

**RELATIONSHIPS AMONG LOYALTY PROGRAMS BENEFITS,
CUSTOMER SATISFACTION, EXPERIENTIAL ENCOUNTER AND
CUSTOMER LOYALTY IN THE HOSPITALITY INDUSTRY: SURVEY OF
STAR RATED HOTELS IN THE COASTAL REGION OF KENYA**

BY

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MOI UNIVERSITY

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DECLARATION

Declaration By Candidate

I hereby declare that this thesis is my original work and has not been submitted for a degree award in any other University. Therefore no part of this research thesis may be reproduced without the prior written permission of the author and/or Moi University.

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DEDICATION

To my Dear Mother Mary Wanjiru Waari, You are a pillar in my life.

To my Heavenly Father, I give thee, Honour and Glory.

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ABSTRACT

To sustain competitive edge and overcome the challenges of dynamic business environment in the hospitality industry, customer loyalty and retention have become the much sought after organizational goals. Marketing scholars and practitioners have recognized the importance of loyalty program as strategic tools and objectives for sustaining customer satisfaction and customer loyalty in the service industry. Though there have been dissenting views on the effect of loyalty programs on customer satisfaction and customer loyalty they still remain a popular strategy in cultivating relationships with customers. This study therefore examines the direct effect of loyalty programs benefits on customer loyalty and the moderating effect of experiential encounter on the indirect relationship between loyalty programs and customer loyalty through customer satisfaction. The specific objectives of this study are; to establish the direct effect of loyalty programs benefits on customer satisfaction and customer loyalty, to investigate the effect of customer satisfaction on customer loyalty, to investigate the mediating effect of customer satisfaction on the relationship between loyalty programs and customer loyalty, to determine the moderating effect of experiential encounter on the relationship between loyalty programs and customer satisfaction, to establish the moderating effect of experiential encounter on the relationship between loyalty programs and customer loyalty, to establish the moderating effect of experiential encounter on the relationship between customer satisfaction and customer loyalty and to investigate the moderating effect of experiential encounter on the indirect relationship between loyalty programs and customer loyalty through customer satisfaction. This study is guided by the Expectancy Disconfirmation Theory (EDT) and the Social Exchange Theory. The study utilizes explanatory research design as the study seeks to describe the relationship between loyalty programs, customer satisfaction, experiential encounter and customer loyalty at a given point in time. The target population comprised of registered loyalty program members patronizing classified hotels and restaurants in Coastal region of Kenya. The sample was drawn from the 1096 registered loyalty program members patronizing star rated hotels in the Coastal Region of Kenya. Using Cochran Sample Size equation and stratified random sampling methodology a sample size of 384 respondents was selected. Data was collected by means of a questionnaire and analysed using descriptive and inferential statistics. The study adopted a path analytic model, which was analysed through PROCESS macro and hierarchical multiple regression. Using the bias – corrected percentile bootstrap method the results indicated an indirect effect of loyalty programs benefits on customer loyalty through customer satisfaction, $ab = 0.0607$, $SE = 0.0340$, $95\% CI = [0.0019, 0.1357]$. In addition, the mediating effect of customer satisfaction was partially moderated by experiential encounter. The findings indicated that the effect of loyalty programs benefits on customer loyalty through customer satisfaction can be buffered by introduction of experiential encounter as an intervention in the early stages of customer patronage. Interventions should target individuals with low level loyalty programs benefits. The study recommends that service providers should put more emphasis on loyalty programs benefits since they influence customer satisfaction and hence customer loyalty. The study provides new theoretical insight into factors influencing customer loyalty by incorporating customer satisfaction as a mediator in the relationship between loyalty programs benefits and customer loyalty.

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OPERATIONAL DEFINITION OF TERMS

Loyalty - A strong feeling of allegiance. It is a customer's disposition towards a certain product, brand or an organization. According to Oliver (1999) loyalty is "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future thereby causing repetitive same brand purchasing despite situational influences and marketing efforts having potential to causing switching behaviour"

Loyalty Program - is a structured marketing effort designed by companies and inform of rewards for enhancing brand loyalty between the marketer and the customer. They allow the customers to accumulate free rewards when they make repeated purchases with the company.

Hard based Loyalty Programs - Are structured reward programs offered by a company to customers that bestow financial/monetary or cost oriented benefits.

Soft Based Loyalty Programs - Are structured reward programs offered by a company to customers that bestow non-financial/ non- monetary benefits.

Customer Perceived Value - Refers to the customer evaluation of what is fair, right, or deserved for the perceived cost of the offering (Bolton, Lemon & Verhoef, 2004).

Customer Satisfaction – Refers to the psychological state of a customers' experience arising after encountering or consuming a product (Daikh, 2015; Pleshko, & Heiens, 1996). The level of satisfaction is determined by comparing the customers' expectations on the product and its perceived performance (Fornell *et al.*, 1996; Oliver, 1980, 2010). Satisfied customers are likely to make repeat purchases, explore new products and use a wide range of products at the same time enhance cost management as repeat customers

are less to maintain than new customers (Zeithaml and Bitner, 2000; Reichheld and Sasser, 1990)

Experiential Encounter- Refers to the experience that customers encounter when they interact with the service, service process, people in the service process and the physical evidence.

Star Rated Hotels: Star rating measures hotel's value, amenities and the potential to keep the customer satisfied. According to Sarah (2009) the star rating starts from one star to five stars whereby: one star have to fulfil the characteristics of economy and no-frills accommodations; two star have to meet the value needs, clean and meet basic needs, three stars have to have high additional services and at the same time be of quality, style, comfort, personalized service; four stars hotels are supposed to be characterized by superior properties, upscale and high quality while five star are supposed to exhibit the characteristics of luxury, first class service, well equipped and state of art facilities.

ABBREVIATIONS AND ACRONYMS

B2C	Business to Consumer
CRM	Customer Relationship Management
CS	Customer Satisfaction
DV	Dependent Variable
EE	Experiential Encounter
EDT	Expectancy Disconfirmation Theory
GDP	Gross Domestic Product
IDC	Industrial Development Corporation
IV	Independent Variable
ICSC	International Council of Shopping Centres' (ICSC)
KNBS	Kenya National Bureau of Statistics
LP	Loyalty Programs Benefits
M	Represents the moderator experiential encounter when applied between mediator and dependent variable
Min	Maximum
Max	Maximum
SPSS	Statistical Package for Social Scientists
Std.	Standard
USA	United States of America
X	The independent variable
Y	The dependent variable
W	Represents the moderator experiential encounter when applied between the independent and dependent variable

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter introduces the reader to the overview of the whole study. It includes the background of the study, problem area and the objectives of the study. The hypothesis, significance and the scope of the study are also presented.

1.1 Background of the Study

The marketing field has changed dramatically in the last three decades; this has been attributed to the introduction of better means of communication, the establishment of new channels of distribution, changes in regulatory environment and a general rise in consumer awareness (Axelsson & Wynstra, 2002; Voorhees, et al., 2017; Alqahtani & Al Farraj, 2016). The introduction of various elements of information, communication, and technology coupled with clamour for market liberalization has resulted in service organizations operating in a dynamic and competitive environment (Carson, Gilmore, & Walsh, 2004). To maintain customer loyalty and retention as well as forestall defections to competitors, service marketing organizations have resorted to customer relationship management (CRM) and strategies (Abbas, Khalid, Azam, & Riaz, 2010; Osarenkhoe & Komunda, 2013). According to (Dehghan, 2011; Sonderlund, 2006) customer loyalty has turned out to be an important construct in marketing and especially the dynamic field of relationship marketing. This is due to the ensuing behaviour exhibited by loyal customers who tend to portray positive attitudes and behaviours like repeat purchases, positive recommendations to other customers and acquaintances and re-patronage of the business.

According to Morgan and Govender (2017) customer loyalty is an important factor in any business or organization as it costs less for a business to generate repeat business. Loyalty exhibited by the customer can either be to the organization, product or the brand (Morgan and Govender, 2017). In the United States of America (USA), according to the International Council of Shopping Centres' (ICSC) survey conducted in 2017 established that majority of the United States respondents were loyal to both products – brands (82%) and the retailers (84%). One of the contributing factors towards customer loyalty in USA is taking into consideration the customer emotions whether positive or negative during service delivery process as established by DeWitt, Nguyen, Marshall (2009) in their study that focussed on customers patronizing hotels. Culture and ethnic diversity have been found to predict brand loyalty in USA, whereby according to Leslie (2011) individualism vs. Collectivism and Femininity vs. Masculinity do predict brand loyalty and the African Americans were found to be the most brand loyal.

On the other hand in the Asian continent; staff service, brand equity and customer satisfaction were found to be important constructs towards influencing customer loyalty. A study on the factors influencing loyalty in conference tourism by Ahmed and Hashim (2010) and applying structural equation modelling on statistical data collected from a target population of five hundred conference tourism attendees in Malaysia established that staff service is the most important factor in understanding customer loyalty or purchasing behaviour of the customer. This study on the other hand did not establish a direct relationship between brand equity and customer loyalty though when customer satisfaction is included as a mediator there exists a positive and significant direct relationship. This is supported by (Voorhees, et al., 2017), who state that service relationships are built from a series of experiential encounters that evokes feelings or

emotions enabling a consumer to sense his worth, feel the benefits and relate with the service provider(s). When the service relationship is designed in such a manner, it gives rise to a mutually beneficial relationship between the customer and the business organization, where customer is rewarded, relate and feel the product and the organization learns, innovates and makes profit.

The South Africa retail and hospitality industries have identified customer loyalty as an important marketing construct that enhances relationships and influences the profitability of the businesses (Chibaya, 2016). To ensure loyalty South African retail industry has been implementing more than 101 reward programs. According to Morgan and Govender (2017), the South African mobile telecommunication industry is characterised by increased focus on acquiring and retaining loyal customers with the intention of facilitating repeat purchases and shielding them from competitors.

In Kenya customer loyalty is considered a vital marketing outcome that management need to maintain or attain for the prosperity of their organizations. A study focusing on 3 stars to 5 stars hotels in Nairobi established a list of factors that management may implement to sustain customer loyalty (Muchogu, 2016). Using regression analysis on a sample of 292 hotel patrons, the study established a strong direct significant relationship between customer satisfaction, service quality and customer loyalty. Studies conducted in the retail, telecommunication and hospitality industry in Kenya emphasize on the quality of the services, use of reward schemes and customer satisfaction as important constructs to customer loyalty (Kamau, 2016; Waitiki, 2014; Muchogu, 2016). Waitiki (2014) further, notes the importance of memorable service encounter during the service process as a building block towards customer loyalty and repeat purchases.

The movement from transactional marketing to CRM has taken bold steps from supplier oriented focus to customer oriented focus (Gummesson, 1987; Gronroos, 1994). This movement has been made possible through application of tactics like loyalty programs (Uncles, Rowling, & Hammond, 2003). Acknowledgements on the success of loyalty programs as a tactic towards the aim of customer satisfaction, repeat purchases, and firm profitability is documented in the following studies (Mimouni-Chaabane & Volle, 2010; Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994; Berezan, Raab, Tanford, & Kim, 2013). Despite these notable successes, some academicians and practitioners have faulted the structure, application, and benefits of loyalty programs as a firm determined CRM tactics skewed towards suppliers benefits (Hennig-Thurau & Hansen, 2000; Wagner, Hennig-Thurau, & Thomas, 2009). These tactics are more defensive than offensive oriented and their main aim is to ring fence the customers from other competitors (Uncles, Rowling, & Hammond, 2003).

Meanwhile, to enhance customer loyalty and increase frequency of interaction between the organization and customers (Srivastava, 2016) brings into perspective the need to incorporate customer driven tactics in a CRM process, as customers not only visit stores to make purchases but also for enjoyment and entertainment purposes. This informs the need to complete the CRM process in a competitive market whereby individual characteristics that encompass customer's involvement during the service delivery process are taken into consideration; this would complete the missing gap in the third model of customer loyalty as discussed by (Uncles, Rowling, & Hammond, 2003) and bring into focus a CRM that is customer determined. The present study differs from other previous studies in that it brings into perspective the role of experiential encounter in the loyalty programs- customer loyalty relationship. In addition to the constructs of the experiential encounter as explained by (Voorhees, et al., 2017; Bitner, 1992)

Hotels have recognized this shift thus incorporating the physical evidence and processes experiences as part of their marketing strategies (Chen and Dubinsky, 2003; Hirschman, 2006). The firms would like their customers to derive various types of value like; process value, outcome value and shopping enjoyment value, which according to Sheth *et al* (1991) could be broadly equated to functional, emotional, social and epistemic value. The desire to create value in the hospitality industry has led to introduction of loyalty programs whereby according to, Yi and Jeon (2003) the level of customer satisfaction is positively influenced by the value the customer perceives in the loyalty program.

According to Nunes and Drèze (2006) loyalty programs do impact the performance of organizations by ensuring customer retention; customer satisfaction and increased spending. The success of a loyalty program depends on organizational support of the program as found out in a survey of 180 retailers conducted by Leenheer and Bijmolt (2008). In another study, where travel records of three firms was analyzed in Philadelphia and Baltimore showed that their frequent flier loyalty program tended to have an impact on their market share. This result is supported by a study conducted by Lewis (2004) who found out that an online retailer's loyalty program tended to increase the customers' transaction size thus having a huge impact on the retailers' revenue.

Loyalty programs influence on consumer behaviour is well documented in the retail industry. In the 1990's the popularity of these programs was very high in the UK and the USA. A report by Colloquay (2009) noted that there were more than 700 million loyalty club members in retail industry alone. Rahman (2013) notes that there are over 20 million registered loyalty club members in India. Rahman (2013) cites several examples of loyalty programs run by retail chains that have contributed immensely to

customer retention, satisfaction and organization profitability. One of the examples enumerated by Rahman is Shoppers' Stop which derived 73% of its sales from its 2 million loyalty program members, generating a profit of 7,518 lacs from these members in 2011; another example is Lifestyle retailer who derived 50% of its annual revenue from 2 million members of its Inner circle loyalty program. In USA, according to Centre for Retail management only 12-15% of customers are loyalty program members but they generate 55-70% of the company sales.

Negative results have also been experienced in various studies focusing on the impact of loyalty programs on consumer behaviour more so on repeat purchases. One of the studies is that of Sharp and Sharp (1997), where they investigated the impact of the grocery stores loyalty programs on repeat purchase behaviour and increased purchase frequency. Out of the six loyalty programs studied only two showed a positive impact. These results are collaborated by another study conducted by Meyer-Waarden and Benavent (2006) which established mixed effects from several French grocery stores. The study established a weak short term impact and no long term impact on the amount and frequency of customer patronage.

According to Waithigo (2016) loyalty programs in Kenya are associated with service industries; airline industry, mobile phone industry, hotel industry, financial sector and hospitality industry. The study gives various examples of loyalty programs provided by the mobile phone service providers and the retail industry where majority of the programs were related to redemption of accumulated points. In the hospitality industry a study conducted by (Baraza, 2012) on the effect of loyalty programs on competitiveness of five star hotels in Nairobi, Kenya established a list of benefits enjoyed by loyalty program members, which included; discount on meals,

complimentary meals, discount on rooms, complimentary nights, extra amenities in rooms, gift vouchers, express check in among others. However this study was only limited to Nairobi and focused on a single hotel classification.

The principal aim of this study was to test a general framework for building benefits-loyalty relationship from a customer relationship management view. In addressing this issue, the study performs a test on the research hypotheses by empirically reviewing and evaluating the proposed conceptual framework. The study is structured into different parts that build into each other for continuity and cohesiveness of the study constructs commencing with a review and discussion of literature on loyalty program benefits, customer satisfaction, experiential encounter and customer loyalty culminating into hypotheses development.

Hospitality Industry in Kenya

The hospitality and travel industries are offshoots of the tourism sector (Kotler, 2010). The growth and development of the hotel industry is dependent on the performance of the tourism sector (Odhun, Kambona, Othuno and Wadongo, 2010). The Kenya's Hotel and Restaurants Act cap 494 defines a hotel as a premises which provides accommodation and food in exchange for money (Kenya Economic Report, 2013). The hospitality industry in Kenya is one of the six selected key areas being given priority by the government as key drivers of economy growth or development (Owiti, 2014).

The Kenyan Coast has been documented as the germination field of the Kenyan's hospitality industry with the first hotel- Grand Hotel having been constructed there though defunct at the moment. Coast was ideal place for hospitality industry to thrive due to the Arab traders, early missionaries and railway line constructors. The development of hotels has continued parallel to the growth of tourism sector (Uzel,

2012). Despite this there are numerous challenges facing Kenyan hotels as they try to meet the international standards more so the star ratings and qualifications for International Hotel Associations. These challenges have necessitated studies by various authors on the drivers of customer satisfaction and performance in hospitality industries (Mureithi *et. al.*, 2009). The last five years have been challenging for the hospitality industry in Kenya due to a number of factors; increased terrorism, changing customer demands, stagnant economy and increased government regulations (Omwenga, 2016; KNBS, 2016)

Tourism sector in Kenya remains the third largest foreign exchange earner after tea and horticulture and a major employer accounting for about 12% of the total wage employment and 13% of GDP (National Tourism Strategy, 2013). The global financial crisis of year 2008/9 had major effect on the tourism sector with decrease in the number of international visitors. This has been on downward trend as the number of international visitors in 2013 decreased from 1,710.8 thousand in 2012 to 1,519.6 thousand demonstrating 11.2 per cent decrease.

1.2 Statement of the Problem

Today's companies operate within a competitive global environment and demanding customers. Having loyal and satisfied customers represents the ultimate goal for any hotel, promising future profits and sustainable business (El-Adly & Eid, 2016; Grace & O'Cass, 2005). The last decade has seen various hotels and retail industries in Kenya adopt relationship marketing strategies with the aim of enhancing customer loyalty and repeat customer patronage (Waithigo, 2016; Kamau, 2017). Despite the implementation of these strategies, the star rated hotels in Coastal Region of Kenya have been experiencing reduced bed occupancy rate from 40 per cent to 29 per cent and decreasing

customer patronage in the same period (IDC, 2012; KNBS, 2016). This is despite the intended results of the adopted strategies as they were supposed to increase the customer value and enhance customer loyalty (Omwenga, 2016; Caruana, 2002). This situation informs the need to investigate the relationship between loyalty programs, customer satisfaction and customer loyalty in the hospitality industry.

According to (Waithigo, 2016; Baraza *et al.*, 2012) most of service providing industries in Kenya have adopted loyalty programs as a strategy to enhance customer loyalty and customer satisfaction. Nevertheless, the effectiveness or the perceived value of loyalty program benefits in influencing customer loyalty has not been conclusively addressed or established in the hospitality industry in Kenya (Waithigo, 2016; Odhuno and Wadongo, 2010; Kamau, 2017). Loyalty programs are one of the factors where some extant empirical studies have established a positive impact on customer satisfaction and customer purchasing behaviour (Omar *et al.*, 2011; Taylor and Neslin, 2005; Arokiasamy, 2013). Loyal customers not only increase the value of the business, but they also enable it to maintain costs lower than those associated with attracting new customers (Chao, 2015) and enterprises create loyalty programs in order to build loyalty this leads to increased profitability, market share, and the growth (Naumann *et al.*, 2001). Whereas others found that loyalty programs did not generate any impact on the satisfaction and purchasing behaviour of customers (Sharp and Sharp, 1997; DeWulf *et al.*, 2001; Meyer-Waarden, 2008; Zakaria *et al.*, 2014). These opposing conclusions continue to draw practitioners and scholars in a bid to understand the programs better.

Empirical literature in business to consumer (B2C) context exploring the effect of loyalty programs benefits on customer loyalty, moderated by experiential encounter through customer satisfaction is sparse. When focusing on customer oriented strategy,

experiential encounter ensures that utilitarian, social and hedonic benefits are experienced by customers. Through continuous innovation of services different experiences are made available to customers putting them in a position to relate, feel and sense thus meeting the perceived value (Pham and Huang, 2015). Thus it's imperative for an industry to establish which of the offered benefits components are effective in increasing the satisfaction levels of customers.

To address the research gaps identified above, the main problem of this paper is defined as: How does experiential encounter moderate the indirect relationship between loyalty program benefits and customer loyalty through customer satisfaction in the Kenyan hospitality industry? Therefore, this study aims to assess the impact of loyalty program benefits on customer loyalty and customer satisfaction, moderated by experiential encounter in the hospitality industry in Kenya.

1.3 General Objective

The primary objective of this study is to establish the moderating effect of experiential encounter on the indirect relationship between loyalty program benefits and customer loyalty through customer satisfaction.

1.3.1 Specific objectives

- i. To establish the effect of loyalty program benefits on customer loyalty.
- ii. To investigate the effect of loyalty program benefits on customer satisfaction.
- iii. To determine the effect of customer satisfaction on customer loyalty.
- iv. To investigate the mediating effect of customer satisfaction on the relationship between loyalty program benefits and customer loyalty.

