = .34$), whereas the effect of brand image is significant for domestic hotels ($\beta = .38$). The other loyalty determinants did not significantly affect behavioural loyalty in domestic and international hotels. In addition, the test of the estimate differences shows that all coefficient estimates are significantly different between domestic and international hotels (support for Hypothesis 8).

DISCUSSION

This study has clarified an issue related to the service differences of brand origin in the hotel industry. This study revealed that international hotel guests are more loyal in both an attitudinal and behavioural sense than domestic hotel guests. This finding is consistent with studies conducted on tangible products that, in developing countries, consumers prefer foreign brands from developed countries to those of domestic brands (Batra et al., 2000; Kinra, 2006; Steenkamp et al., 2003; Wang & Heitmeyer, 2006). This finding challenges the conceptualisation of cultural tendency where high uncertainty avoidance and collective cultures people are usually more nationalistic and favour domestic products and providers (Hofstede & Hofstede, 2005; Mooij, 2004; Straughan & Albers-Miller, 2001). Additionally, considering most respondents were Indonesian, this finding implies that ethnocentrism does not exist within the hotel guests. In other words, hotel guests do not consider staying in an international hotel as an unpatriotic or non-nationalistic matter.

This study also confirms that guests in international hotels perceive a higher level of service quality than guests in domestic hotels. This finding implies that four-star hotels from developed countries (international hotels) are able to deliver a better service than hotels from developing countries (domestic hotels). A reason for this finding is that the international hotels use better management expertise and technology than domestic hotels (Gao et al., 2006; Pine & Phillips, 2005). Thus, they can provide a higher level of service. Although they perceived higher service quality, international hotel guests perception of the level of satisfaction was not significantly different from domestic hotel guests. This finding suggests that domestic hotel guests have a lower expectation than international hotel guests. Thus, although they perceived a lower service quality, they were still relatively satisfied.

This study found that the value perceived by domestic hotel guests was not significantly different from that perceived by international hotel guests. Perceived value is a comparison between benefit and sacrifice (Zeithaml, 1988). This finding indicates that the perceived value of domestic hotels was based on their lower rates (sacrifice) but for international hotels, with their higher rates, it was based on psychological benefit (i.e. prestige). This psychological benefit is important because respondents were from

the middle and upper social classes as indicated by their educational levels and occupations (Table 1). For these customers, prestige as a reflection of status is an important factor enhancing their social identity (Mooij, 2004).

This study contradicts previous studies in tangible products (Koubaa, 2008; Schuiling & Kapferer, 2004; Zhuang et al., 2008) that, in developing countries, international brands are perceived as a higher level of brand image than domestic brands. Brand image is fundamentally developed based on the customers' actual experiences with goods or services and associated marketing communication (Dobni & Zinkhan, 1990; Gronroos, 2000; Lee et al., 2008). These results indicate that both domestic and international hotel guests are relatively satisfied with their experiences in the two types of hotel. In addition, this finding implies that domestic hotels successfully deliver marketing communications that cause a favourable image of the hotels.

Finally, this study reveals that the differences between international and domestic hotel brands are not only on the construct level but also on how service quality, perceived value, customer satisfaction and brand image impact on brand loyalty. Though service quality, perceived value, customer satisfaction and brand image collectively are major factors in determining guests' loyalty in the attitudinal sense towards domestic hotels (since 63.5% of brand loyalty variance was explained by these determinants), these factors are only minor factors (since 47% of brand loyalty variance was explained by these determinants) for international hotels. This suggests that attitudinal loyalty for international hotels was more determined by other factors rather than service quality, perceived value, customer satisfaction and brand image. Among these determinants, customer satisfaction is the most important factor in determining attitudinal loyalty in both types of hotel, which is consistent with literature (Chitty et al., 2007; Clemes et al., 2010; Cronin et al., 2000). In terms of behavioural loyalty, these four loyalty determinants have a relatively small effect on behavioural loyalty because only 27% of its variance was explained for domestic hotels and 38.7% for international hotels. This finding indicates that the decision to stay in the hotels is more decided by other parties, such as companies, or other factors rather than by service quality, customer satisfaction, perceived value or brand image.