- v. To determine the moderating effect of experiential encounter on the relationship between loyalty program benefits and customer satisfaction.
- vi. To establish the moderating effect of experiential encounter on the relationship between loyalty program benefits and customer loyalty.
- vii. To establish the moderating effect of experiential encounter on the relationship between customer satisfaction and customer loyalty.
- viii. To investigate the moderating effect of experiential encounter on the indirect relationship between loyalty program benefits and customer loyalty through customer satisfaction.

1.4 Research Hypotheses

- H₀₁:** Loyalty program benefits have no significant effect on customer loyalty
- H₀₂:** Loyalty program benefits have no significant effect on customer satisfaction
- H₀₃:** Customer satisfaction has no significant effect on customer loyalty
- H₀₄:** The mediating effect of customer satisfaction has no significant effect on the relationship between loyalty program benefits and customer loyalty.
- H₀₅:** The moderating effect of experiential encounter has no significant effect on the relationship between loyalty program benefits and customer satisfaction.
- H₀₆:** Experiential encounter has no moderating effect on the relationship between loyalty program benefits and customer loyalty.
- H₀₇:** Experiential encounter has no moderating effect on the relationship between customer satisfaction and customer loyalty.

H₀₈: Experiential encounter has no moderating effect on the indirect relationship between loyalty program benefits and customer loyalty through customer satisfaction.

1.5 Significance of the Study

The management of various organizations in the hospitality industry have had interest in studies that investigate relationship marketing such as loyalty programs, as the results can shed light on how to package and market such programs. This may contribute in developing processes that impact on customer satisfaction and customer loyalty thus increasing repetitive purchase, ultimately improving on the firm's bottom line. The findings of this study are bound to provide marketing practitioners with current fitting information that can be utilized in the formulation of relationship marketing strategies for quick and informed implementation of loyalty programs as service industry embraces technology in its operations.

In terms of the relationship marketing theory the study may make contribution to the body of knowledge pertaining to loyalty programs. Explicitly, the contribution may be towards the adoption of loyalty programs to influence customers' loyalty thus accelerating the patronage of the service marketing organizations.

The study may provide the current and future investors with information to evaluate their investment options in the hospitality industry. Their decisions may be based on the level of customer satisfaction in the hospitality industry. This is informed by the belief that investors are always keen to invest on investments that have value or expected positive return on investment.

The policy makers may utilize the recommendations and conclusions arrived at in this study for future policy development in the areas of relationship marketing strategies

and customer loyalty. When setting policies on strategic operations of organizations they may be in a position to borrow best practices required for the hospitality industry to maintain and attract new customers.

1.6 Scope of the Study

The study focuses on the moderated mediation effect of experiential encounter on the relationship between loyalty programs benefits and customer loyalty being mediated by customer satisfaction within the hospitality industry in Kenya. The study surveyed loyalty program members patronizing classified hotels within the Coastal region in Kenya; Kwale, Kilifi, Lamu, Taita-Taveta and Mombasa counties. Data for this study was collected between July and October 2017. The sampling unit was derived from the 1096 loyalty program members registered with the star rated hotels. This is because the scope of the study was limited to those loyalty program members patronizing star rated hotels holding classification of between three stars and five stars.

CHAPTER TWO

LITERATURE REVIEW

2.0 Overview

This chapter reviews and discusses empirical studies carried out in areas of customer satisfaction, relationship marketing, loyalty programs and customer dependence. The review of theories related to customer satisfaction and drivers of customer satisfaction is also carried out in this chapter.

2.1 Concept of Customer Loyalty

According to (Oliver, 1999) customer loyalty is the deeply held customers' affection and association with the product or organization. In addition to the deeply held association the customer is also supposed to portray these five kinds of behaviours: praise the service provider to others; recommend the service provider to others; encourage friends and relatives to patronize the service provider; prioritize the service provider products over others, and carry out repeat purchases (Chi-Chen, Chang, & Chuang, 2016; Parasuraman, Zeithamal, & Berry, 1994). Such kind of a customer who is willing to practice the above for an organization must be within a mutual valued connection (Morgan & Hunt, 1994).

Academicians and practitioners have explored the various benefits of customer loyalty and its competitive edge in a very hostile business environment (Seto-Pamies, 2012; Saleem, Zahra, Ahmad, & Ismail, 2016). In the studies (Reichheld F. , 1996; Reichheld & Earl Sasser, 1990; Schlesinger & Heskett, 1991) the authors argue that customer loyalty is able to; increase sales, foster repeat purchases through continuous patronage, generate new business leads through referrals and reduce costs of operations due to amortization within the long period of relationship. To sustain their business amidst the

competitive environment and shore up profits companies have deployed offensive and defensive strategies. Defensive strategies like loyalty programs have become more popular due to their ability in retaining customers and transforming them to loyalty as established by (Seto-Pamies, 2012; Fornell, Johson, Anderson, Cha, & Bryang, 1996). Service marketing industries prefer to apply relationship commitment marketing strategies due to intangibility of products, high acquisition costs, and curiosity for exploring new services and products, and variety seeking behaviour of the customers (Hunt, Arnett, & Madhavaram, 2006)

2.2 Concept of Customer Satisfaction

Customer satisfaction is a hotly contested indicator of the firm's ability to understand its environment and fulfilling customers wants (Daikh 2015, Massawe, 2013). Arguably, many authors have proposed different strategies for driving customer satisfaction (Grant 2000; Arokiasamy, 2013). Marketing scholars are yet to come to an agreement on a specific strategy or factor that solely leads to customer satisfaction thus offering a rich field for conducting research (Alqhatani and Farraj, 2016; Arokiasamy, 2013). Customer satisfaction is the judgment that the customer arrives at after experiencing a product or a service (Huang and lee, 2016; Cardozo, 1965).

The concept of customer satisfaction was first explored by Cardozo (1965) in a study focusing on the customers' efforts, expectation and satisfaction. In this study Customer satisfaction is taken in as the judgment that the customer arrives at after experiencing a product or a service. According to (Chen, Ouyang, Huang, & Lee, 2016; Reisinger & Turner, 2003) customer satisfaction in the context of hospitality industry relates to the comparison of customers expectation or pre-purchase perceptions and the service experience. Reisinger and Turner (2003) further explain that customers' are satisfied

the moment their experience supersedes the expectations while a sense of discontent arises when expectations are not met. In today's competitive environment businesses need to establish the satisfaction levels of their customers. Pizam, Shapoval and Ellis (2016) argue that knowledge of customer expectations and experience are vital as they inform the service provider the extent to which customers defines the quality of the service and the kind of constructs necessary in measuring customer satisfaction. These sentiments are supported by (Abubakar and Mavondo, 2014; Kwun *et al.*, 2013 and Hayes, 1997) who insists that all commercial organization should embrace customer satisfaction due to its influence on customer loyalty, repeat purchase, customer referrals and retention of customers.

With knowledge that satisfied customers are likely to make repeat purchases coupled with the intense competition in the hospitality industry, firms have strived to implement strategies that meet customers' demands (Zeithaml and Bitner, 2000; Reichheld and Sasser, 1990). According to Massawe (2013) hotels strive to create competitive advantage over their competitors through strategic positioning, quality services, technological means, or through strong organizational culture (Grant, 2000; Daikh, 2015). However, Massawe (2013) further notes that there are other cost effective methods that can gain a hotel competitive advantage such as good customer service, reward management and experiential marketing which leads to customer satisfaction.

Customer satisfaction serves as an indicator of the extent to which an organization has been able to meet the full range of consumers' full demand. This is when it's viewed from an economic point of view (Alqhatani and Farraj, 2016; Melody, 1997). Through customer satisfaction measures the organization is able to ascertain the quality of product, pricing mechanism and loyalty of consumers. Further, Alqhatani and Farraj

(2016) argue that a company is able to address the customers and employees needs when it emphasis on satisfying its customers.

Many firms do recognize the importance of customer satisfaction as a source of competitive advantage but relatively few do recognize its relationship with customer perceived benefits (Arokiasamy, 2013). According to Chen and Dubinsky (2003) creating customer value means meeting the customers' needs and increasing their satisfaction. Parasuranam *et al.*, (1985, 1997), established a positive relationship between customer perceived value and customer satisfaction and firms' competitiveness within the market. Many firms as noted by (Kotler and Keller, 2006; Gronroos, 1994; Pizam *et al.*, 2016) are abandoning the traditional marketing philosophies and strategies for the customer driven strategies that seeks to create, sustain and manage mutual profitable relationships geared towards customer retention and repeat purchases. According to Pizam *et al.*, (2016) satisfaction is an outcome that results from confirmation or positive disconfirmation of consumers' expectation.

The concept of customer satisfaction has been widely debated in the behavioral and relationship marketing literature with varied findings. According to Zadeh and Gilani, (2013) satisfaction is the feeling of pleasure or disappointment which results from comparing a product's or a service perceived outcome against his or her expectations. Daikh (2015) describes it as the comparison between customers' or patrons expectations of the company's products or services and their perceptions of the products or services. This definition concurs with that of Guiterezz, Uribe and Coton (2011) who clarifies it as an emotional response to the judgmental difference or gap between the product or service performance and the corresponding set or accepted standard.

Literature on customer satisfaction from previous studies has shown that there are numerous benefits that an organization realizes after investing in relationship marketing more so customer satisfaction. For instance, through customer satisfaction metrics, hotel managers establish and identify the real requirements and needs of customers (Radojevic, Stanistic, and Stanic, 2015; Foroza, Zadeh and Gilani, 2013; Kotler and Keller 2006); resulting to rise in hotel patronage thus leading to increased revenues (Oh and Parks, 1997); improves the reputation index thus cementing the brand positioning of the organization in the industry (Hussein, 2012); establishes the needs of the customers leading to improved service delivery processes and the company products or services so as to take into consideration the ever increasing changes of customers' attitudes and preferences. Customer satisfaction measures inform organization wide strategies of either increasing perceived product performance or decreasing expectation.

2.2.1 The link between customer satisfaction and customer loyalty

According to (Reisinger & Turner, 2003), in a study conducted in the tourism industry and using structural equation modelling established that customers become satisfied the moment their experience supersedes their expectations and that marketers cannot rely on customers perceptions on the services to generate satisfaction but must also consider other environmental factors like rules of social behaviour and cultural values. (Chen, Ouyang, Huang, & Lee, 2016), using a descriptive research design does contend that customer satisfaction in the hospitality industry relates to the comparison of customers expectations or pre-purchase perceptions and the service experienced. This view is also supported by (Mittal & Kamakura, 2001), who in their study that adopted a conceptual model for relating customer satisfaction ratings and repurchase behaviour established that satisfied customers serve as a good indicator of an organization that is creating

customer loyalty towards a brand and in the words of (Torres-Moraga, Vasquez-Parraga, & Zamora-González, 2008), who adopted a 3x2 research design and making use of structural equation modelling established that satisfaction and customer loyalty are two distinct stages to customers reaction towards company's offering and promotional strategies, with satisfaction being the initial stage. The study by (Mittal & Kamakura, 2001) further established that the nature and extent of response bias in satisfaction ratings varied by customer characteristics. The present study tends to minimize these biases by limiting its target population to loyalty program members patronizing star rated hotels only.

Hotel industry has become globally competitive with huge number of service providers offering similar products, requiring the management to introduce new strategies and tactics for outwitting competition (Yan, 2015). In reference to (Yoo & Bas, 2007) loyalty is an important element in the company's pursuit of competitive advantage within the hospitality industry and the key to attainment of customer loyalty is based on the satisfaction level of customers as argued by (Kumar & Shah, 2004). Using a linear model (Kundampally & Suhartanto, 2000) established a positive, significant effect of customer satisfaction on customer loyalty in the hotel industry. The findings were supported by (Zins, 2001; Srivastava, 2015) who found strong empirical evidence of customer satisfaction as a significant antecedent of customer loyalty in the commercial airline and hospitality industries respectively. These results are replicated in a qualitative study of hospitality industry conducted in Italy where guests loyalty was found be strongly linked to customer satisfaction (Dominici, 2010). Carev (2008) surveyed guests of hotel industry and using both qualitative and quantitative research designs, established that hotel guests' loyalty not only depended on the guests' satisfaction but also on the innovative and memorable critical incidences.

Firm's should therefore strive to satisfy their customers as a satisfied customer is likely to carry out repeat purchases, transact longer with the firm (El-Adly & Eid, 2016; Chen, 2012), and recommend the business to others (Lee, Hsiao, & Yang, 2011). Oyeniyi and Abiodun (2010), analyzing the Nigerian telecommunications a service oriented industry using survey research design and linear regression model established that customer satisfaction positively and significantly affected customer loyalty. These results were consistent with a Pakistan Telecommunication study that had adopted a descriptive research methodology using regression models which established that customer satisfaction played a prominent role in determining the retention and loyalty of customers (Khan, Rizwan, Aabden & Rehman, 2016). These results were a confirmation of tests conducted using American Satisfaction Model to study, Jordanian, Bangladesh and China mobile sectors which found out that customers' expectations and perceived value, important predictors of customer satisfaction influenced the customers loyalty and frequency of purchases (Awwad, 2012; Akbar, 2013; Tung, 2013). These results were consistent with the study conducted on mobile phone loyalty in Thailand which established a positive and significant relationship between customer satisfaction and customer loyalty (Pumim, Srinuan & Panjakajornsak, 2017)

Other studies like (Reichheld F. , 1994) argue that customer satisfaction does not necessarily influence customer loyalty. A similar scenario is also pointed out by (Bennet & Rundle-Thiele, 2004; Kapferer, 2005), arguing that today's customers have become loyal though linking it to the increased number of businesses offering the same kind of products in addition to more varieties. The need to carry out this study is informed with respect to the above contrasting perspective between experiential encounter and customer satisfaction and also between customer satisfaction and customer loyalty.

2.3 Concept of Loyalty Programs

Loyalty programs fall within the relationship marketing branch of marketing concept. Relationship marketing is one of the fundamental areas within a business for which a strategy needs to be developed for the management of interactions, relationships and networks (Gummesson, 1994). Relationship marketing is aimed at establishing, maintaining and enhancing the relationship with customers, suppliers and other stakeholders at a profit through mutual symbiosis and fulfilment of promises (Gronroos, 1994; Rapp and Collins, 1990; Palmatier, 2008). One of the key objectives of relationship marketing is fostering customer loyalty (Ndubisi, 2007). Loyalty programmes are developed with the primary intention of fostering customer loyalty which is a vital part of an organization's effort in sustaining profits and competitiveness (Butscher, 2004). Thus a thorough understanding of trust, loyalty, dependence and commitment are critical elements in developing a successful relationship marketing strategy (Palmatier, 2008). These elements entail how customers' and partners make decisions to spend their resources on a given supplier's market offerings. Therefore a successful relationship marketing strategy depends to a large extent on understanding the customers' satisfaction (Scheer *et al.*, 2010).

Relationship marketing and adoption of loyalty programs have been discussed by many researchers and academics (e.g. Gronroos, 1994; Rapp and Collins, 1994; Ndubisi, 2007). The studies have provided important insights, tying consumer relationships to things such as increased revenue (Palmatier *et al.*, 2006), improved share of wallet (Palmatier *et al.*, 2009), enhanced word of mouth (Ranaweera and Prabhu, 2003), greater likelihood to help fellow consumers (Muniz & O'Guinn, 2001), increased information sharing (White, 2004), and forgiveness for service failure (Goodwin, 1996). Further these studies have explored and discussed the adoption of loyalty

programs using different theoretical frameworks. However few if any were dedicated in understanding how loyalty programs embedded in a relationship strategy within an organization influenced customers' satisfaction thus in turn affecting loyalty of the customer to the organization. Thus, the field of this study falls broadly into the discipline of relationship marketing, and more specifically into the areas of loyalty, loyalty programs and consumers behaviour.

In various conceptual and empirical studies carried out on loyalty, the construct has been referred to as a long term relationship between customers, organizations, products- both tangible and intangible, brands and services. Loyalty may be defined as “the proportion of times a purchaser chooses the same product or service in a specific category compared to the total number of purchases made by the purchaser in that category, under the condition that other acceptable products or services are conveniently available in that category”, (Neal, 1999). (Dick and Basu, 1994; Oliver, 1997; Too, et. al., 2001), developed a stronger concept of loyalty through integrating the strength, attitude and behaviour of the relationship between the customer and the supply. They define loyalty as a “deeply held commitment to re-buy the favourite product or service in the future, in spite of situational influences and marketing efforts which can modify the behaviour”.

In the academic literature as pointed out by Claudia (2013), loyalty and precisely customers loyalty is identified as having different types of dimensions. Jacob and Kyner (1973), defined loyalty as a repeated non-random acquisition of a brand from a set of alternatives after a deliberate and guided evaluation process of the available brands. Thomas and Housden (2002) on the other hand capture the bi-dimensional approach adapted by loyalty researchers beyond the 1970's. They define loyalty as a relationship

between attitude and behaviour thus explaining both the psychological and behavioural dimensions. Attitudinal aspects is defined as the desire of the customer to continue his relationship with the firm or organization in spite of better incentives offered by the competing firms or organizations and goes on to recommend the products to his friends and acquaintances (Dick, Basu, 1994; Chaudhuri and Holbrook, 2001). On the other hand the behavioural perspective, according to Söderlund, (2006), is defined by the concept of retention. He further argues that the quantitative aspect of behavioural perspective is better exemplified by the number of purchases from a firm, buying frequency, share of wallet on a certain product or organization and client share among other quantitative indices.

The multidimensional approach towards loyalty was developed from studies done in consumer behaviour. The elements that exemplify the multidimensional nature of loyalty are cognitive, affective, conative and behavioural loyalty and are affected by situational variables and that they represent permanent characteristics of the individuals (Aurifeille et al., 2001). Jacob and Chestnut (1978) suggested the first model of loyalty which included the following steps that lies squarely on the above identified elements (i) information possessed by the consumer must highlight the advantage of one brand upon other brand – cognitive dimension; (ii) consumers must love the brand – affective dimension; (iii) consumer must consider buying a specific brand and not another one – the intention.

Organizations create loyalty programs in order to reward and harness loyalty from the customers and other stakeholders (Lidimula and Rasa, 2006). According to (Oliver, 1999; Barnard, 2010), loyalty programs are structured marketing efforts developed by marketers to enhance brand loyalty, customer patronage, customer satisfaction and deep

commitment towards the preferred product or service by the customer. On the other hand Butscher (2002) states “*a customer loyalty program’s primary purpose is to build a relationship with the customer that turns them into long-term loyal customers, who ideally will obtain their lifetime demand for specific product or service from the company sponsoring the loyalty program*”. Nuttley (2004) looks at their ability to create relationships with customers initiating long term dialogue leading to increasing satisfaction of the supplier and the customers simultaneously. The designing of a loyalty program is informed by the kind of loyalty dimension (s) the supplier wants it to take. Beside the dimension there is the consideration of the loyalty elements that the supplier wants the programme to be recognisable with and the level of their attainment.

The various contexts in which loyalty programs have been utilized by organizations have tended to take up different names (Wijaya, 2005). This is supported by Butscher (2002), who for instance refers to loyalty programs in the hotel industry as guest frequent program; while the airline industry as frequent flier program; retail industry tend to take several names such as bonus program and customer club. However Butscher and Wijaya reiterate that these names do not differentiate one loyalty programme from the other. Another methods of classifying loyalty programs as proposed by Wijaya (2005), is based on the nature of membership. Wijaya has proposed two classes; the open membership and limited membership, where in open membership any person can be a member and in limited membership there are various conditions and procedures that have to be met before a person becomes a member.

This research study has adopted the third classification of loyalty programs that is based on the nature of benefits offered. It was proposed by Butscher (2002) and adopted by Wijaya (2005) in his research on hospitality industry. The classification of loyalty

programs to soft benefits and hard benefits has been utilized by Scheer *et al.* (2010) in their study of mediating effect of loyalty programs in the retail industry. According to (Wijayi, 2005; Scheer *et al.*, 2010; Butscher, 2002), the hard based loyalty programs tend to reward members or customers with tangible rewards like price discounts, free products and preferred treatments whereas the soft based loyalty programs rewards members with psychological benefits of having special status, recognition, reputation in addition to receiving preferred customer service.

Jere and Posthumus (2014) undertook a study on the various reasons why organizations choose and adopt loyalty programs. The study found out that customers' retention as the most mentioned in the loyalty program studies (Uncles, Dowling & Hammond, 2003; Liu, Guo & Lee, 2011), increasing customer loyalty (Meyer-Waarden, 2008; Mägi, 2003), collecting data and information on both demographic and shopping behaviour of the customer (Kumar & Shah, 2004; Mägi, 2003; Rowley 2005; Uncles et al., 2003), company's sales performance (Uncles et al. 2003; Mägi 2003; Demoulin & Zidda, 2009; Meyer-Waarden, 2008), customers' commitment to the company's offering and psychological benefits (Rowley, 2005; Yi &Yeon, 2007; Liu, 2007).

The designing of the loyalty programs according to (Yi &Yeon, 2007; Dowling & Uncles, 1997) is premised on the following propositions; (i) customers desire to be deeply involved with the products they purchase (ii) a proportional of the customers involved with the product show loyalty (iii) the proportion of customers showing loyalty are profitable (iv) the loyalty exhibited by these customers can be reinforced through loyalty programs. According to Henderson, Beck, and Palmatier (2011), customers that are exposed or experience loyalty programs have been found to change their behaviours which results from (i) conferring status to consumers, which generates

favourable comparisons with others; (ii) building habits causing advantageous memory processes; and (iii) developing relationships, which results in more favourable treatment by consumers.

This research study is interested in the first and second aspect of induced change to consumer behaviour by loyalty programs. Arguments have been raised in support of multiple theoretical mechanisms in order to understand the workings of loyalty programs (Henderson, Beck, and Palmatier, 2011; Wagner et. al, 2009). In reference to a study done by Thomson, MacInnis, & Park, (2005), loyalty programs have been known to initiate, grow and maintain relationships. This breaks the multiple theoretical mechanism perspective into successive and sequential theories that can be arranged in order of importance thus bringing into limelight the relationship theories which this study is based on.

Our departure from the multiple theoretical mechanisms that inform the understanding of loyalty programs is influenced by the works of (Dwyer, Schurr, & Oh, 1987; Morgan & Hunt, 1994; Palmatier, Dant, Grewal, & Evans, 2006) on relationship marketing. These researchers proposed that theories on relationship could stand alone in explaining the changes induced by loyalty programs. This is because relationship marketing builds on the premise that effective marketing exchanges between the customer and the business are not stand alone, discrete, 'transactional' trades, but rather are long in duration and reflect a continuing relationship-development process (Dwyer, Schurr, & Oh, 1987; Morgan & Hunt, 1994).

Loyalty programs are structured in a way that they provide reminders, suggestions and efficiencies to the consumers (Hymowitz, 2004; Ferguson and Hlavinka, 2007), with the main objective of building relationship equity. In accordance to Palmatier (2008),

loyalty programs are designed in such a way that they generate a high level of gratitude and induce action from the customers' feelings. The social exchange theory and expectancy disconfirmation theory underpins the reality of structuring and designing of loyalty programs to induce changes in the consumer behaviour in order to give rise to the targeted relationships (Fiske, 1992; Gerbasi, 2010).

2.3.1 The Link between Loyalty Programs Benefits and Customer Satisfaction

Loyalty programs in the service industry are known to afford better deals to members than non-members; members have access to preferential treatment (Söderlund and Colliander, 2015). Previous studies have established a positive relationship between loyalty programs offering preferential treatment and relationship outcomes such as customer satisfaction, repeat purchases, positive word of mouth and customer referrals (Lacey, 2007; Söderlund and Colliander, 2015). Further studies by (Stathopoulou and Balabanis, 2016; Briggs and Grisaffe, 2010; Mimouni-Chaabane and Volle, 2010), established that both the customers and the organizations offering preferential treatments enjoyed varying benefits.

Various studies have shown that loyalty programs positively affect customer satisfaction, trust, and commitment (Irshad, Amjad, and Janjua, 2015; Meyer-Waarden, 2007; Ou, *et al.*, 2011). The satisfaction level of customers on loyalty programs has been found to be a good predictor of affective loyalty and repurchase intention (Omar, Musa, Wel, & Aziz, 2012). Various studies have established a distinction in terms of satisfaction, attitude and trust between customers participating in loyalty programs and non-participants, with participating members returning positive results on the above listed constructs (Gomez, Arranz and Cillan 2006; Stathopoulou and Balabanis, 2016). This has led to adoption of loyalty programs by many industries as a tool for creating a

closer relationship with customers and inducing customer satisfaction as established in a study conducted in the retail industry (Gable, Fiorito, and Topol, 2008). This is due to believe that Loyalty programs are value creators (Kreis and Mafael, 2014), thus according to (Aurier and Guintcheva, 2014) for the customer to be satisfied the actual performance or value derived from the program must be within the range of customer perceived value.

In essence, customer satisfaction arises from the perceived discrepancy between the expected performance of loyalty programs and their actual performance on the value dimensions being considered by the customer (Oliver, 1997). This is based on the expectancy disconfirmation theory as discussed in section 2.5.1 which according to (Chitturi, Raghunathan, and Mahajan, 2008; Jones, Reynolds, and Arnold, 2006) different processes underlie three types of value that affect the level of customer satisfaction. The utilitarian value which encompasses tangible attributes is cognitively processed generating satisfaction by evoking feelings of confidence, while hedonic and symbolic value constitutes emotional responses that trigger feelings of cheerfulness and excitement (Aurier and Guintcheva, 2014; Chitturi *et al.*, 2008).

The financial benefits conferred by loyalty programs usually referred to as utilitarian benefits easily reflect the attributes of the rewards on offer, thus influencing the loyalty programs members cognitive evaluation leading either to satisfaction or dissatisfaction (Dorotic *et al.*, 2012). Besides offering utilitarian value loyalty programs also offer hedonic benefits through entertainment and joy in accumulation of points and interaction value through shared usage or participatory production of the service, the customers respond positively emotionally due to pleasure and arousal leading to satisfaction. According to Brashear-Alejandro *et al.*, (2016) loyalty programs offer

members' preferential treatments which are a form of symbolic benefits; these enhance the customers' status and recognition among their peers and non-loyalty programs members thus inducing satisfaction. Thus the more the customers perceive the hedonic, utilitarian and symbolic benefits offered by loyalty programs the more they become affective and satisfied (Dorotic *et al.*, 2012; Stathopoulou and Balabanis, 2016).

2.3.2 The link between Loyalty Programs Benefits and Customer Loyalty

Loyalty programs play instrumental role of creating and maintaining customer relationships. According to (Briggs & Grisaffe, 2010; Mimouni-Chaabane & Volle, 2010, Stathopoulou & Balabanis, 2016) there are several relationship outcomes; store loyalty, brand loyalty, trust in the brand and satisfaction with the most preferred being loyalty to the brand or the store (Yi & Jeon, 2003). A study conducted in high-end and low-end stores established an indirect relationship between loyalty program benefits; utilitarian, hedonic and symbolic to the store loyalty through customer satisfaction (Stathopoulou & Balabanis, 2016). These results are consistent with those of Lewis (2004) using a dynamic programming method established a link between loyalty programs rewards with customer retention and repeat purchases rate, which are elements of customer loyalty (Uncles *et al.*, 2003).

Loyalty programs avail benefits either hard or soft (Mulhern & Duffy, 2004) to their customers as a token of appreciation for their loyalty (Zakaria *et al.*, 2014). Positive association between loyalty programs and customer loyalty has been established in studies conducted in retail stores (Zakaria *et al.*, 2014; Turner & Wilson, 2006) where it's contended that 70% of the customers who did repeat purchases were influenced by loyalty schemes. Further, the study by Zakaria *et al.*, (2014) using purposive sampling and multiple regression analysis established that monetary benefits like rebates and

price discounts had significant effect on future customer loyalty. This study was consistent to previous studies of (Dowling & Uncles, 1999; Liebermann, 1999; Smith and Sharp, 2009) who found out that soft benefits like convenience of physical facilities and hard benefits like gift vouchers and rebates influenced customer loyalty.

Studies focusing on intangible rewards established strong association between loyalty programs and customer loyalty (Roehm *et. al.*, 2002; Jang & Matilla, 2005). Studies have shown that tangible rewards draw the customers to the rewards rather than to the brand, reducing the prospects for customer loyalty (Bridson, *et. al.*, 2008). The study conducted in restaurants by (Jang & Matilla, 2005) found that customers could distinguish between intangible and tangible rewards. Studies have shown that tiered loyalty program benefits have different effects on different levels of customers

2.4 The Moderating Role of Experiential Encounter

Experiential encounter is a concept derived from combining experiential marketing and service encounter. According to Verma and Jain (2015), service oriented organizations are committed in leaving a lasting impression to a customer, where the act of buying and consumption is carried out in an ambient set up, interwoven with feelings, fantasies and fun and within the customer's expectations. The objective of experiential encounter is to create an occurrence that creates a positive unforgettable experience with the intention of engaging the customer through the service experience, such that the customer develops a deep association with the brand (Iglesias, Singh and Batista-Foguet, 2011; Srinivasan and Srivastava, 2010; Holbrook, 1982).

Experiential encounter requires interaction between the consumer and the service provider (Parasuranam, 1985). To leave a long lasting impression on the customer the service provider practicing experiential encounter should be in a position of developing

a model service organization, maintain skilled and quality service personnel, and operate a customer's database (Pham and Huang, 2015; Schmitt, 1999; Parasuranam, 1985). This is based on the proposition put forth by Schmitt (1999), that when customers participate in certain events, interact with the employees or ambience of the organization they are stimulated triggering either their satisfaction levels or continuous patronage of the organization products and services (Chao, 2015).

Chao (2015) using bootstrapping method established a positive relationship between experiential encounter and customer satisfaction. This is consistent with a study conducted by Lee, Hsiao and Yang (2012) which established that when operating a service organization, experiential encounter plays a key role in inducing customer satisfaction. This supports brand recognition that eventually influences customer's behaviour of indulging in repeat purchases. The ability of the customer to feel, sense and relate with the service during the service encounter has been established to positively relate with customer satisfaction (Khalid, Ling and Ahmad, 2013). Experiential encounter has been established to influence customer satisfaction in the event that experiential process is within the customers' expectations (Lee, Hsiao and Yang, 2010).

Pham and Huang (2015) established a positive relationship between experiential services encounter and customer satisfaction through the mediating role of customer experienced value. According to Pham and Huang (2015) experiential encounter creates utilitarian, symbolic and hedonic values. An organization that innovates continuously its services and offers quality services puts the customer in a position of relating, feeling and sensing thus meeting the customer perceived value. This supports the argument put forth by (Lovelock, 1984; Pham and Huang, 2015) that service innovation or new

product directly or indirectly changes the form of service offering thus solving customer interface problems. According to (El-Adly and Eid, 2015) a better customer interface influences the perceived value which further induces customer satisfaction thus resulting in increased patronage of the hotel. In this study experiential encounter will be utilised as a moderating effect on the direct stage, first stage, and second stage of a moderated mediated relationship between loyalty program benefits and customer loyalty. The present study is a complete departure in terms of methodology from the above mentioned studies as it's an explanatory designed study focussing on hospitality industry whereas the above studies focused on various retail industries. Experiential encounter is deemed not only to encompass the ambience of the service providing organization but also the customer experience that the customer experiences during the service process. It encompasses the emotional and physical relating, sensing and feeling that customers undergoes when interacting with the service, service provider and the physical evidence.

2.5 Theoretical Framework

This section reviewed major theoretical framework applicable to the study and understanding of the, loyalty programs benefits, customer satisfaction, and experiential encounter and customer loyalty. Discussion on the theories underpin the study variables and show how theories may be used to explain the phenomena of loyalty, perceived value, experiential encounter and customer satisfaction. The main theory which this study is based on is the Expectancy Disconfirmation Theory as it not only explains the expectations of loyalty programmes members but also the outcomes they experience after undergoing through the experiential processes of consuming products and services on offer by the star rated hotels.

2.5.1 Expectancy Disconfirmation Theory (EDT)

Oliver (1979, 1980) developed a theoretical framework that could be used to assess and measure customer satisfaction thus making a complete departure from other frameworks like, Equity theory, the Value-percept theory, the Dissonance theory, Importance-Performance Theory, and the Evaluative Congruity Theory that had been used to explain customer satisfaction (Yi, 1990; Yuksel and Yuksel, 2001). The framework developed by Oliver (1979, 1980) was more of a conceptualization of EDT as a comparison process between expectation and experience which was a complete departure from the majority of the above frameworks which suggested that customer satisfaction is a relative concept that evaluated customer satisfaction in relation to a given standard.

The EDT model as presented in the figure 2.1 below consists of four components; expectations, perceived performance, disconfirmation and satisfaction.

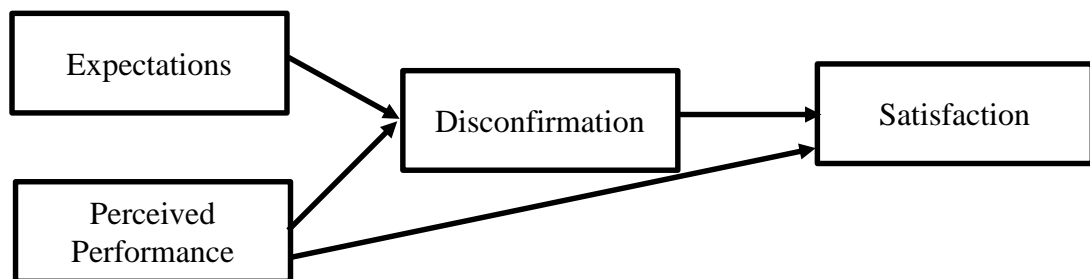


Fig 2.1: Expectancy Disconfirmation Theory Model

Source: Patterson and Johnson (1997).

According to (Oliver, 1980; Patterson and Johnson, 1997; Spreng, 2003) and as represented in figure 2.1 above, EDT draws from two variables, expectation and experienced performance to measure customer satisfaction. These variables focus on two different time periods, the pre-purchase period and the post- purchase period. This

affords the customers' ability to gauge their perception of overall satisfaction by comparing the expected and the outcome performance.

According to Oliver's (1980) as quoted in Raich and Zehrer (2016) referencing Oliver's (1980) study on EDT there are three outcomes whenever customers interacts with organizations' products: confirmation, realized when the experienced services matches expectations; negative disconfirmation, arises whenever the actual experience is below expectations; and positive disconfirmation, where the experience exceeds the expectations. To maintain a competitive edge service providers strive to attain positive disconfirmation as a study carried out by, Olsen, Witell, and Gustafsson, (2014) established a positive relationship between positive disconfirmation and customers satisfaction leading to firms performance.

Grimmelikhui and Porumbescu (2017) study on public administration services was able to replicate the study done by Van Ryzin's (2004, 2013) studies which established a direct relationship between expectations and performance without going through disconfirmation stage. This deviates from the works of Patterson and Johnson (1997) who had imputed that the independent variables expectations and performance could only be related to satisfaction through the intervening variable disconfirmation. The differences on the outcomes of these studies, according to (James, 2011; Van Ryzin's, 2013 and Grimmelikhui and Porumbescu, 2017) could be attributed to the nature of studies. This is because the experimental studies conducted by (James, 2011; Van Ryzin's, 2013) were able to establish to establish both positive and negative link between expectations and satisfaction while observational survey studies could not establish any causal link between expectations and satisfaction.

The Van Ryzin's (2013) established both positive and negative links where relationships could also be reversed and due to these outcomes this study adopts the Patterson and Johnson (1997) as the preferred EDT model. This is also in line with this study which has a mediating model. Other limitations that arise and which we take an assumption on is whether all loyalty program members have the same expectations in this study we assume that the difference in their interests is negligible and also the sequence of the events as depicted in the model is constant for the period of the study. The dynamic nature of expectation may inhibit the perception of the respondents as distinction must be laid whether expectations are considered either before purchase or post-purchase, in our case this limitation is overcome by taking into consideration that our respondents have had a relationship for a period of time with the services.

The EDT model is applicable in this theory as it tends to explain the relationship between the expectations created by one being a loyalty program member and the loyalty established through the experiential encounters in the service process. It is during the service encounter process that a loyalty program member has the capability to disconfirm the nature of the benefits accrued thus either leaving him satisfied or unsatisfied thus influencing his loyalty to the organization.

2.5.2 Consumption Value Theory

Globalization and development in communication technologies and especially e-commerce and other online marketing platforms have afforded the consumers an assortment of variety of products (Candan, Unal and Ercis, 2013). This has heightened competition among businesses leading to search for strategies that differentiates organizations products. Businesses know that their profitability and survival depends on the satisfaction levels of the customers as customer satisfaction determines the

patronage of the service facility and repurchase of the same product or service (Khalifa, 2014; Kotler, 2013). Business practitioners and intellectuals have focused on developing models and theories to analyse and explain the consumer behaviours. One of the theories developed to explain the behaviour of consumers when purchasing or planning to purchase a product or service is the consumer value theory developed by Sheth, Newman and Gross in 1991 (Sheth *et al.*, 1991; Denys and Mendes, 2014).

The consumption value theory states that consumers have multifaceted choice, which is to buy or not to buy, to choose one type of product or service over another, and to choose one brand over another, which is influenced by a variety of benefits (Sheth *et al.*, 1991; Fernandez and Bonillo, 2007). The Fig 2.2 below depicts the five forms of value (dimensions of value) that influence consumers' choice.

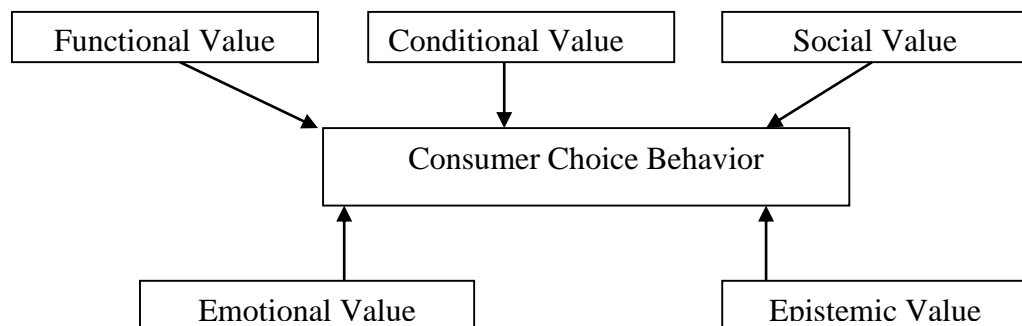


Fig 2.2: The five values influencing consumer choice

Source: Sheth *et al.*, (2014)

The functional value relates to the product or service ability to perform its functional, utilitarian or physical purposes (Sheth *et al.*, 2014). In hospitality industry functional value may be acquired through consumption of the hotels aesthetics, food, souvenirs and services. Social value relates to the congruence of the image the consumer wants to project with the social class, friends or associates norms (Fernandez and Bonillo, 2007). The reference group in which the consumer belongs to have a lot of influence in

his or her consumption habits, the perception of what is acceptable to the group is very important in making decisions pertaining to purchases. Emotional value can be acquired through the affective ability of the product. It is associated with the ability of the product to evoke fear, anger or happiness (Sheth *et al.*, 1991). Epistemic value is associated with the ability of the product to evoke curiosity and search for curiosity while conditional value arises due to the situation or particular circumstances.

According to Sheth *et al.*, (1991) consumption value theory is based on three propositions; consumer choice is a function of multiple consumption values, consumption values make differential contributions in any given situation and consumption values are independent. This view is disputed by research carried out by Kalafatis, Ledden and Mathioudakis (2010), who argue that the dimensions of value should be conceptualized as interdependent forming a hierarchical structure that begins with cognitive aspects of value (functional and epistemic) followed by affective aspects of value (social and emotional). They further proposed that conditional value should act as a moderator of some relationships involving the other dimensions.

This study takes into perspective the Sheth *et al.*, (1991) five dimensions of value. This is in line with the classification taken by El-Adly (2015), though his study condenses the five values into three; the utilitarian, hedonic and social benefits. This study also follows closely the study conducted by Kalafatis, Ledden and Mathioudakis (2010), study where they asserted that the dimensions should be viewed as interdependent. In this study the utilitarian benefits is a representative of the cognitive aspects of value whereas hedonic and social dimensions of value relate to the affective aspects of benefits. This is backed by the results of a study conducted by William and Soutar (2000) in the hospitality industry context, which established that four of the value

dimensions of the Sheth *et al.*, (1991) model were evident for the consumers whereas none of the responses fitted the conditional benefits.

One of the limitations facing this theory is whether the values are sought or evaluated in a sequence by the consumer or simultaneously. According to Ramkisson, Nunkoo and Dogan (2009) the consumption values are independent of one another though they acknowledge that functional value is given precedence before any other value. This is a claim that is refuted by the study conducted in China on cultured divergence of consumption values in vacation experience, which imputes that the tangibility or intangibility of the product influence the evaluation of value by the consumer (Xiaoxiao, Xinran, Lehto, & Liping, 2012). This study brought into perspective how different cultures view and explore value especially between cultures. This study does not depart from the original conceptualization of the value dimensions as proposed by Sheth *et al.*, (1991) though it acknowledges the various emerging issues like interdependency of values, choice of products based on sequential ranking of values and influence in value evaluations due to the intangibility or tangibility and environment of product consumption.

2.5.3 Social Exchange Theory

Relationship marketing and its tools have been a focal point in research for the last half of a century. Several models have been used to study marketing relationship building and organizational performance, including transactional cost theory (Erramilli and Rao, 1993), social exchange theory (see e.g. Anderson and Narus, 1984; Morgan and Hunt, 1994), resource dependency theory (see e.g. Davis, 2009), and the network theory (see, Achrol, 1997). From this stream of research the social exchange theory has emerged as a powerful model that represents the antecedents of structuring and administration

of loyalty programs to a targeted relationship. Therefore the social exchange theory will be used in this study to gain an understanding of loyalty programs influence on customer satisfaction.