IMPLICATION AND FUTURE RESEARCH

This study has examined the differences between domestic and international hotel brands from the customers' perspective in a developing country. Overall, international hotels (from developed countries) are perceived as better accommodation providers than domestic hotels (in a developing country). Further, the differences of guests' perceptions of service quality and brand loyalty suggest that, besides satisfying guests' needs for quality accommodation, staying in a four-star hotel appears to satisfy their esteem needs. The findings of this study imply that guests' loyalty behaviour towards four-star hotels is determined by economic and rational considerations rather than by culture, ethnocentrism or nationalism.

The literature suggests that service quality not only an important determinant of loyalty but also an important determinant of customer satisfaction, perceived value and brand image (Clemes et al., 2010; Cronin et al., 2000; Oliver, 2010). In order to satisfy guests and create loyalty, this study recommends that four-star hotel managers need to provide a high level of service quality by understanding individual customer needs, performing the service right the first time, serving in a timely manner, employing staff who are capable of developing guests' trust, and offering a safe hotel environment. For international hotels, delivering a high quality service is an important strategy to maintain their higher perceived position over domestic hotels. For domestic hotels, improving service quality is imperative to negate the inferior perceptions of their service quality compared with international hotels. Additionally, to increase their standard of service, domestic hotels should adopt state-of-the-art technologies and better management expertise; strategies widely practised by international hotels (Gao et al., 2006; Pine & Phillips, 2005). Though this study makes a contribution to the body of hospitality marketing literature by offering a new understanding of the service differences between domestic and international hotel brands, this study used convenience sampling. Further research is necessary in order to determine if the differences between domestic and international hotels identified in this study can be generalized to other star rated hotels and, ultimately, to different service industries. The replication of this study to other services industries should also be fruitful in enriching the understanding of brand of origin in service industries.

This study has limitations associated with using multiple regression analysis to examine the effect of loyalty determinants on attitudinal and behavioural loyalty. As service quality, customer satisfaction, perceived value and brand image relate to each other, an analysis of the differences between international and domestic hotels can be conducted at a modelling level. Future studies could compare the complex model of the relationships between brand loyalty and its determinants and between domestic and international hotels. Conducting such a study will enhance our understanding of how customers develop loyalty between domestic and international hotels (hotel brand of origin), which is under researched.

Appendix 1: Measurement Properties

| Item | Loading |
|--|---------|
| Attitudinal Loyalty (Cronbach' Alpha: 0.808) | |
| - No other hotels perform services better than Hotel. | 0.636 |
| - I am willing to pay more at Hotel than in other hotels in its category. | 0.600 |
| - I like Hotel more than other hotels. | 0.673 |
| - Even if other hotels were offering a lower rate, I would stay at Hotel. | 0.609 |
| Behavioural Loyalty (Cronbach' Alpha: 0.909) | |
| - When I visit this city, I always stay in Hotel. | 0.634 |
| - Compared other hotels, have stayed more often at the Hotel than the others. | 0.651 |
| - Compared with other hotel, I have spent more money at Hotel. | 0.577 |
| Service Quality (Cronbach' Alpha: 0.835) | |
| - The Hotel staff understand my individual needs. | 0.705 |
| - The staff Hotel performs the service right the first time. | 0.751 |
| - The Hotel staff provides service in a timely manner. | 0.780 |
| - The Hotel staff are trustworthy. | 0.784 |
| - The Hotel provides an environment that is free from danger. | 0.716 |
| Customer Satisfaction (Cronbach' Alpha: 0.878) | |
| - I had a pleasurable stay at Hotel. | 0.864 |
| - I did the right thing when I chose to stay atHotel. | 0.849 |

Cont...

| | |
|--|-------|
| - I feel Hotel service is better than my expectation. | 0.727 |
| Perceived Value (Cronbach' Alpha: 0.879) | |
| - I consider the price of services provided by theHotel to be reasonable. | 0.786 |
| - The service I received from ... Hotel was excellent compared to what I had given up. | 0.867 |
| - Hotel offers good value for money. | 0.896 |
| Brand Image (Cronbach' Alpha : 0.736) | |
| - I feel special when staying at Hotel. | 0.765 |
| - Compare to other hotels, Hotel is a unique hotel. | 0.554 |
| - Hotel is comfortable hotel. | 0.681 |

All factor loadings are significant at $p < 1\%$

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