Studies have established that marketing relationships evolve with time (Scanzoni 1979; Dwyer et al. 1987). Studies conducted by (Bejou and Palmer 1998; Morgan and Hunt 2000), have reported movement from relatively formal contractual and market based governance mechanisms to more socially driven relational governance mechanisms. Through this kind of research marketers are in a better position to establish the kind of inputs required to produce certain kind of desired outputs. As Bagozzi (1995) puts it there is need to establish the forces and conditions creating and resolving marketing exchange relationships.

Whenever a marketing activity is carried out a voluntary relationship is established that embodies reciprocity as its core element (Day and Montgomery, 1999; Bagozzi, 1995). Reciprocity in exchange is taken as a building block in much of research conducted on relationships across various disciplines (see Becker 1956; Homans 1958; Thibaut and Kelley 1959). Social exchange theory, developed in psychology and sociology, focuses on reciprocity and the macro processes, power and interdependence, which drive it. The purpose of this study is to introduce social exchange theory as an important approach towards understanding the interpretation of key relationship marketing inputs to outputs.

This study is premised on the social exchange theory in recognition of the assumption that the human beings are rational and they make a choice on which service provider facility they frequent. There is also the aspect that human beings seek for relationships and this explains the reason why they join loyalty program clubs that gives them an

opportunity to interact with other members. Despite the listed strengths of the theory and why our study is premised on the theory there are various weaknesses that have been identified that affect it. According to Zafirovski (2005) social exchange theory ignores the prospect that relationships can be spontaneous rather than hierarchical as envisaged by the theory and fails to take into consideration the personal perception of a reward, which in certain circumstances can be viewed as punishment. Despite the noted weaknesses this study still considers human beings to be rational, able to make economic decisions and the development of the relationship to be hierarchical. This is in line with our model where the assumption is that the customer who is a registered loyalty program member has expectations on the kind and nature of the benefits that he is bound to experience with the ultimate goal being satisfaction.

2.6 Proposed Conceptual Framework

The proposed conceptual framework below provides a link between loyalty programs and customer satisfaction as well as mediating and moderating variables as indicated in the figure below. The conceptual framework is adopted from Hayes (2012) and, Edwards and Lambert (2007) models of integrating moderation and mediation.

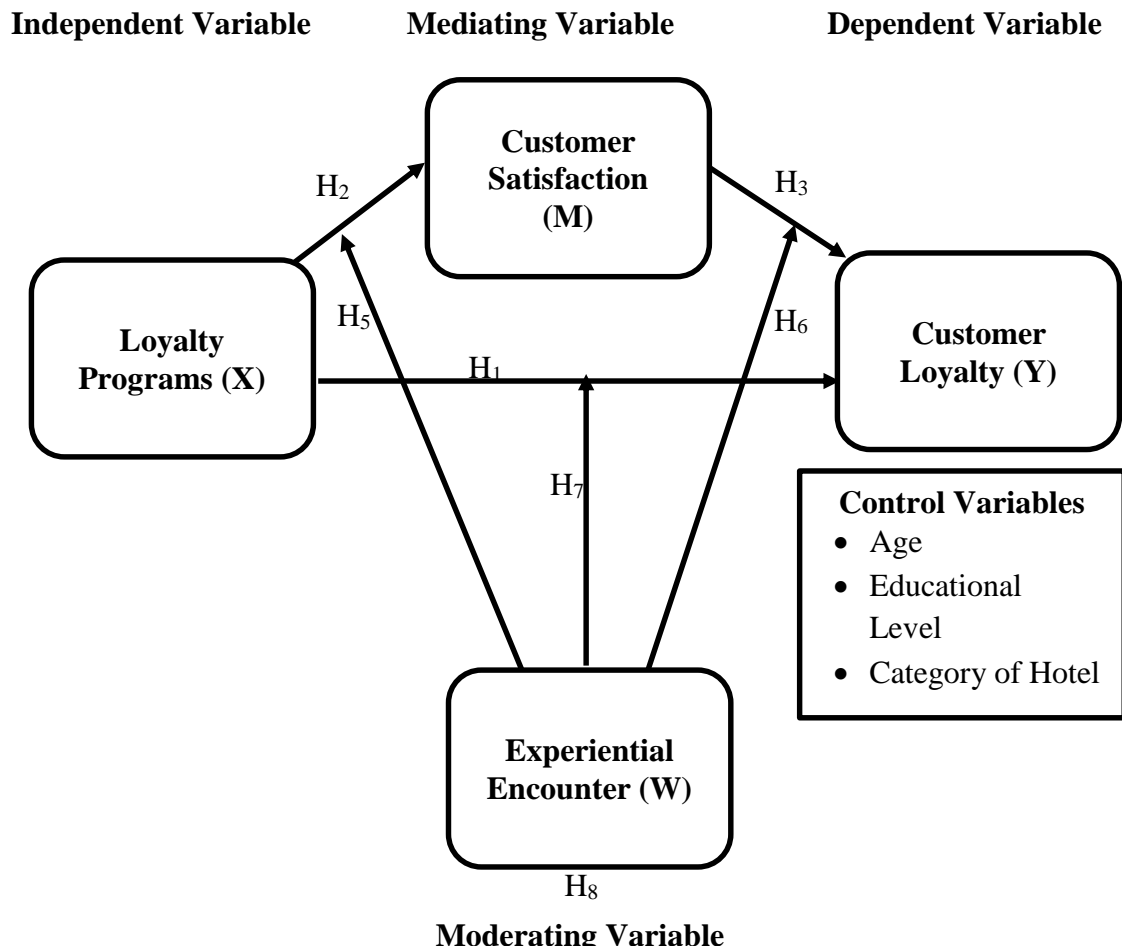


Fig 2.3 Conceptual Framework

Source: Adopted from Hayes Model 59

The Fig 2.3 above depicts the conceptual diagram of a conditional process model. This kind of relationship has been referred to as moderated mediation while others have referred to it as mediated moderation (Hayes, 2013). It has also been labelled as total effect moderation model (Edward and Lambert, 2007). This model depicts three moderated relationships one from loyalty programs to customer satisfaction ($X \rightarrow M$), another from customer satisfaction to customer loyalty ($M \rightarrow Y$), and the other from loyalty program to customer loyalty ($X \rightarrow Y$).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Overview

This chapter provides a description of the research methods and methodology that was used in conducting the study. The theoretical basis that this study rests on was explored, providing a justification for each of the research stages. In addition this chapter explores and establishes a framework that was used in conducting the empirical study to address the research questions stated for the purpose of this research. Thus it includes the research design, research purpose, target population of the study, sampling methodology, data collection and research instruments, reliability and validity of research instruments, data analysis and presentation.

3.1 Research Philosophy

This study is within the positivism philosophy. This philosophy offers the researcher the opportunity to understand the research methodology in a more analytical perspective providing the ability to refine and clarify research methods thus simplifying the data collection process. The research philosophy; positivism assists in bringing to understanding the different research methodologies on offer, equipping the researcher with skills to avoid ambiguities in placing the study within a given study area and within a group of related studies and research works (Crossan, 2003; Saunders, 2007; Sullivan, 2001 and Mastin, 2008). Positivism induces creativity and exploration of the appropriate research methods (Easterby-Smith *et al.*, 2002).

This study makes use of positivism more than phenomenological perspective philosophy. This is because the application of loyalty programs as a strategy towards customer satisfaction can be defined objectively through the use of established

theoretical frameworks and structured instruments. The frameworks are used to assess and analyse the relationship, upon which generalizations are made from the findings.

3.2 Research Design

This study made use of explanatory research design. An explanatory research design is appropriate for this study as it is used to identify presence of casual link between loyalty programs and customer's satisfaction, and customer loyalty. Explanatory research design is made use of due to its ability to test a stated hypothesis (van Wyk, 2012). The explanatory research design is appropriate for this study as it seeks to establish the relationship between loyalty program benefits and customer loyalty of loyalty program members patronizing star rated hotels. Explanatory research design is recommended when studying attitudes, ideas and behaviour (Sproull, 1995). The design also conforms to the work of Maina (2014) and Mwencha (2015).

The study also adopts a survey research strategy which is associated with the deductive approach. The survey research strategy is chosen from several commonly used research strategies in business and management that is; experiment, survey, case study, action research, grounded theory, ethnography and archival research (Easterby-Smith *et al.*, 2008; Collis and Hussey, 2009; Saunders *et al.*, 2009). Survey research strategy involves collection of information from respondents through an administered research instrument within a given phenomenon (Saunders *et al.* 2009; Coopers and Schindler, 2010). The research strategy is frequently used to answer who, what, where, how much and how many kind of questions therefore frequently being applied for descriptive research (Saunders *et al.* 2009; Coopers and Schindler, 2010). Therefore, this study used survey research strategy because it seeks the opinion of the survey population about a specific subject matter or issue.

3.3 Target Population

The registered loyalty programs members patronizing registered star rated hotels at Kenya's Coast region act as the target population of our study. The target population is the total collection of loyalty program members that this study intends to make inferences on (Coopers & Schindler, 2010). According to McDaniel and Gates (1996), this population of loyalty program members is synonymous to the universe and these two are used interchangeably. The rating of the hotels ranges from 1 star to 5 stars (ROK, 2016) and the main set of population for this study were the customers patronizing the registered star hotels more so those with access to loyalty programs. A record of this population is found in the registered hotels and restaurants as presented in Appendix VI. The Table 3.1 below describes the population.

Table 3.1 Target Population

S/No.	Hotel Category	Number of Hotels	Registered LP Members
1	5 Star	23	300
2	4 Star	30	374
3	3 Star	59	422
Total		112	1096

Source: Survey Data (2017)

3.4 Sampling Size and Sampling Procedure

According to Coopers & Schindler (2010) a sample is a subset of the population. It is used by the study to draw inference from the population thus enabling the generation of a solution towards the research problem. To derive a sample from the population of the loyalty program members a sampling process is carried out. This is in a bid to establish a sample of loyalty program members that are representative of the whole population, Gray (2004). The list of 1096 registered loyalty program members

patronizing the 112 registered hotels operating at the Kenyan Coast forms the sampling frame of the study as depicted in Appendix VI.

This study used stratified random sampling in the selection of registered loyalty program members patronizing the star rated hotels in each of the categories, from 1 star to 5 star hotels. According to Kothari (2012) studies opt for stratified sampling method due to its ability to overcome problems associated to heterogeneous populations. This is supported by Saunders, Lewis and Thornbil (2009) who impute that through categorization of population into homogenous strata's, problems of heterogeneity are overcome. Further, the study makes use of Cochran's sample size determination equation to arrive at a sample size of 384 patrons as indicated in the succeeding paragraph.

$$n_0 = \frac{z^2 pq}{e^2} \text{ where } n_0 \text{ is the minimum sample size required}$$

Z^2 is the abscissa of the normal curve that cuts off an area α at the tails; $1-\alpha$ equals the desired level of confidence.

e is the desired level of precision (the margin of error estimated at $\pm 5\%$)

p Proportion belonging to a specific category

q Proportion not belonging to a specific category

z the value corresponding to the confidence level required (1.96 for 95% level of confidence)

Thus the minimum sample size required for this study is $n_0 = \frac{1.96^2(.5)(.5)}{.05^2} = 384.16 \approx 384$

The proportionate sample for each of the loyalty programs members patronizing each of the hotel's categories is represented in Table 3.2 below while the proportionate sampling calculations are shown in Appendix III.

Table 3.2 Sample Size of the Study

S/No.	Hotel Category	Sample Size
1	5 Star	105
2	4 Star	131
3	3 Star	148
Total		384

Source: Survey Data (2017)

3.5 Data Collection Instrument

A questionnaire was used to collect data from the loyalty program members of the sampled hotels. The questionnaire adopted a Likert scale style questions design to measure the study variables. Respondents were asked to rate their agreement with each item on a five-point Likert scale ranging from (1) strongly disagree to (5) strongly agree. The questionnaire was designed with consistency and relevancy in mind. This was aimed at bolstering the ability of the research instrument to contribute towards theory development and or theory testing.

The questions in the research instrument were designed with precision and clarity to ensure the study collects relevant information. This would ensure consistency with the research philosophy and approach that the phenomenon under study dictates.

3.5.1 Data collection procedure

To ensure accurate and applicable research instrument for data collection, the research instrument was first administered on trial basis to 20 patrons of star rated hotels who were loyalty program members patronizing the same star rated hotels within Nairobi County. The hotel customers were requested to answer the questionnaire and indicate any ambiguity or difficulty in understanding the questions. Any ambiguity noted in the

structure of questions or instructions was rectified. This procedure of questionnaire administration ensures that the study only utilizes respondents qualified to participate in the final questionnaire administration. It further makes use of experience and frequency as a measure to take into consideration when dealing with important divergence views and opinions existing within the entire population. This is important for two reasons: First, because the respondents in the pilot test should, to the highest extent possible, be similar to the respondents responding to the final questionnaire (Malhotra and Birks, 2011) and secondly, since the feedback from the pilot test comprises of all elements of the study. This procedure is an important aspect of a research process as it determines whether the research objectives are met and whether they are structured in a way that safeguards the study from collection of substandard data which is in a position to negatively impact on the results of the study and ultimately lead to invalid results and false conclusions (Saunders *et al.*, 2009). The final version of the questionnaire administered in this study can be accessed in Appendix A.

A list of all the loyalty programs members as clustered according to hotel classification was developed then thereafter random sampling to establish the final respondents to participate in the study was conducted. To enhance the rate of response the management of hotels sampled was briefed concerning the, purpose of the study, process of questionnaire administration, and analysis of the data to be collected from the loyalty programs members. The materials and procedures used in this study were first approved by the Department of Marketing and Logistics. Further study authorization and approval was sought from Research and Ethics Committee of National Commission for Science, Technology & Innovation- Kenya. Thereafter, the Research Assistants who are graduates in the area of Business Administration and competitively selected for the purpose of questionnaire administration were supposed to inform the respondents of the

voluntary participation nature of the study and provided instructions on the process of filling the questionnaire. Informed consent was sought from the respondents, as well as assurances of the privacy and anonymity of the study in order to encourage honest answers to the research items. Less than 10 per cent of the participants declined to submit the filled questionnaire.

3.6 Data Analysis and Presentation

“Data analysis is a systematic search for meaning. It is a way to process qualitative and quantitative data so that what has been learned can be communicated to others. Analysis means organizing and interrogating data in ways that allow researchers to see patterns, identify themes, discover relationships, develop explanations, make interpretations, mount critiques, or generate theories. It often involves synthesis, evaluation, interpretation, categorization, hypothesizing, comparison, and pattern finding” (Hatch, 2002 pp. 148).

According to Shamo and Resnik (2003), data analysis is the process of systematically applying statistical and or logical techniques to describe and illustrate, condense and recap, and evaluate data. This is supported by Dey (1993) who posits that the process of data analysis begins after completion of data collection. Zikmund (2002) reiterates that the data analysis process consists of several interrelated procedures that the researcher has to perform in order to arrange and summarize the data. According to Zikmund the choice between the four methods of data analysis available to the researcher are influenced by the research design and research environment. These four methods include, descriptive, univariate, bivariate and multivariate. For this study the researcher settled for a descriptive analysis as it affords the researcher a methodology of summarizing the findings of the study.

In this study the researcher utilized the three steps process of data analysis as proposed by Taylor and Bogdan (1998) where the first step entailed examining data for themes, concepts and propositions; the second step involved checking for errors and omissions, coding the data and refining one's understanding of the subject matter, and the final activity involves, understanding the data in the context it was collected, followed by numerical and qualitative analysis. The researcher then utilized descriptive and inferential statistics to establish the extent of relationships between the studies constructs.

This study investigated various factors as reflected in the research instrument. This required systematic analysis of collected data along the factors and variables studied to facilitate the drawing of inferences (Coopers and Schindler, 2006). To test the study hypothesis and establish their respective statistical significance, ANOVA of F-tests as well as multiple linear regression analysis were conducted. This study adopted (Hayes, 2013) PROCESS macro (Model 59) to perform the moderated mediation analysis and PROCESS macro (Model 4) for mediation analysis. Bootstrapping method was used to test the significance of the effects in order to obtain robust standard errors for parameter estimation (Hayes, 2013). The bootstrapping process produced 95 percent bias corrected confidence intervals of these effects from 5000 resamples of the data. Confidence intervals generated that do not contain zero signify effects that are significant at $\alpha = 0.05$.

Data collected from the respondents through the administration of the questionnaire was coded, edited and keyed into the computer to facilitate statistical analysis. Statistical Package for Social Science (SPSS) version 23 was used in the data analysis. The analysed data was then interpreted and presented in tables and figures.

3.6.1 Model Specification

The purpose of this study was threefold. First, the study examines the direct effect of loyalty program benefits on customer loyalty, the relationship between loyalty programs benefits and customer satisfaction, and the relationship between customer satisfaction and customer loyalty. The second purpose of the study was to determine whether customer satisfaction would mediate the link between loyalty programs benefits and customer loyalty. Finally, this study examined the indirect relationship between loyalty programs and customer loyalty through customer satisfaction, moderated by experiential encounter. These two research questions formed a moderated mediation model which can address both mediation (that is, how do loyalty programs lead to customer loyalty?) and moderation (that is, when is the customer more loyal?) mechanisms underlying the relationship between loyalty programs and customer loyalty. To test the hypotheses of the study and achieve the above outlined purposes the study adopted the piece meal approach for hypotheses one and integrated approach for the rest of the hypotheses.

To achieve the first purpose and more so to test the first, second and third hypothesis of the study; simple linear regression is made use of. According to Anderson, Sweeney, and Williams (2010) simple linear regression is a statistical method that allows the summarization and the study relationships between two continuous variables. The model depicted in the figure below shows the relationship between the variables;

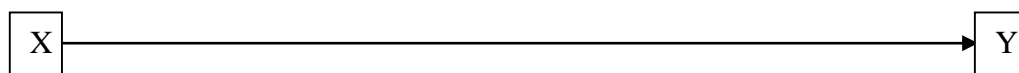


Fig 3.1 Simple Regression Model

The first hypothesis loyalty program benefits have no significant effect on customer loyalty is depicted in the following model

$$CL = i_1 + c_1 LP + e,$$

Where CL depicts customer loyalty, CS customer satisfaction and LP represents loyalty program benefits. The i_1 , i_2 and i_3 represents the intercepts while c_1 , c_2 and c_3 are the coefficient relating the independent variable and dependent variable. The second hypotheses, Loyalty program benefits have no significant effect on customer satisfaction is presented as below;

$$CS = i_2 + c_2 LP + e,$$

The third hypotheses, customer satisfaction has no significant effect on customer loyalty is depicted in the model below as;

$$CL = i_3 + c_3 CS + e,$$

To achieve the second purpose and more so to test the first hypothesis of the study; the mediating effect of customer satisfaction has no significant effect on the relationship between loyalty programs benefits and customer loyalty the study used Mackinnon’s (2008) causal approach to statistical mediation analysis and model 4 as depicted by Hayes (2012) .The causal method uses information from regression equations derived from relationships depicted in Fig 3.1 below.

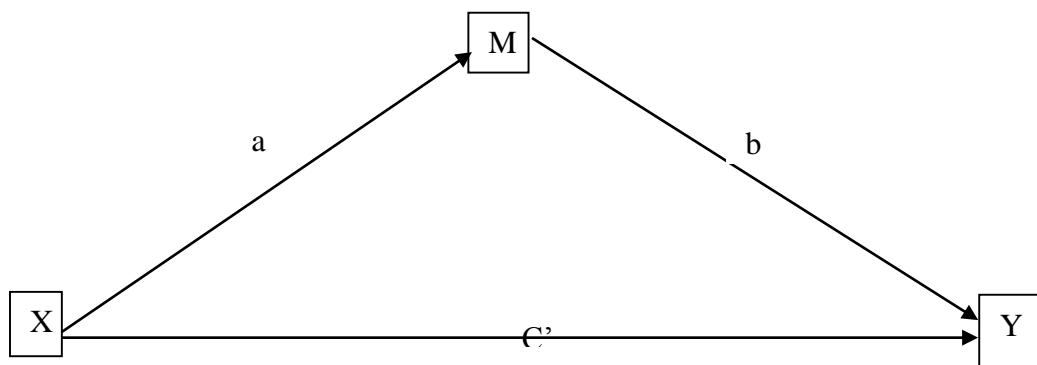


Fig 3.2 Mediation Model

The three regression equations are as follows

$$Y = i_1 + cX + e_1 \dots \dots \dots \text{ i.}$$

$$Y = i_2 + c'X + bM + e_2 \dots \dots \dots \text{ii.}$$

$$M = i_3 + aX + e_3 \dots \dots \dots \text{iii.}$$

Where i_1 , i_2 and i_3 are intercepts, Y is the dependent variable representing customer loyalty, X is the independent variable representing loyalty programs, M is the mediating variable representing customer satisfaction, c is the coefficient relating the independent variable and dependent variable, c' is the coefficient relating independent variable to dependent variable adjusted for mediator, a is the coefficient relating independent variable to the mediator, b is the coefficient relating the mediator to the dependent variable adjusted for the independent variable whereas e_1 , e_2 and e_3 are error terms.

To assess mediation the Baron and Kenny (1986) four step approach was used. Baron and Kenny (1986) posit that a given variable may be said to function as a mediator to the extent that it accounts for the relation between the predictor and the criterion. Mediators explain how external physical events take on internal psychological significance, whereas moderator variables specify when certain effects will hold, mediators speak to how or why such effects occur (Baron & Kenny, 1986). Mediation can be said to occur when (1) a significant relation between IV and DV exists, (2) the IV has a significant unique effect on the mediator, (3) the mediating variable must be significantly related to the DV when both the mediating variable and IV are predictors of the DV and (4) the effect of the IV on the DV shrinks upon the addition of the mediator to the model (Baron & Kenny, 2003). This is depicted in the models below where the dependent variable is assumed to be a linear function;

Model 1: Effects of Loyalty Programs on Customer Loyalty

$$CL = i_1 + cLP + e,$$

Model 2: effects of Loyalty Programs on Customer satisfaction

$$CS = i_2 + \alpha_1 LP + e,$$

Model 2: Effects of customer satisfaction on the relationship between loyalty programs and customer loyalty

$$CL = i_3 + c' LP + \beta_2 CS + e,$$

Where;

CL = Customer Loyalty; CS = Customer Satisfaction; i_1, i_2, i_3 = a constant; c, c' and α_0 = coefficients; LP = Loyalty Programs; e - Error term.

To test hypotheses two, three and four we use model one as depicted and recommended by Hayes (2012). Model I is represented in Fig 3.2 below

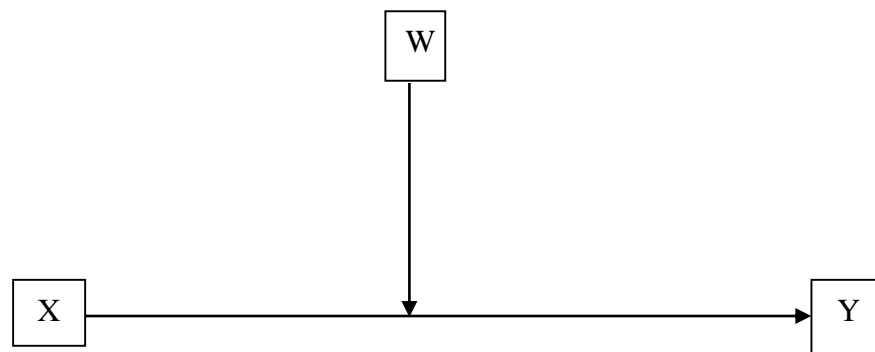


Fig 3.3 Moderation Model

The model above indicates the presence of moderation which according to the three hypotheses will give rise to the following regression equation.

$Y = b_0 + b_1 X + b_2 W + b_3 XW + e$; where X, is the independent variable, W is the moderator, Y the dependent variable and e the error term. Thus the three regression models for testing the hypotheses are;

- i. $CS = b_0 + b_1 LP + b_2 EE + b_3 LP.EE + e_1$
- ii. $CL = b_0 + b_1 LP + b_2 EE + b_3 LP.EE + e_2$
- iii. $CL = b_0 + b_1 CS + b_2 EE + b_3 CS.EE + e_3$

Whereby LP is loyalty programs, CS is customer satisfaction; EE is experiential encounter while CL is Customer Loyalty. The test is whether $b_3 \neq 0$.

To achieve the second purpose and test hypotheses five the study makes use of integrated approach applying model 59 as discussed by Edwards and Lambert (2007) and Hayes (2007). The PROCESS macro followed by path coefficients was used to determine the direction and strengths of the factors. Regression weights were used to test the contribution of different indicators to customer loyalty. Path analytic framework makes it possible to integrate moderation and mediation. As depicted in Fig 2.3, the conceptual framework and Fig 3.2, the statistical diagram, the model is a combination of first and second stages of the indirect effect with moderation of the direct effect. This model is usually referred to as total effect moderation model (Alwin and Hauser, 1975; Borau *et. al.*, 2015; Edwards and Lambert, 2007). The model is analysed through moderated regression and path analysis where, the paths of the model are expressed as a series of regression equations. The regression equations for the total effect model

$$M = a_0 + a_1X + a_2W + a_3XW + e_M \dots\dots\dots(1)$$

$$Y = b_0 + b_1M + b_2MW + c_1'X + c_2'W + c_3'XW + e_Y \dots\dots\dots(2)$$

Where M= Customer Satisfaction, X=Loyalty programs, W= Experiential Encounter, Y= Customer Loyalty.

Substituting equation (1) into equation (2) realises a reduced form equation for the total effect moderation model. The reduced form equation should be of the form $Y = a + bX$ and will be used to identify direct, indirect, and total effects and show how these effects vary across levels of the moderator variable

$$Y = b_0 + b_1 (a_0 + a_1X + a_2W + a_3XW + e_M) + b_2 (a_0 + a_1X + a_2W + a_3XW + e_M) \\ W + c_1'W + c_2'W + c_3'XW + e_Y \dots\dots\dots(3)$$

Distributing and collecting the like terms gives rise to equation (4) below:

$$Y = b_0 + b_1a_0 + (c_1' + a_1b_1) X + (c_2' + a_2b_1 + a_0b_2) W + a_2b_2W^2 + (c_3' + a_3b_1 + a_1b_2) XW + a_3b_2 XW^2 + e_Y + b_1 e_M + b_2We_M \dots\dots\dots (4)$$

Writing in terms of simple slopes:

$$Y = [(b_0 + c_2'W) + (a_0 + a_2W) (b_1 + b_2W)] + [(c_1' + c_3'W) + (a_1 + a_3W) (b_1 + b_2W)] X + e_Y + (b_1 + b_2W)e_M \dots\dots\dots (5)$$

We have that:

$$[(b_0 + c_2'W) + (a_0 + a_2W) (b_1 + b_2W)] = \text{Simple intercept}$$

$$[(c_1' + c_3'W) + (a_1 + a_3W) (b_1 + b_2W)] = \text{Simple slope}$$

Whereby:

$(c_1' + c_3'W)$ is the simple direct effect

$(a_1 + a_3W)$ is the simple first stage effect

$(b_1 + b_2W)$ is the simple second stage effect

Hence, the simple indirect effect(s) of X on Y, conditional on W is given by $(a_1 + a_3W)$ $(b_1 + b_2W)$ while simple direct effect of X on Y, conditional on W: $c_1' + c_3'W$

The Fig. 3.2 below represents the statistical diagram used to represent the relationship between variables statistically.

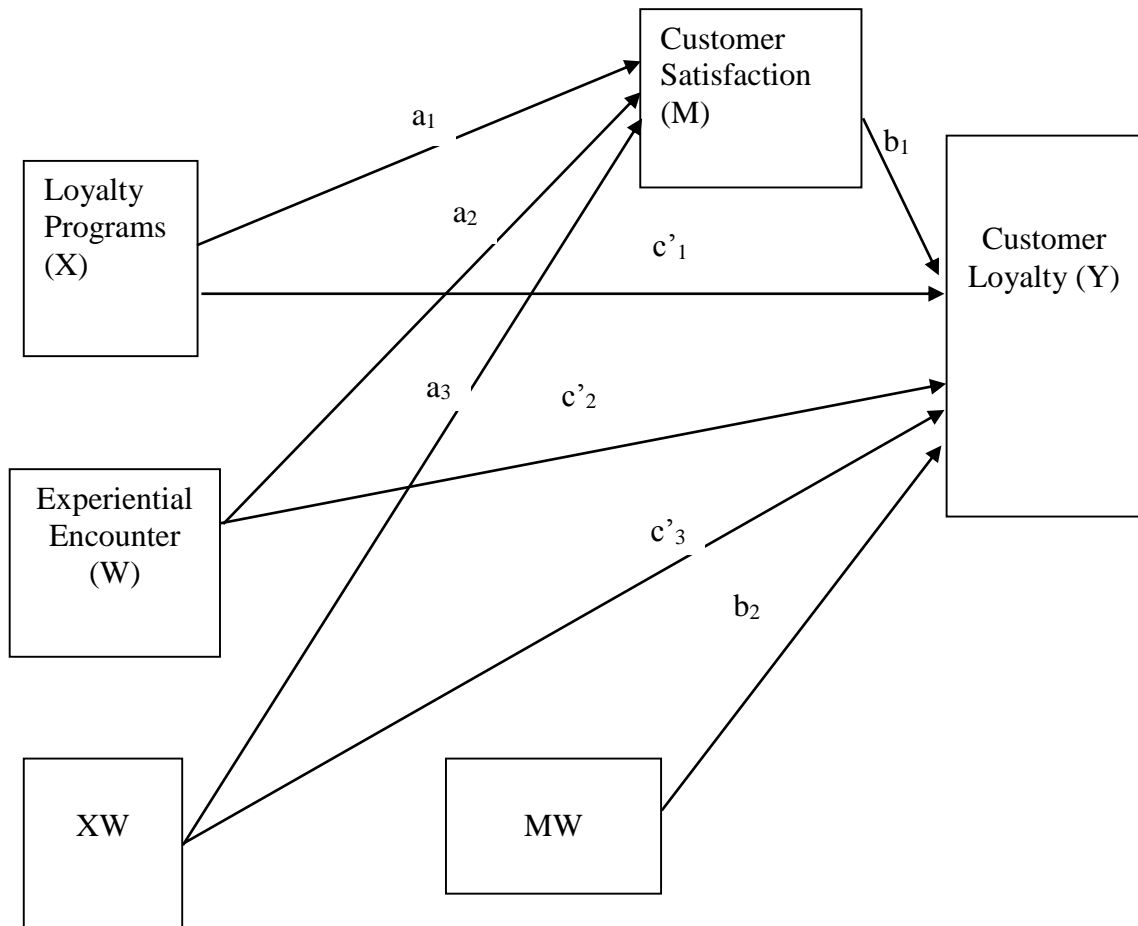


Fig 3.4 Statistical Diagram: Relationship between Independent, Dependent, and Intervening Variables

3.6.2 Assumptions of Regression Model

The general purpose of multiple regressions as a statistical tool is to aid the study in testing the presence of relationship between several independent or predictor variables and a dependent or criterion variable. For successful data analyses that avoid type I and II errors, the researcher needs to check whether the data to be analysed can be analysed using multiple regression. It is only appropriate to use multiple regressions if the data "passes" several assumptions so as to give a valid result.

When the assumptions are violated the validity, conclusions and recommendations generated from the results may not be meaningful in solving the research problem,

resulting in a Type I or Type II error, or over- or under-estimation of significance or effect size(s). As Pedhazur (1997) notes, "Knowledge and understanding of the situations when violations of assumptions lead to serious biases, and when they are of little consequence, are essential to meaningful data analysis".

3.6.2.1 Normality

In multiple regressions there is an assumption that the variables and the residuals (predicted minus the observed values) are normally distributed. According to Pedhazur (1997) non-normally distributed variables (highly skewed or kurtosis variables, or variables with substantial outliers) can distort relationships and significance tests. The researcher can carry out visual inspection of data plots, skew, kurtosis, and Q-Q plots to gain information about normality, and Shapiro-Wilkson tests to provide inferential statistics on normality. Outliers can be identified either through visual inspection of histograms or frequency distributions, or by converting data to z-scores.

The removal of univariate and bivariate outliers can reduce the probability of Type I and Type II errors, and improve accuracy of estimates (Osborne, 2001). This is carried out through bivariate/multivariate data cleaning (Tabachnick & Fidell, 2000).

3.6.2.2 Linearity

In standard multiple regressions there needs to be a linear relationship between (a) the dependent variable and each of your independent variables, and (b) the dependent variable and the independent variables collectively. As there are many instances in the social sciences where non-linear relationships occur (e.g., anxiety), it is essential to examine analyses for non-linearity. If the relationship between independent variables (IV) and the dependent variable (DV) is not linear, the regression analysis results underestimates the true relationship. This under-estimation carries two risks: increased

chance of a Type II error for that IV, and in the case of multiple regression, an increased risk of Type I errors (over-estimation) for other IVs that share variance with that IV.

There are three primary ways to detect non-linearity as suggested by Cohen and Cohen (1983), and Berry and Feldman (1985). The first method is the use of theory or previous research to inform current analyses. However, as many prior researchers have probably overlooked the possibility of non-linear relationships, this method is not fool proof. A preferable method of detection is examination of residual plots (plots of the standardized residuals as a function of standardized predicted values, readily available in most statistical software).

3.6.2.3 Multicollinearity

According to Kutner, Nachtsheim & Neter (2004) multicollinearity occurs when one or more predictor variables in a multiple regression model can be linearly predicted by the independent variables with a substantial degree of accuracy. Presence of multicollinearity leads to increased standard error of estimates resulting to misleading population parameters inferences. Severe multicollinearity may lead to increase in the variance of the coefficient of estimates as it unlike moderate multicollinearity which are not sensitive to minor changes. The preferable method for detection of multicollinearity is Variance Inflation Factor (VIF) or correlation coefficient where a coefficient of more than 0.80 is considered to be a sufficient indicator of multicollinearity.

3.6.2.4 Homoscedasticity

Homoscedasticity means that the variance of errors is the same across all levels of the IV. When the variance of errors differs at different values of the IV, heteroscedasticity is indicated. According to Berry and Feldman (1985) and Tabachnick and Fidell (1996)

slight heteroscedasticity has little effect on significance tests; however, when heteroscedasticity is marked it can lead to serious distortion of findings and seriously weaken the analysis thus increasing the possibility of a Type I error.

This assumption can be checked by visual examination of a plot of the standardized residuals (the errors) by the regression standardized predicted value. Most modern statistical packages include this as an option.

3.6.2.5 Autocorrelation

Autocorrelation assumption in regression models refers to the presence of correlation of error terms between consequent observations. The observations of the error terms are supposed to be independent of each other (Field, 2009). The presence or absence of autocorrelation is established by carrying out the Durbin Watson (DW) test statistic for autocorrelation. The test varies between 0 and 4 where a value of 2 implies that the errors are uncorrelated while values greater than 3 indicate high correlation (Field, 2009). This study used a DW test statistic of 2 to assess independence of errors.

3.6.2.6 Test for Outliers

According to Hawkins (1980) an outlier is defined as an observation that deviates so much from the other observations in the study such that it arouses suspicion of being generated by a different methodology or it doesn't belong to the same data set. To test for outliers the Cook's Distance test is applied to the data due to its ability of detecting multiple outliers. According to Cook & Weisberg, (2006) outliers are present in the data set when Cook's Distance (D_i) is > 1 while absence of outliers indicates a test statistic; $D_i < 1$. In this study D_i was calculated as a mean value that indicated absence of outliers in the data set when $D_i < 1$.

3.6.3 Measurement of Variables

The independent, intervening and dependent variables were measured as indicated below;

3.6.3.1 Dependent Variable

The Dependent variable for this study is customer loyalty. The construct customer loyalty was assessed with 12 items adapted from prior published empirical studies, customer loyalty scales and questionnaires as used by (Söderlund, 2006; Dick & Basu, 1994; McMullan & Gilmore, 2002). The items 1, 2, 3, and 4 as represented in the questionnaire (Refer to Appendix II for the complete list of the items) were adapted from, Söderlund, (2006); items 6 to 12 were adopted from McMullan and Gilmore (2002) study while the rest had been made use of by Dick and Basu (1994).

3.6.3.2 Intervening Variables

The study has two intervening variables; the experiential encounter which plays the role of a moderating variable and customer satisfaction which is the mediating variable. To measure customer satisfaction the study adopted measurement items from De Wulf *et al.* (2001), Cronin and Taylor (1992), and Lam *et al.* (2004). The items were distributed as follows; 4-7 by Lam *et al.* (2004), items 1 to 3 by Cronin and Taylor (1992) while the instrument by De Wulf *et al.* (2001) included 8 of the 10 items (See Appendix II) Experiential encounter adopts a multidimensional concept consisting of three dimensions including: sense, feel and relate. The measurement scale items are based on measurement items developed by Schmitt (1999), Yang and He (2011), Keng *et al.* (2007), Lockwood *et al.* (2011) and Parasuraman (1985). This study adopted item 1, 3, 8 and 9 from the items advocated by Schmitt (1999), items 2, 5, 7 were derived from the instrument from Parasuraman (1985) and Keng *et al.* (2007), while the rest of the

items were adapted from the instrument developed by Lockwood *et al.* (2011), refer to (Appendix II for the list of the items).

3.6.3.3 Independent Variable

The independent variable for this study is loyalty programs benefits. The benefits enjoyed by members of loyalty programs are measured using the five dimensional measurement scale proposed by Sweeney and Souter (2001) for items 1 to 5. The study also borrows from Minouni-Caabane and Volli (2010), for items 6 to 8 and Bose and Rao (2011) for the rest of the loyalty programs scales. That is loyalty is operationalized as a multidimensional concept consisting of five dimensions including: monetary, exploration, entertainment, recognition and social. The selected items are measured on a five point scale anchored by strongly agree and strongly disagree.

3.7 Reliability and Validity

The key indicators of the quality of a measuring instrument are the reliability and validity of the instrument (Kimberlin and Winterstein, 2008). In this study the variables of interest have been developed from theoretical constructs. Using instruments that are valid and reliable to measure such constructs is a crucial statement of the research design and process quality.

3.7.1 Reliability of Study Measures

Reliability is the degree to which the research instrument produces stable and consistent results. It is the “The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable” (Joppe, 2000).

The higher the reliability of an instrument, the less it is influenced by random and unsystematic factors. In quantitative research there are three common types of reliability as pointed out by Kirk and Miller (1986): the degree of consistency of results, the stability over time and the similarity within a given time period. This is concurred by Kimberlin and Winterstein (2008) who assert that "Reliability estimates are used to evaluate (1) the stability of measures administered at different times to the same individuals or using the same standard (test–retest reliability) or (2) the equivalence of sets of items from the same test (internal consistency) or of different observers scoring a behaviour or event using the same instrument (interraterreliability)".

This research makes use of Cronbach's alpha coefficient as it is the most widely used measure for assessing reliability for a measurement scale with multipoint items (Malhotra et al., 2002). The value of Cronbach's alpha varies between zero and one where zero is an indicator of lack of internal consistency while a value of one means perfect internal consistency (Cronbach & Hedge, 2001). For the interpretation of the Cronbach's alpha coefficient the study utilize Nunnally (1978) interpretations such that a Cronbach Alpha value above 0.80 indicates good reliability and a value in-between 0.6 to 0.8 indicates acceptable reliability, while a value below 0.6 indicates unacceptable reliability.

3.7.2 Validity

Validity is concerned mainly with two things: whether the results obtained by the measurement instrument meet all of the requirements of the scientific research method and whether they are actually measuring what they want to measure (Winter, 2000). Validity is defined as the extent to which an instrument measures what it purports to measure (Kimberlin and Winterstein, 2008). There are two dimensions of validity:

internal and external validity. Internal validity is concerned with the researcher investigations whether they are within the claimed investigation. External validity is concerned with the extent to which the research findings can be generalized to wider population (Kimberlin and Winterstein, 2008).

According to Zikmund et al., (2010) there are four approaches to establishing validity; face validity, content validity, and criterion validity and construct validity. In this study face validity is established by inspecting the contents of the questions to ensure they appropriately reflect the variables being measured. To establish content validity, questions to be administered are classified and checked whether they fit the specific topics and variables being measured. The subject matter experts in the School of Business and Economics were consulted to review the questions and compare them with the established blue prints. To meet the requirements of criterion validity the study makes use of research measures developed from already established measurements like satisfaction scale items by Sweeney and Souter (2001). On the other hand construct validity was established by ensuring that the questions are appropriate in consideration to the purpose of the study and they are based on the theory from which they are drawn. The questions measured the constructs that they were supposed to measure only.

3.8 Ethical Considerations

Ethics is a philosophical term derived from the Greek word Ethos, meaning character or credibility and represents a social code that conveys moral integrity and consistent values (Martyn & Anna, 2012). The ethical issues that were taken into consideration in this study included permission to carry out the research, the participation of respondents, informed consent, confidentiality, privacy and the process of analysing data (Homan, 2002).

Advice on the research process, components and ethical requirements to be met were first sought from research experts within the Moi University School of Business and Economics. Then a research permit was sought from the ethics committee of National Commission for Science, Technology and Innovation (Kenya). The researcher and research assistants explained to the respondents that participation to the study was voluntary and they had a choice to withdraw any moment they deemed right. Clarity on the nature and process of the study was provided to the research assistants and the respondents such that they could seek for explanations on the instruments, purpose of the research and research process during and at the end of the study. Respondents' identification remained anonymous while confidentiality was assured.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND INTERPRETATION

4.0 Overview

This Chapter consists of analysis, presentation, and interpretation of data focusing on the moderating mediating effect of customer satisfaction and experiential encounter on the relationship between customer loyalty programs benefits and customer loyalty in the hospitality industry within the Coastal Region of Kenya. The descriptive statistics, correlations, factor analysis and regression models results including their interpretations are presented in this chapter.

4.1 Response Rate

The study intended to collect data from 384 respondents, but data was successfully collected from 347 respondents. This represents a response rate of 90.36 percent of the target population, which falls within the confines of a large sample size as indicated by (Anderson, Sweeney and Williams, 2003). According to Babbie (2004), a response rate of over 70% is very good, 60-70 is good while returns rates of 50% and above are acceptable for analysis and publication.

4.2 Profile of the Respondents

The respondents' profiles of interest in this study included; Gender, Age of respondents, Highest level of education, Category of Hotel patronized, Number of years as a hotel patron and Number of years as a loyalty program member.

4.2.1 Gender of the Respondents

The findings of the study on gender distribution indicated that the majority of the respondents were male at 66.6 per cent, (n = 231), compared to the female with 33.4 per cent response rate, (n = 116). The gender results indicate inequality in terms of

gender patronage of star rated hotels. This indicates that male respondents tended to patronize the star rated hotels more than females which may imply that the Kenyan society is masculine in nature. The results are similar to those of Tong (2015).

4.2.2 Age of the Respondents

The majority of the respondents are within the age category of 35-44 years at 56.2 per cent, (n = 195), followed by 25-34 years at 23.3 per cent, (n = 81) while there was zero response from those aged below 25 years. Those who were 45 years and over were represented at 20.5 per cent, (n = 71). This implies that more middle aged respondents patronized star rated facilities more than those approaching the retirement age. These results were consistent with ones established by Mwirigi (2018).

4.2.3 Education Level of Respondents

The Table 4.1 indicates that the sample is predominantly well educated with Bachelor's degree accounting for 42.9 per cent, (n = 149), this is followed by Postgraduate Degree holders who are represented by 42.1 per cent, (n = 146). The respondents who had only an O' level qualification were 6.0 per cent, (n = 21) whereas Certificate holders were represented with 5.8 per cent, (n = 20) and lastly the Diploma holders were the least represented at 3.2 per cent, (n = 11). The results indicated that the level of education had an association with the patronage of star rated hotels. The results were in tandem with those of Mburu (2014) who established that the education level determined the loyalty of a customer to a service providing organization.

4.2.4 Category of Hotel Patronized

The findings of the study further indicate that majority of the respondents who participated in this study have been patronizing 3 star hotels, 37.5 per cent (n=130), followed by patrons of 4 star hotels at 33.7 per cent (n=117), and lastly the 5 star patrons

were represented at 28.8 per cent (n=100). The study results implies that as the star of the hotel facility tends to increase the less the facility is frequented by the members. This may be due to factors like the affordability due to the added features in the delivery of services and luxuries.

4.2.5 Duration as a Hotel Patron

The Table 4.1 below on demographic profiles indicates that most of the respondents had patronized the hotels between 4-6 years with 47 per cent (n =163), followed by those with a duration of 7-9 years representing 20.2 (n = 70) per cent. Respondents with 10 years and above as patrons were 19.3 per cent (n = 67) and lastly those between 1-3 years were only represented by 13.5 per cent (n = 47).

4.2.6 Duration as a Loyalty Program Member

The study showed that most of the respondents had been members of loyalty programs for a duration of between one year and six years which is a representation of 77 per cent (n = 267). The category of duration that had highest frequency was for 4-6 years at 39.5 per cent (n = 137), followed by 0-3 years, at 37.5 per cent, (n = 130). The respondents who had been loyalty program members for between 7-9 years were represented by 19.9 per cent, (n = 69), while those who had been members for 10 years and above were represented by 3.1 per cent, (n = 11). The results implies that the highest percentage of number of years as a loyalty program member was 4-6 years.

Table 4.1 Demographic Profile of Respondents

Variables		Frequency	Percentage
Gender	Male	231	66.60
	Female	116	33.40
Age	Less than 25	0	0
	25-34	81	23.30
	35-44	195	56.20
	45 and above	71	20.50
Level of Education	O-Level	21	6.00
	Certificate	20	5.80
	Diploma	11	3.20
	Bachelor's Degree	149	42.90
	Post Graduate Degree	146	42.10
Category of Hotel	5 Star	100	28.80
	4 Star	117	33.70
	3 Star	130	37.50
Number of Years Patronizing the Hotel	Less than 1	0	0
	1 – 3 years	47	13.50
	4 – 6 years	163	47.00
	7 – 9 years	70	20.20
	Over 10 years	67	19.30
Number of Years as an LP Member	Less than 1	0	0
	1 – 3 years	130	37.50
	4 – 6 years	137	39.50
	7 – 9 years	69	19.90
	Over 10 years	11	3.10

Source: Research Data (2018)

4.3 Descriptive Statistics

To describe the responses made to the research items, descriptive statistics like; the mean, standard deviation, skewness, kurtosis, minimum value and maximum value were carried out. This was performed on all the variables of the study; loyalty programs

benefits as the independent variable, experiential encounter as the moderating variable, and customer satisfaction as a mediating variable and customer loyalty as the dependent variable.

4.3.1 Descriptive Statistics for Loyalty Program Benefits

Loyalty program benefit played the role of independent variable in this study. This variable was measured using 14 questions, where each of the responses was captured using a Likert Scale. The descriptive findings of the independent variable items are indicated in Table 4.2 below. The item that scored the highest mean was “the hotel provides a free parking space”, with a mean of 4.45 and a standard deviation of 0.58. This was followed closely by the item “I feel a sense of belonging”, which had a mean of 4.44 and a standard deviation of 0.58. The item “I feel recognized for patronizing the hotel” followed closely with a mean score of 4.39 and a standard deviation of 0.551. The respondent’s concurrence with the statement “I feel close to the brand/I like to be identified with the hotel” had a mean score of 4.38 and standard deviation of 0.55 while the statement “I’m able to access express check in and out counters”, scored a mean of 4.38 and a standard deviation of 0.61. The responses on the question “The hotel offers tailored services/products to me”, scored a mean of 4.36 and a standard deviation of 0.76, this was followed closely by the response on the item “I’m updated on hotel events”, which had a mean score of 4.31 and standard deviation of 0.589. The item “Patronizing this hotel ensures I enjoy more discounts”, had a mean score of 4.25 and a standard deviation of 0.58, while the item “I’m treated with more respect as a member”, scored a mean of 4.17 and a standard deviation of 0.588. The item that had the least mean score was “I save more money” at 3.76 and a standard deviation of 0.75.

Table 4.2 Descriptive for Loyalty Program Benefits

Loyalty Program Benefits	Min	Max	Mean	Std. Dev	Skewness	Kurtosis
I save more money	2	5	3.76	.75	-.47	3.00
Patronizing this hotel ensures I enjoy more discounts	3	5	4.25	.58	-.34	2.86
Am afforded free gifts	1	5	3.98	.80	.86	1.83
The hotel provides free parking services	3	5	4.45	.58	.46	3.02
I'm afforded opportunities to try new offers/services	2	5	4.04	.75	-.50	2.95
I'm updated on hotel events	3	5	4.31	.59	.08	3.00
The hotel offers tailored services/products to me	2	5	4.36	.76	.09	2.99
I'm afforded special treatment (better care) by the hotel	2	5	4.04	.74	-.53	-1.02
I'm able to access express check in and out counters	3	5	4.38	.61	.44	3.01
I'm treated with more respect as a member	2	5	4.17	.59	-.23	3.00
I get personal attention	3	5	4.14	.54	.09	2.78
I feel a sense of belonging	3	5	4.44	.58	-.46	3.02
I feel recognized for patronizing the hotel	3	5	4.39	.55	.11	3.00
I feel close to the brand/I like to be identified with the hotel	3	5	4.38	.55	-.17	2.98

n = 347, Five point scale: 1 = strongly disagree, 5 = strongly agree

Source: Research Data (2018).

4.3.2 Descriptive Statistics for Experiential Encounter

The variable experiential encounter plays a moderating role in the study and is measured using 15 items each of which is captured on the Likert scale. From the Table 4.3 the item that had the highest mean score was “The hotel ambience engages my senses”, with a mean of 4.69 and a standard deviation of 0.53. This was followed closely by the item “The overall hotel atmosphere is stimulating”, which had a mean of 4.55 and a standard deviation of 0.56. The item “They are efficient in carrying out their job” was the next with a mean score of 4.52 and a standard deviation of 0.68. The respondent’s concurrence with the statement “The hotel services and physical evidence makes me affective”, had a mean score of 4.50 and standard deviation of 0.57 while the statement “Always acknowledge the customers presence”, scored a mean of 4.46 and a standard deviation of 0.67. The responses on the question “Offer personal experience of a product/service”, scored a mean of 4.44 and a standard deviation of 0.611, this was followed closely by the response on the item “I can relate to other patrons through the hotel” with a mean score of 4.40 and a standard deviation of 0.55. The concurrence to the item “Are very appreciative and thankful to the customers” had a mean 4.37 and a standard deviation of 0.53 while the item “I would like to buy some souvenirs’ related to the hotel” had a mean score of 4.35 and a standard deviation of 0.80. The response to the item “They are prompt in service delivery” had a mean score of 4.29 and standard deviation of 0.67 while the items “Enquire and discuss about the customers likes and /dislikes” and “Enquire about the customers day/ talk about their day”, had the same mean score of 4.24 but different standard deviation scores of 0.74 and 0.76 respectively. These items were followed by concurrence to the response to the item “The hotel processes and premises excite my senses”, had a mean score of 4.12 and a standard

deviation of 1.05, while the item “The hotel induces in me a sense of pride and patriotism” had the least mean score of 3.91 and a standard deviation of 1.07.

Table 4.3 Descriptive Statistics for Experiential Encounter

Experiential Encounter	Min	Max	Mean	Std. Dev	Skewness	Kurtosis
The hotel ambience engages my senses	3	5	4.69	.53	0.42	3.07
The hotel processes and premises excite my senses	2	5	4.12	1.05	-.06	2.93
The overall hotel atmosphere is stimulating	3	5	4.55	.56	-.48	3.00
I can relate to other patrons through the hotel	3	5	4.40	.55	.04	2.89
I would like to buy some souvenirs' related to the hotel	2	5	4.35	.80	.01	3.07
The hotel induces in me a sense of pride and patriotism	2	5	3.91	1.07	-.81	2.87
The hotel services and physical evidence makes me affective	1	5	4.50	.57	.48	2.98
The hotel services and physical evidence makes me emotional	2	5	4.42	.59	-.51	2.99
They are efficient in carrying out their job	2	5	4.52	.68	-.62	3.27
They are prompt in service delivery	2	5	4.29	.67	-.52	2.48
Always acknowledge the customers presence	3	5	4.46	.67	-.82	2.43
Are very appreciative and thankful to the customers	3	5	4.37	.53	.14	3.01
Enquire about the customers day/ talk about their day	2	5	4.24	.76	-.16	2.45
Enquire and discuss about the customers likes and dislikes	2	5	4.24	.741	.333	3.10
Offer personal experience of a product/service	3	5	4.44	.611	-.581	2.72

n=347, Five point Likert scale: 1 = strongly disagree; 5 = strongly agree

Source: Research Data (2018)

4.3.3 Descriptive Statistics for Customer Satisfaction

Customer satisfaction is the third variable in this study playing a mediation role. Customer satisfaction mediates the relationship between loyalty program benefits and customer loyalty. The mediating variable was measured using ten questions captured on a five point Likert scale. From the Table 4.4 the item that had the highest mean score was mean was “The benefits I receive from this program meets my expectation”, with a mean of 4.49 and a standard deviation of 0.57. This was followed closely by three items with same mean scores but different standard deviations. The first was “My overall evaluation of this program is good”, which had a mean of 4.46 and a standard deviation of 0.56. The second was “All in all I am satisfied with this program” with a standard deviation of 0.57. The third item was “I’m satisfied with the hotel service quality” which had a standard deviation of 0.62. The respondent’s concurrence with the statement “Using the services of the hotel has been a positive experience” had a mean score of 4.50 and a standard deviation of 0.55. This was followed by two items with a mean score of 4.45 that is “Appointments at the hotel are kept” with a standard deviation of 0.53 and “Using the services of the hotel has been a positive experience” which had a standard deviation of 0.56. The two items are followed by the item “I’m satisfied with the hotel staff” which had a mean score of 4.41 and a standard deviation of 0.56 while the item “I’m satisfied with the hotel service offering” had a mean score of 4.39 and a standard deviation of 0.54. The second least mean score was from the item “I receive prompt attention during service delivery” with a score of 4.37 and standard deviation of 0.750 while the last item was “I made a good choice when I decided to participate in the loyalty program” which had a mean score of 3.95 and a standard deviation of 1.17.

Table 4.4 Descriptive Statistics for Customer Satisfaction

Customer Satisfaction	Min	Max	Mean	Std. Dev	Skewness	Kurtosis
I made a good choice when I decided to participate in the loyalty program	2	5	3.95	1.17	-.50	3.00
My overall evaluation of this program is good	3	5	4.46	.57	-.415	3.27
The benefits I receive from this program meets my expectation	3	5	4.49	.57	-.52	2.98
All in all am satisfied with this program	1	5	4.46	.56	.32	2.93
I receive prompt attention during service delivery	2	5	4.37	.75	.45	3.01
Using the services of the hotel has been a positive experience	3	5	4.45	.55	-.16	3.00
Appointments at the hotel are kept	2	5	4.45	.56	.27	2.91
I'm satisfied with the hotel service quality	2	5	4.46	.63	-.58	2.72
I'm satisfied with the hotel staff	3	5	4.41	.56	-.42	3.06
I'm satisfied with the hotel service offering	2	5	4.39	.54	.44	2.98

n=347, Five point Likert scale: 1 = strongly disagree; 5 = strongly agree

Source: Research Data (2018)

4.3.4 Descriptive Statistics for Customer Loyalty

This is the dependent variable in this study and it was measured using 12 items whose responses were captured in a Likert Scale. From the Table 4.5 below the item with the highest mean score is “I recommend this hotel to others” with a score of 4.52 and standard deviation of 0.58, followed closely by the item “I have the intention of patronizing this hotel in the future” with a mean score of 4.50 and standard deviation of 0.69. The respondents’ concurrence with the statement “When in need of this

service/product again I will choose this hotel” had a mean score of 4.44 and standard deviation of 0.69 while the item “I gladly forward positive and valuable messages from this hotel to other people” had a mean score of 4.38 and standard deviation of 0.675. This was followed by the response to the item “I frequently mention this hotel and its products/services to others” with a mean score of 4.37 and standard deviation score of 0.72. The concurrence to the response “Am willing to pay higher prices for the products/services than for similar products/services offered by competitors” had a mean score of 4.31 and standard deviation of 0.67 while concurrence with the response to the item “I intend to keep buying and using this hotels products/services in the future” had a mean score of 4.25 with a standard deviation score of 0.762. These responses were followed by the item “Am proud when discussing/informing others about this hotel products and services” which had a mean score of 4.23 and a standard deviation of 0.656 while the items “Am willing to increase my expenditure in this hotel” and “The nature of products/services offered by this hotel makes me to consider extending my purchase time” had a similar mean score of 4.06 and standard deviation scores of 0.61 and 0.65 respectively. The concurrence to the response “I will continue to patronize the hotel even if services/products prices increases” had a mean score of 4.03 and a standard deviation of 0.70 while the item that had the least mean score was “If the hotel employees makes a mistake, am ready to forgive the error” with a mean score of 4.02 and standard deviation of 0.88.

Table 4.5 Descriptive Statistics for Customer Loyalty

Customer Loyalty	Min	Max	Mean	Std. Dev	Skewness	Kurtosis
When in need of this service/product again I will choose this hotel	1	5	4.44	.70	-.47	2.93
I have the intention of patronizing this hotel in the future	1	5	4.50	.69	.34	3.09
I intend to keep buying and using this hotels products/services in the future	2	5	4.25	.76	.86	1.83
I gladly forward positive and valuable messages from this hotel to other people	2	5	4.38	.68	.46	3.02
I frequently mention this hotel and its products/services to others	1	5	4.37	.72	-.49	2.95
Am proud when discussing/informing others about this hotel products and services	2	5	4.23	.66	.08	3.00
I recommend this hotel to others	2	5	4.52	.58	.09	2.99
If the hotel employees makes a mistake, am ready to forgive the error	1	5	4.02	.88	-.53	-1.02
I will continue to patronize the hotel even if services/products prices increases	2	5	4.03	.70	-.49	3.27
Am willing to pay higher prices for the products/services than for similar products/services offered by competitors	2	5	4.31	.67	-.02	2.98
The nature of products/services offered by this hotel makes me to consider extending my purchase time	2	5	4.06	.65	.43	3.20
Am willing to increase my expenditure in this hotel	2	5	4.06	.61	-.32	3.00

n=347, Five point Likert scale: 1 = strongly disagree; 5 = strongly agree

Source: Research Data (2018)

4.4 Categorical Results

The following section is a discussion of one – way ANOVA results for the categorical variables. The following categorical variables are explored in this section; Gender, Age, Education Level, Duration of Hotel Patronage and Duration as a Loyalty Program Member.

4.4.1 Categorical Results for Gender of Patrons

The one-way ANOVA was conducted to establish if gender responses and opinion concerning the various study variables was different. The findings on the Table 4.6, as determined by one – way ANOVA indicates that in terms of gender, there was no much significance difference between the groups in respect to the variables. Responses on Loyalty programs, experiential encounter and customer loyalty had similar opinion in terms of gender as there was no significance difference between them. It's only the responses on customer satisfaction that was significant.

The significance difference related to gender and customer satisfaction is supported by Omar, Ariffin & Ahmad (2016) whose study provide evidence that gender has influence on satisfaction level, establishing that female customers are highly satisfied than their male counterparts. Similar results were established in studies by (Ma, Qu, & Eliwa, 2014; Ma, Qu, & Njite, 2011) with argument that the differences between satisfaction levels in gender is due to the fact that female customers have higher needs of association and foster harmonious relationships compared to male customers. We can conclude that satisfaction levels are defined by the nature of gender and hotels need to improve on the satisfaction level of male customers.

Table 4.6 ANOVA Test for Gender

	Gender	
	F	Sig.
Loyalty Program	3.42	.07
Experiential Encounter	1.62	.20
Customer Satisfaction	34.89	.00
Customer Loyalty	.37	.54

Source: Research Data (2018)

4.4.2 Categorical Results for Age of Patrons

The Table 4.7 below shows the results of one – way ANOVA which was conducted to establish the differences between means of age and the different variables in the study. The Table showed mixed results with experiential encounter, customer satisfaction and customer loyalty returning similar results that indicate significant statistical differences in the means. The analysis also establishes that there is no significant statistical difference between loyalty program benefits and age.

The difference in responses in relation to age and experiential encounter is supported in prior studies like Shobeiri, Rajaobelina, Durif & Boivin (2016) who found that four of the five experiential values - feel, act, think and sense negatively correlate with age. It was also established that young customers take into consideration of the environment where the service is provided compared to the older customers (Roberts, 1996). On the other hand older customers considered their relation with service providers as important compared to the young customers (Shobeiri, Rajaobelina, Durif & Boivin, 2016). This may imply that people within different age groups have varied service experience and encounter during the service consumption process.

Table 4.7 shows the difference in responses on age and customer satisfaction which is supported by Korkutata (2017) who found out that as customer's age the more they become satisfied with the service providers. This is in line with the work of (Piyush,

Ivy & Sherriff, 2012) who established that age moderated the relationship between service quality and customer satisfaction for young customers in the retail industry. A study conducted in the Kenya's service sector showed that customer satisfaction was influenced by the age of the customer (Mburu, 2014).

In case of the different opinions of respondents on age and customer loyalty is supported by (Mburu, 2014). The author posits that customer retention is vital for the competitiveness and growth of the service provider. According to Sivenson & Karunanithy (2013) there is a positive association between age and satisfaction level which tends to increase with age.

Table 4.7 ANOVA Test for Age

	Age	F	Sig.
Loyalty Program		2.38	.09
Experiential Encounter		25.70	.00
Customer Satisfaction		9.20	.00
Customer Loyalty		7.51	.00

Source: Research Data (2018)

4.4.3 Categorical Results for Level of Education

The Table 4.8 below shows the results of one – way ANOVA which was conducted to establish the differences between means of the level of education and the different variables in the study. The Table showed mixed results with loyalty program benefits, experiential encounter and customer satisfaction returning similar results that indicate no significant statistical differences in the means. The analysis also establishes that there is significant statistical difference between level of education and customer loyalty.

The level of education that a customer has accomplished tends to influence loyalty in which he or she attaches to a product. This is in tandem with Mburu (2014) who established an association between level of education and loyalty. Other studies had different arguments, whereby low educated individuals tend to be more loyal to the organization and its products as they have fewer expectations and are more appreciative (Koduah & Farley, 2016). On the other hand highly educated customers spend more time evaluating different products and services, have high expectations on a service or product and take time before making decisions (Mittal & Kamakura, 2001).

Table 4.8 ANOVA Test for Level of Education

	Level of Education	F	Sig.
Loyalty Program		1.55	.19
Experiential Encounter		1.57	.18
Customer Satisfaction		.43	.79
Customer Loyalty		2.73	.03

Source: Research Data (2018)

4.4.4 Categorical Results for Duration of Hotel Patronage

One – way ANOVA was conducted to establish whether there was difference in means between the duration of patronizing the hotels and the different variables in the study. The Table showed mixed results with loyalty program benefits, experiential encounter and customer satisfaction returning similar results that indicate significant statistical differences in the means. The analysis also establishes that there is no significant statistical difference between duration in hotel patronage and customer loyalty.

Differences in relation to duration in hotel patronage and loyalty program benefits are supported by prior studies like Zakaria *et., al.* (2014) who state that the more points one accumulates or frequent purchases one makes the more benefits one gets to receive. The findings show that it's rare for a customer to access loyalty program benefits

without interacting with the organizations products or services. This implies that people with different purchase frequencies have different opinions on the loyalty program benefits.

Table 4.9 shows difference in response concerning duration of hotel patronage and experiential encounter. This finding is in line with (Wong & Tsai, 2010), who established that human contact makes a significant difference to customers experience making them to indulge more in repeat purchases. In the same (Wong & Tsai, 2010) study, the results indicated a significant effect of relate and sense factors on repetitive consumer purchasing behaviour. The frequency of patronage affords the customer and the service provider an opportunity to relate.

Difference in opinion in relation to duration in hotel patronage and customer satisfaction is supported by studies like (Oliver, 1997) who state that a rise in one prompts a rise in the other, and at the same time influencing the customer's loyalty to the business products or brand experience. According to (Reinger & Turner, 2003), contend that customers satisfaction is as a result of continuous experience of the organizations products thus requiring the customer increase or regularize his patronage of the facility (Chen, Ouyang, Huang, & Lee, 2016).

Table 4.9 ANOVA Test for Duration of Hotel Patronage

Duration of Hotel Patronage		
	F	Sig.
Loyalty Program Benefits	6.88	.00
Experiential Encounter	3.84	.01
Customer Satisfaction	8.64	.00
Customer Loyalty	1.84	.14

Source: Research Data (2018)

4.4.5 Categorical Results for Duration as a Loyalty Program Member

The Table 4.10 below shows the results of one – way ANOVA which was conducted to establish the differences between means of duration of loyalty program member and the different variables in the study. The Table showed similar results for all variables; loyalty program benefits, experiential encounter, customer satisfaction and customer loyalty had significant statistical differences in the means.

Table 4.10 shows difference in responses concerning duration as a loyalty program member and experiential encounter is supported by studies Jones and Sasser (1995) who state that loyalty reward membership will only have a positive long run effect on customer purchasing behaviour only when the service encounter and service experience are within the customer's expectations. The service experience may be used to determine the continuity of loyalty program membership, with expected service being met assuring continued membership (Meyer – Waarden, 2008).

In case of the different opinions of respondents on duration as a loyalty program member in relation to loyalty program benefits is supported by (Zakaria *et al.*, 2014). The author posits that loyalty programs benefits are earned out of consistency of the loyalty program membership in interacting with the schemes services or products (Meyer – Waarden, 2008). Continued patronization and repeat purchases tends to earn the loyalty program member more points that can be redeemable at the opportune time. This implies that the longevity of the relationship between the loyalty program member and the service providing organization is important for it determines the kind and amount of benefits the member accesses.

The difference in opinion on duration as a loyalty program member in relation to customer satisfaction is supported in the studies (El-Adly & Eid, 2016; Chen, 2012)

that impute that satisfied customers are likely to re-patronize the organization. They further argue that satisfied customers are likely to transact longer with the organization. This implies that as one continues to be a member of a loyalty program, they are in a better position to evaluate their satisfaction levels and determine their transaction duration with the organization.

The significance difference in relation to duration as a loyalty program member and customer loyalty is supported by the studies (Zakaria *et. al.*, 2014; Turner & Wilson, 2006) who established that customer loyalty was associated with membership to a loyalty program. In their study of retail stores they found that 70% of the loyal customers were members of the loyalty programs run by the stores. This implies that membership and more so duration of membership has a role in determining the loyalty of the customer, this is influenced by consideration of switching costs as posited by Yang & Peterson (2004).

Table 4.10: ANOVA Test for Duration as a Loyalty Program Member

	Level of Education	
	F	Sig.
Loyalty Program Benefits	17.86	.00
Experiential Encounter	8.90	.00
Customer Satisfaction	27.89	.00
Customer Loyalty	26.81	.00

Source: Research Data (2018)

4.5 Scale Reliability

The reliability of a study instrument is defined as its ability to consistently measure the phenomenon that it's designed to measure. The reliability of the study instrument was tested using Cronbach alpha measurement. The established values of reliability should be comparable to those stipulated by (Dempsey *et. al.*, 2014; Wanger, Bezuidenhout, & Roos, 2014; Nunnally, 1978) who suggested that a Cronbach Alpha value above 0.80

indicates good reliability and a value in-between 0.6 to 0.8 indicates acceptable reliability, while a value below 0.6 indicates unacceptable reliability.

4.5.1 Reliability Test for Individual Items of Loyalty Programs

The overall reliability of the measurement scale for Loyalty Programs Benefits variable as measured using Cronbach Alpha returned a value of 0.76. The scale comprised of 14 items. This value is presented in Table 4.11 (a) below while the succeeding Table 4.11 (b) provides a guide towards removal of certain items within the scale to improve the reliability of the loyalty program benefits measurement scale.

Table 4.11 (a) Loyalty Programs Benefits Overall Reliability Statistics

Cronbach's Alpha	N of Items
.76	14

Source: Research Data (2018)

When the overall score for reliability is used to select items to be deleted in order to improve the scale reliability, majority of the items qualify for retention. The only exceptional items that do not meet this criterion are 1 and 7. The other criteria is based on the column "Corrected Item-Total Correlation", whereby those items with correlation coefficient less than $r = 0.30$ should be considered for removal. This generates the following items; 1, 4 and 7 that should be considered for deletion.

Table 4.11 (b) Loyalty Programs Benefits Item-Total Statistics

Items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I Save more money	55.33	18.39	.13	.77
Patronizing this hotel ensures I enjoy more discounts	54.84	17.28	.46	.74
Am afforded free gifts	55.11	16.09	.48	.73
The hotel provides free parking services	54.64	18.25	.24	.76
I'm afforded opportunities to try new offers/services	55.05	17.11	.35	.75
I'm updated on hotel events	54.78	16.85	.54	.73
The hotel offers tailored services/products to me	54.73	18.06	.18	.77
I'm afforded special treatment (better care) by the hotel	55.05	16.95	.38	.74
I'm able to access express check in and out counters	54.71	17.26	.43	.74
I'm treated with more respect as a member	54.92	17.05	.49	.73
I get personal attention	54.95	18.10	.31	.75
I feel a sense of belonging	54.65	17.17	.48	.73
I feel recognized for patronizing the hotel	54.69	17.83	.36	.75
I feel close to the brand/I like to be identified with the hotel	54.71	17.19	.51	.73

Source: Research Data (2018)

4.5.2 Reliability Test for Individual Items of Experiential Encounter

A reliability test was carried out on the measurement scale for the variable Experiential Encounter which comprised 15 items. The test returned an overall score of $\alpha = 0.73$ as depicted in Table 4.12 (a). To improve this score Table 4.12 (b) provides the criteria for removal or modification of the items.

Table 4.12 (a) Experiential Encounter Overall Reliability Statistics

Cronbach's Alpha	Number of Items
.73	15

Source: Research Data, (2018)

The Corrected item – total correlation column reveals how much each item correlates with the overall variable scale score. Correlations less than $r = 0.30$ indicate that the item may not belong to the variable scale. From Table 4.12 (b), the items 1, 2, 3, 4, 6, 7 and 9 have correlation coefficients less than 0.30 and should be considered for deletion from the variable measurement scale. Some of the above items to be considered for removal also appear when the criteria of overall Cronbach Alpha is applied, that is the items 2, 6 and 9 should be removed as they have Cronbach Alpha's greater than 0.733 thus improving the reliability of the measurement scale.

Table 4.12 (b) Experiential Encounter Item-Total Statistics

Items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The hotel ambience engages my senses	60.80	22.58	.25	.73
The hotel processes and premises excite my senses	61.37	20.93	.22	.74
The overall hotel atmosphere is stimulating	60.94	22.48	.25	.72
I can relate to other patrons through the hotel	61.09	22.38	.28	.74
I would like to buy some souvenirs' related to the hotel	61.14	19.98	.49	.70
The hotel induces in me a sense of pride and patriotism	61.58	20.50	.26	.74
The hotel services and physical evidence makes me affective	60.99	22.48	.25	.73
The hotel services and physical evidence makes me emotional	61.07	21.84	.35	.72
They are efficient in carrying out their job	60.97	22.53	.18	.73
They are prompt in service delivery	61.20	21.57	.34	.72
Always acknowledge the customers presence	61.03	21.52	.32	.72
Are very appreciative and thankful to the customers	61.12	21.03	.58	.70
Enquire about the customers day/ talk about their day	61.25	20.35	.49	.70
Enquire and discuss about the customers likes and dislikes	61.24	20.16	.52	.69
Offer personal experience of a product/service	61.05	21.07	.48	.71

Source: Research Data (2018)

4.5.3 Reliability Test for Individual Items of Customer Satisfaction

The reliability test conducted on the measurement scale for customer satisfaction generated a Cronbach Alpha score of, $\alpha = 0.66$ as indicated in Table 4.13 (a). Table 4.13 (b) guides the study on the items to be removed so as to improve the reliability of the scale.

Table 4.13 (a) Customer Satisfaction Overall Reliability Statistics

Cronbach's Alpha	Number of Items
.66	10

Source: Research Data (2018)

The column, Corrected Item – Total correlation in the Table 4.13 (b) provides the yardstick on which the basis of deleting an item from the scale is based. This column provides the value at which each item correlates with the overall variable scale score. The correlation scores less than $r = 0.30$ indicates that the item may not belong to the scale. From Table 4.13 (b), items, 1, 2, 4 and 6 should be considered for removal as they are within the criteria set above. Using the second criteria provided by the last column of Table 4.13 (b), Cronbach's Alpha if item deleted, the above results are confirmed. Taking into consideration that the overall Cronbach Alpha score for the overall customer satisfaction scale is 0.656 and thus to improve this score we need to delete items with Cronbach Alpha score more than 0.656. The items that fall within this score are items, 1 and 4.

Table 4.13 (b) Customer Satisfaction Item-Total Statistics

Items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I made a good choice when I decided to participate in the loyalty program	39.93	8.33	.20	.70
My overall evaluation of this program is good	39.42	10.05	.18	.66
The benefits I receive from this program meets my expectation	39.39	9.22	.44	.61
All in all am satisfied with this program	39.42	10.29	.12	.66
I receive prompt attention during service delivery	39.51	9.10	.31	.64
Using the services of the hotel has been a positive experience	39.43	9.80	.27	.64
Appointments at the hotel are kept	39.43	9.28	.42	.61
I'm satisfied with the hotel service quality	39.42	8.59	.56	.58
CS9 I'm satisfied with the hotel staff	39.47	9.22	.44	.61
CS10 I'm satisfied with the hotel service offering	39.49	9.05	.52	.60

Source: Research Data (2018)

4.5.4 Reliability Test for Individual Items of Customer Loyalty

The overall reliability of the measurement scale for Customer Loyalty variable as measured using Cronbach Alpha returned a value of 0.70. This value is presented in Table 4.14 (a) below while the succeeding Table 4.14 (b) provides a guide towards removal of certain items within the scale to improve the reliability of the customer loyalty measurement scale.

Table 4.14 (a) Customer Loyalty Overall Reliability Statistics

Cronbach's Alpha	Number of Items
.69	12

Source: Research Data (2018)

The Corrected Item – Total correlation column indicates the extent to which each item correlates with the overall questionnaire scale. The recommended rule of thumb for evaluating the items to be deleted for improving the reliability of the scale is through the use of correlation coefficient, whereby all items with a correlation value less than $r = 0.30$ are removed. Therefore from Table 4.14 (b) the items that are within this criterion and need to be deleted are; items 7, 8, 10 and 11. These items also have Cronbach Alpha score of more than 0.69 the overall reliability score.

Table 4.14 (b) Customer Loyalty Item-Total Statistics

Items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
When in need of this service/product again I will choose this hotel	46.73	12.86	.52	.65
I have the intention of patronizing this hotel in the future	46.67	12.90	.51	.65
I intend to keep buying and using this hotels products/services in the future	46.92	12.86	.46	.65
I gladly forward positive and valuable messages from this hotel to other people	46.79	13.93	.31	.68
I frequently mention this hotel and its products/services to others	46.80	12.21	.63	.62
Am proud when discussing/informing others about this hotel products and services	46.94	12.70	.60	.63
I recommend this hotel to others	46.65	14.38	.28	.68
If the hotel employees makes a mistake, am ready to forgive the error	47.15	15.51	-.05	.74
I will continue to patronize the hotel even if services/products prices increases	47.14	13.64	.35	.67
Am willing to pay higher prices for the products/services than for similar products/services offered by competitors	46.86	15.19	.06	.71
The nature of products/services offered by this hotel makes me to consider extending my purchase time	47.11	15.20	.06	.71
Am willing to increase my expenditure in this hotel	47.11	13.81	.38	.67

Source: Research Data (2018)

4.6 Factor Analysis

Factor analysis was conducted to create variable composites from the original attributes and to identify a smaller set of factors that explain most of the variances between attributes. Factor analysis was done on Loyalty Programs, Experiential Encounter, Customer Satisfaction and Customer Loyalty.

4.6.1 Factor Analysis Results

The factor analysis results as shown in Table 4.7 indicate that 51 items of the research instrument were sorted and clustered into 4 components. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of Sphericity were used. The KMO measure of sampling adequacy of the research instrument items returned a value of (KMO = 0.71) indicate adequacy of the sample size for the study variables analysis. The Bartlett's test of Sphericity was significant $X^2=2118.02$, $df= 120$, $p<0.000$, as indicated in Table 4.15, implying that factor analysis is appropriate for the study and there exists relationship among variables.

Table 4.15 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.710
Bartlett's Test of Sphericity	Approx. Chi-Square	2118.02
	Df	120
	Sig.	.00

Source: Research Data (2018)

The results of the principal component analysis indicate that there are four factors whose Eigenvalues exceed 1. The Eigenvalue of a factor represents the total amount of variance explained by that factor. The first factor has an Eigenvalue of 3.90, the second factor Eigenvalue of 2.57, third factor an Eigenvalue of 2.05, and the fourth factor an Eigenvalue of 1.55. The first factor explains 18.89 per cent of the variance, second factor explains 15.84 per cent of the variance, and the third factor explains 14.31 per

cent of the variance while the fourth factor explains 13.85 per cent of the variance. Varimax rotation tries to maximize the variance of each of the factors so that the total amount of variance accounted for is redistributed over the extracted factors. According to Malhotra and Birks (2007) principal component analysis with varimax rotation is a reliable method of conducting factor analysis. The Table 4.16 indicates the results of rotated component matrix. See also Table A7 for total variance explained.

Table 4.16 Total Variance Explained

Component	Rotation Sums of Squared Loadings		
	Total (Initial Eigen Values)	% of Variance	Cumulative %
1	3.90	18.89	18.89
2	2.60	15.84	34.73
3	2.05	14.31	49.05
4	1.55	13.85	62.89

Source: Research Data (2018)

Table 4.17 Summary of the Principal Component Analysis for the Variables

Scale Items	Loyalty Programs	Experiential Encounter	Customer Satisfaction	Customer Loyalty
Patronizing this hotel ensures I enjoy more discounts	.67			
I'm updated on hotel events	.73			
I'm able to access express check in and out counters	.81			
I feel a sense of belonging	.74			
I feel close to the brand/I like to be identified with the hotel	.67			
Are very appreciative and thankful to the customers		.54		
Enquire about the customers day/ talk about their day		.87		
Enquire and discuss about the customers likes and dislikes		.78		
Offer personal experience of a product/service		.80		
The benefits I receive from this program meets my expectation			.67	
I'm satisfied with the hotel service quality			.72	
I'm satisfied with the hotel staff			.66	
I'm satisfied with the hotel service offering			.86	
Am proud when discussing/informing others about this hotel products and services				.68
I will continue to patronize the hotel even if services/products prices increases				.88
Am willing to increase my expenditure in this hotel				.85

Source: Research Data (2018)

4.7 Reliability Test after Factor Analysis

Through component factor analysis all items that are not consistent with the overall questionnaire scale are deleted. This contributes towards improving the reliability of the research instrument. Table 4.18 represents the composite results of the reliability test for all the remaining 16 items, with each variable having a Cronbach's Alpha score

higher than 0.7 and the overall reliability score for all questionnaire items being 0.78. This score is within the one stipulated by (Dempsey et. al., 2014; Nunnally, 1978).

Table 4.18 Composite Reliability Results for the Constructs

Construct	Number of Items	Cronbach's alpha
Loyalty Program Benefits	5	0.80
Experiential Encounter	4	0.78
Customer Satisfaction	4	0.73
Customer Loyalty	3	0.78
Overall Items and their Reliability	16	0.78

Source: Research Data (2018)

4.8 Descriptive Statistics after Factor Analysis

After factor analysis descriptive statistics analysis was conducted on the remaining items for the study's constructs. The individual means and standard deviations for each of the items that remained after principal components was conducted for the following variables; Loyalty program benefits which is the dependent variable, Experiential encounter an intervening variable playing the moderation role, the customer satisfaction another intervening variable that is proposed to mediate the relationship between the dependent and the independent variable and lastly Customer Loyalty which is the dependent variable.

4.8.1 Descriptive Statistics for Loyalty Programs

This variable was measured using 14 items, which were reduced to 5 after factor analysis. This is as indicated in Table 4.17, Summary of the Principle Component Analysis for the Variables. The findings of the analysis indicated that most of the respondents had nearly the same opinion on the rating of loyalty program benefits. All the items had similar ranges and median (Range = 2.00, Median = 4.00). The means for

the items ranged from a high of 4.44 to a low of 4.25. The item that had a high mean score was “I feel a sense of belonging”, at 4.44, standard deviation of 0.55, and a variance of 0.33. The second highest mean was scored by the item “I feel close to the brand/I like to be identified with the hotel” at 4.38, standard deviation of 0.55 and variance of 0.30. In regard to the item “I’m able to access express check in and out counters”, the mean score was 4.38, standard deviation of 0.61 and variance of 0.37. The item “I’m updated on hotel events” was the second last with a mean of 4.3, standard deviation of 0.59 and variance of 0.35 while “Patronizing this hotel ensures I enjoy more discounts”, had the least mean score of 4.25, standard deviation of 0.58 and a variance of 0.33

Table 4.19 Descriptive Statistics for Loyalty Program Benefits

Loyalty Programs Benefits Items	Mean	Median	Std. Dev	Variance	Range
Patronizing this hotel ensures I enjoy more discounts	4.25	4.00	0.58	0.33	2.00
I’m updated on hotel events	4.31	4.00	0.59	0.35	2.00
I’m able to access express check in and out counters	4.38	4.00	0.61	0.37	2.00
I feel a sense of belonging	4.44	4.00	0.58	0.33	2.00
I feel close to the brand/I like to be identified with the hotel	4.38	4.00	0.55	0.30	2.00

Source: Research Data (2018)

4.8.2 Descriptive Statistics for Experiential Encounter

This variable plays the moderating role in the relationship between loyalty program benefits and customer satisfaction, loyalty program benefits and customer loyalty, and the relationship between customer satisfaction and customer loyalty. The entire list of items had similar median score which was at 4.00, while the range oscillated between a score of 2.00 and 3.00. The item testing on the ability of the service providers to offer

personal experience of a product returned the highest mean of 4.44, a standard deviation of 0.61 and variance of 0.37. This was followed by the item “Are very appreciative and thankful to the customers” which scored a mean of 4.37, standard deviation of 0.53 and a variance of 0.29. The second last item when all the items are ranked in terms of mean was “Enquire and discuss about the customers likes and dislikes” with a mean score of 4.24, standard deviation of 0.74 and variance of 0.55 while the last ranked item was “Enquire about the customers day/ talk about their day” scoring a mean of 4.24, standard deviation 0.76 and variance of 0.58.

Table 4.20 Descriptive Statistics for Experiential Encounter

Experiential Encounter Items	Mean	Median	Std. Dev	Variance	Range
Are very appreciative and thankful to the customers	4.37	4.00	.53	.29	2.00
Enquire about the customers day/ talk about their day	4.24	4.00	.76	.58	3.00
Enquire and discuss about the customers likes and dislikes	4.24	4.00	.74	.55	3.00
Offer personal experience of a product/service	4.44	4.00	.61	.37	2.00

Source: Research Data (2018)

4.8.3 Descriptive Statistics for Customer Satisfaction

The variable customer satisfaction in this study plays the role of mediation. It mediates the relationship between loyalty program and customer loyalty. The items within the customer satisfaction return different values for median and range, where the first two items return a median score of 5.00 and the last two a median score of 4.00. The items registered a range of between 2.00 and 3.00. The item that scored the highest mean was “The benefits I receive from this program meet my expectation” at a score of 4.49, a standard deviation of 0.57, and variance of 0.32. This was followed by the item “I’m satisfied with the hotel service quality” with a mean score of 4.46, standard deviation

score of 0.63, and variance score of 0.39. The second last item in terms of mean score ranking was “I’m satisfied with the hotel staff” at a score of 4.41, standard deviation of 0.56 and variance score of 0.32 while the least item was “I’m satisfied with the hotel service offering” with a mean score of 4.39, standard deviation of 0.54 and variance score of 0.30.

Table 4.21 Descriptive Statistics for Customer Satisfaction

Customer Satisfaction Items	Mean	Median	Std. Dev	Variance	Range
The benefits I receive from this program meet my expectation	4.49	5.00	.57	.32	2.00
I’m satisfied with the hotel service quality	4.46	5.00	.63	.34	3.00
I’m satisfied with the hotel staff	4.41	4.00	.56	.32	2.00
I’m satisfied with the hotel service offering	4.39	4.00	.54	.30	3.00

Source: Research Data (2018)

4.8.4 Descriptive Statistics for Customer Loyalty

Customer Satisfaction is the dependent variable for this study. There were three variables that were realised after factor analysis. All the items had similar ranges score of 3.00 and median scores of 4.00. The item with the highest mean score was “Am proud when discussing/informing others about this hotel products and services” returning a score of 4.23, standard deviation of 0.66 and variance of 0.43. This was followed by the item “Am willing to increase my expenditure in this hotel” with a mean score of 4.06, standard deviation score of 0.61 and variance score of 0.38. The item with the least mean score was “I will continue to patronize the hotel even if services/products prices increases”, with a score of 4.03, standard deviation of 0.70 and variance of 0.48.

Table 4.22 Descriptive Statistics for Customer Loyalty

Customer Loyalty Items	Mean	Median	Std. Dev	Variance	Range
Am proud when discussing/ informing others about this hotel products and services	4.23	4.00	.66	.43	3.00
I will continue to patronize the hotel even if services/products prices increases	4.03	4.00	.70	.48	3.00
Am willing to increase my expenditure in this hotel	4.06	4.00	.61	.38	3.00

Source: Research Data (2018)

4.9 Transformation of Items into Constructs

To enable the data analysis more so regression analysis, single indices representing the each respective variable are required. A transformation of the items generated after factor analysis is carried out. The transformation involves finding or generating the average of the items within a respective variable measurement scale. For Loyalty Program Benefits it involves summing up the items, 2, 6, 9, 12 and 14 and then getting their average that is the indices for Loyalty Program Benefits is, $LP = (LP2 + LP6 + LP9 + LP12 + LP14)/5$. For the variable Experiential Encounter the single indices is generated by calculating the average of the EE items, that is $EE = (EE12 + EE13 + EE14 + EE15)/4$. The indices representing customer satisfaction is calculated the same way, which is $CS = (CS3 + CS8 + CS9 + CS10)/4$ while for Customer Loyalty is; $CL = (CL6 + CL9 + CL12)/3$.

4.10 Regression Analysis Assumptions

According to Marshall (2014) there are four critical linear regression assumptions that have to be met before running the regression analysis and interpreting the results. These

assumptions include; Linearity, Normality, Multicollinearity and homoscedasticity. The following sections deal with the above named linear regression assumptions tests.

4.10.1 Tests for Normality

To test the normality and linearity of the variables the study makes use of Shapiro-Wilk test. The test enables the comparison of the shape of the respective variables distributions to the shape of normal curve and assumption of the normality of the population distribution. Shapiro-Wilk test assesses whether data is normally distributed against null hypothesis (H_0) that the sample does not follow a normal distribution. Table 4.23 depicts the results of the Shapiro-Wilk test on Loyalty Programs, Experiential Encounter, Customer Satisfaction and Customer Loyalty.

Table 4.23 Shapiro-Wilk Test for Normality

Shapiro-Wilk		
Variables	Statistic	Sig.
Customer Loyalty	.90	0.33
Loyalty Program Benefits	.93	0.72
Experiential Encounter	.81	0.23
Customer Satisfaction	.90	0.07

Source: Research Data (2018)

From the table 4.23, the Shapiro-Wilk test results reveal that reveals that the four study variables had values of calculated probability ranging from 0.07 for customer satisfaction to 0.72 for loyalty program benefits. In this case, these calculated probability values were greater than 0.05 and therefore at 95% confidence level the sample follows a normal distribution as recommended by Razali and Wah (2011).

4.10.2 Test for Outliers

To test for outliers the study made use of Cook's Distance test (Cook & Weisberg, 2006). The results are indicated in Table 4.24, which show that the Cook's Distance (D_i) values were < 1 so there were no outliers in all the variables of this study.

Table 4.24 Test for Outliers

	Residuals Statistics^a				
	Minimum	Maximum	Mean	Std. Dev	N
Cook's Distance	.00	.06	.00	.01	347

a. Dependent Variable: CL
 Source: Research Data (2018)

4.10.3 Test for Linearity

Linearity was tested using the linearity test in the regression model based on the ANOVA table output for regression. This is indicated by the value sig. deviation from linearity. If the value sig. Deviation from linearity is non-significant, i.e. greater than 0.05 ($P > 0.05$) then the relationship between the dependent and independent variable is linear and if the Sig. Value Deviation from Linearity is significant, less than 0.05 ($P < 0.05$) then the relationship is non-linear (Hair *et al.*, 2012)

Table 4.25 Test for Linearity

Variables	Linearity	Sum of Squares	Df	Mean Square	F	Sig.
Customer Loyalty Programs benefits	* Deviation from Linearity	6.90	9	0.76	.86	.55
Customer Loyalty Experiential Encounter	* Deviation from Linearity	0.19	9	0.02	.03	.99
Customer Loyalty* Customer Satisfaction	Deviation from Linearity	2.83	8	0.35	.49	.60

Source: Research Data (2018)

Based on the Linearity test results in Table 4.25, all the sig. values for deviation from Linearity were $p > 0.05$ hence insignificant, p value for customer loyalty/ loyalty program benefits is $0.55 > 0.05$, the P value for customer loyalty/experiential encounter is $0.99 > 0.05$ and the P value for customer loyalty/customer satisfaction is $0.60 > 0.05$.

Therefore the H_0 that the relationship between customer loyalty and loyalty programs, experiential encounter and customer satisfaction is linear and conclude that the assumption of linearity between the dependent variable customer loyalty and the independent loyalty program benefits, experiential encounter, and customer satisfaction is satisfied.

4.10.4 Tests for Multicollinearity

Multicollinearity is a phenomenon that arises when two or more of the predictors in a regression model are moderately or highly correlated. This study makes use of Tolerance and Variance Inflation Factor (VIF) to test for multicollinearity in the data. As indicated by Rogerson (2001) a Variance Inflation Factor value greater than 5 and Tolerance value less than 0.1 signals the presence of multicollinearity. Hair, Anderson, Tatham & Black (1995) recommends a maximum level of 10 of Variance Inflation Factor. The Table 4.24 shows that all the values of tolerance are greater than 0.1 and the Variance Inflation Factors are less than 5 which imply that there is no presence of multicollinearity.

Table 4.26 Variance Inflation Factor and Tolerance Values

Variables	Collinearity Statistics	
	Tolerance	VIF
Loyalty Programs Benefits	.92	1.09
Experiential Encounter	.91	1.10
Customer Satisfaction	.98	1.02

Source: Research Data (2018)

4.10.5 Tests for Homoscedasticity

The homoscedasticity test is carried out to ascertain that the variance of the error term/residuals is zero and does not depend on the independent variable. The study utilized the Breusch-Pagan/Cook-Weisberg test for any linear form of heteroscedasticity whereby a low value of Chi-square is a good indicator of

homoscedasticity. According to the tests results below the Chi-square values are small thus implying absence of heteroscedasticity.

estat hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of Customer Loyalty

chi2(1) = 0.43

Prob > chi2 = 0.51

The scatter plot generated when plotting between standardized residuals and standardized predicted values shows that residuals lie between -2 and 2 as advised by Osborne & Waters (2002). See Appendix for the scatter plot.

4.10.6 Autocorrelation Test

The test for autocorrelation is established by carrying out the Durbin Watson (DW) test statistic for autocorrelation. The test varies between 0 and 4 where a value of 2 implies that the errors are uncorrelated while values greater than 3 indicate high correlation (Field, 2009). The value of Durbin Watson test statistic is 2.138 an indicator that errors are not correlated.

Table 4.27 Autocorrelation Test

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.38 ^a	.14	.13	.51	2.14

a. Predictors: (Constant), CS, LP, EE

b. Dependent Variable: CL

Source: Research Data (2018)

4.11 Validity of the Study Measures

Validity determines the extent to which a research instrument measures what it is intended to measure (Zikmund et al., 2010). This study addressed the four approaches to establish validity i.e. face validity, content validity, criterion validity and construct validity.

4.11.1 Face validity

To establish the face validity of the research instrument the contents of the research questions were inspected to ensure they were a true representative of the variables in the study.

4.11.2 Content validity

The content validity of the research instrument was validated by determining the variables which have been defined and used in literature previously. In this study, the dimensions of variables were identified from the customer relationship management practices literature. Additionally, opinions were sought from experts who provided relevant inputs adding to what had been identified from the literature. An assessment of content validity requires experts to attest to the content validity of each instrument (Sekaran, 2000). In order to ensure content validity, previously validated measures were pretested and the preliminary questionnaire was pretested on a pilot set of respondent for comprehension, logic, and relevance. Respondents in the pre-test were drawn from ten hotels within Nairobi which were similar to those in the actual study in terms of characteristics; familiar with the research topic under investigation. The respondents of the pre-test were not from the target population since they would have brought biasness in the research.

4.11.3 Criterion validity

To meet the criterion validity standards, the study made use of research measures developed from already established measurements like satisfaction scale items (Sweeney & Souter, 2011), customer loyalty benefits scale items (Bose & Rao, 2011), experiential encounter scale items (Yang & He, 2011) and customer loyalty scale items (Soderlund, 2006).

4.11.4 Construct validity

Construct validity demonstrates the extent to which the constructs hypothetically relate to one another to measure a concept based on the theories underlying a research (Zikmund, 2000). Further, construct validity measures “the degree to which a scale measures what it intends to measure” (Garver and Mentzer, 1999) and it is assessed by factor analysis in this research. In order to assess the construct validity, 51 items are examined by principal components extraction with varimax rotation. The Kaiser-Meyer-Olkin (KMO), The Bartlett’s test, is significant in this study and confirms the appropriateness of the factor analysis for the data set.

4.12 Correlation Analysis

The Table 4.28 below presents bivariate correlations between variables. To conduct an analysis of single constructs such as correlation analysis and regression analysis in a study it is required that average scores of the multi-item for a construct are computed (Wang and Benbasat, 2007).

According to Wong and Hiew (2005) correlation is measured by use of a correlation coefficient (r) which ranges from -1.0 to +1.0 where the range from 0.10-0.29 is considered to be positively weak, 0.30- 0.49 medium and 0.5 to 1.0 is considered to be strong. According to Field (2005), the correlation coefficient can be used to confirm

presence or lack of multicollinearity, whereby a correlation coefficient greater or equal to 0.8 indicates presence of multicollinearity. In this study, the highest correlation coefficient is 0.34, thereby implying that there is no problem of multicollinearity. When the variables; LP, EE, and CS are correlated with CL, they are found to be positive and statistically significant. LP is positively and statistically significantly ($r=0.19$, $p<0.01$, 2 tailed at 1% level of significance), EE is positively and statistically significantly ($r=0.13$, $p<0.05$, 2 tailed at 5% level of significance) and CS is positively and statistically significantly ($r=0.34$, $p<0.01$, 2 tailed at 1% level of significance). The correlation of EE to CS is positive and statistically significant correlated ($r=0.13$, $p<0.05$, 2 tailed at 5% level of significance) while that of LP is positively but not statistically significantly ($r=0.10$, $p>0.05$, 2 tailed at 5% level of significance).

Table 4.28 Pearson Correlation Coefficient of Study Variables

	Customer Loyalty	Loyalty Program Benefits	Experiential Encounter	Customer Satisfaction
Customer Loyalty	1			
Loyalty Program Benefits	0.19*	1		
Experiential Encounter	0.13*	0.28**	1	
Customer Satisfaction	0.34**	0.10	0.13*	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Research Data (2018)

4.13 Test of Hypotheses

This study proposed eight hypotheses to examine the direct and indirect effects of loyalty programs, customer satisfaction, and customer loyalty, the direct relationship between loyalty programs and customer loyalty, the mediating effect of customer satisfaction on the indirect relationship between loyalty programs and customer loyalty

and the moderating effect of experiential encounter on the relationship between loyalty program and customer satisfaction, relationship between loyalty program and customer loyalty and the relationship between customer satisfaction and customer loyalty.

4.13.1 Testing the Relationship between Loyalty Programs Benefits and Customer Loyalty

In Hypotheses H₀₁, it is anticipated that loyalty programs benefits has no significant effect on customer loyalty. Using SPSS to run the simple linear regression model the Table 4.29 below is generated. According to the results depicted the hypotheses is rejected as the effect of loyalty program is positive and significant such that $b = 0.20$, $t = 3.03$, $p < 0.01$. The change in R^2 was at 0.14 indicating the explanatory power of the model. This indicates that the independent variable can only explain 14.2 per cent of the variability in the dependent variable. The Durbin Watson test returned a value of 2.37 indicating lack of serial correlation in the model.

Table 4.29 Relationship between Loyalty Programs Benefits and Customer Loyalty

Predictors	Customer Loyalty	
	<i>B</i>	<i>T</i>
<i>Gender</i>	0.17	1.68
<i>Age</i>	-.072	-1.19
<i>No. Of Years as a Loyalty Program Member (LP)</i>	0.27***	4.79
<i>Education Level</i>	-.04	-1.66
<i>Years Patronizing the Hotel</i>	-1.85***	-3.92
<i>Hotel Star Rating</i>	-1.12***	-2.76
<i>LP</i>	0.20***	3.01
<i>R²</i>	0.14	
<i>F</i>	8.03	
<i>Durbin Watson</i>	2.37	

Note. Each column is a regression model that predicts the criterion at the top of the column. Gender was dummy coded such that 0 = female and 1 = male, * $p < .05$, ** $p < .01$, *** $p < .001$

Source: Research Data (2018)

The study findings are consistent with those of Zakaria et al., (2014) who established a positive and significant influence of loyalty programs benefits on customer loyalty. The study focused on loyalty program benefits offered by supermarket chains in Kuala Lumpur and involved a sample size of 222 respondents. The loyalty programs benefits that returned a positive and significant effect were member's day, rebate gift voucher and Special prices set for loyalty program members.

4.13.2 The Relationship between Loyalty Programs Benefits and Customer Satisfaction

Hypotheses H₀₂ anticipates that loyalty programs benefits have no significant effect on customer satisfaction. Using the SPSS to run the simple linear regression model the Table 4.30 below is generated. According to the results depicted the hypotheses is rejected as the effect of loyalty program benefits on customer satisfaction is positive and significant such that $b = 0.14$, $t = 2.76$, $p < 0.01$. The change in R^2 was at 0.15 indicating the explanatory power of the model. This indicates that the independent variable can only explain 15.3 per cent of the variability in the dependent variable. The Durbin Watson test returned a value of 1.67 indicating lack of serial correlation in the model. The F-test results was at 8.75 with a p-value less than 0.01. This indicated a significant and positive effect thus providing sufficient evidence that the regression model fits the data.

The results of this study are consistent with those established by Wathigo (2016) in a study conducted on the effect of loyalty programs on the customer patronage of supermarkets in Nairobi County. The study involved a sample of 384 loyalty card holders and the results indicated that loyalty programs explained 5.7 per cent variability of the customer patronage behaviours which included customer satisfaction. This study

is also consistent to that of Villacé-Molinero, Reinares-Lara and Reinares-Lara (2016) who established a strong and positive link between behavioral loyalty of the customers and their satisfaction coupled with patronage. The study by Villacé-Molinero *et al.* (2016) was a longitudinal study that took a period of 13 years and 4 months and was split within 2 periods that is before and after joining a loyalty program. This study recommended the need for the management of organizations running loyalty programs to communicate frequently and consistently their market offerings and at the same time be in a position to segment their customers so as to tailor their products and benefits according to the characteristics of the segment.

Table 4.30 Relationship between Loyalty Program Benefits and Customer Satisfaction

Predictors	Customer Satisfaction	
	<i>B</i>	<i>T</i>
<i>Loyalty Programs</i>	.14**	2.76
<i>Gender of Respondent</i>	.28**	5.15
<i>Age of Patron</i>	.04	.91
<i>Highest Education Level</i>	-.02	-.93
<i>Number of years patronizing the hotel</i>	.03	.81
<i>Number of years as an LP member</i>	.01	.27
<i>The Category of the Hotel</i>	-.08*	-2.47
<i>R²</i>	.15	
<i>F</i>	8.75**	
<i>Durbin-Watson</i>	1.67	

Note. Each column is a regression model that predicts the criterion at the top of the column. Gender was dummy coded such that 0 = female and 1 = male
* $p < .05$, ** $p < .01$, *** $p < 0.001$

Source: Research Data (2018)

4.13.3 Testing the Relationship between Customer Satisfaction and Customer Loyalty

In Hypothesis H₀₃, the present study anticipated that customer satisfaction would not have a significant effect on customer loyalty. To test this hypothesis, this study followed the simple linear regression methodology as advocated by Anderson, Sweeney, and

Williams (2010) as the best method of testing relationship between two variables. According to the results depicted in the Table 4.31 the hypotheses is rejected as the effect of customer satisfaction is found to be positive and significant such that $b = 0.43$, $t = 6.51$, $p < 0.01$. The F-test returned a positive and significant value at 13.19 with a p-value less than 0.01, which is a good indicator that the regression model fitted the data. The R^2 was at 0.24 which indicated that the independent variable could explain 23.80 per cent of the variability in the dependent variable. Durbin-Watson test was less than three but greater than 1.5 indicating absence of serial correlation.

Table 4.31: Relationship between Customer Satisfaction and Customer Loyalty

Predictors	Customer Loyalty	
	β	T
<i>Customer Satisfaction</i>	.43**	6.51
<i>Gender of Respondent</i>	-.00	-.04
<i>Age of Patron</i>	-.09	-1.54
<i>Highest Education Level</i>	-.04	-1.45
<i>Number of years patronizing the hotel</i>	-.20	-4.42
<i>Number of years as an LP member</i>	.26	4.96
<i>The Category of the Hotel</i>	-.08	-2.01
R^2	.24	
F	13.19**	
<i>Durbin-Watson</i>	2.354	

Note. Each column is a regression model that predicts the criterion at the top of the column. Gender was dummy coded such that 0 = female and 1 = male

* $p < .05$, ** $p < .01$, *** $p < 0.001$

Source Research Data (2018)

The results of this study were consistent with those of the study conducted by Leninkumar (2017) who established a positive and significant effect on the relationship between customer satisfaction and trust and customer loyalty. The LeninKumar (2017) was conducted on commercial banks customers in Srilanka, where convenience sampling was adopted to establish a sample size of 300 respondents. The present study

had similar results to those of Chiguvi and Guruwo (2015) study that focused on the impact of customer satisfaction on customer loyalty of commercial banks customers in Botswana.

4.13.4 The Mediating Effect of Customer Satisfaction on the Relationship between Loyalty Programs Benefits and Customer Loyalty

In Hypothesis 4, the present study anticipated that customer satisfaction would not have a significant mediating effect on the relationship between loyalty programs and customer loyalty. To test this hypothesis, this study followed MacKinnon's (2008) four step procedure to establish the mediation effect, which are stated as follows (a) a significant relationship between loyalty programs and customer loyalty; (b) a significant relationship between loyalty program and customer satisfaction; (c) a significant relationship between customer satisfaction and customer loyalty while controlling for the loyalty programs; and (d) a significant coefficient for the indirect path between loyalty programs and customer loyalty through customer satisfaction. To ascertain whether the fourth condition is satisfied the study makes use of the bias-corrected bootstrap method.

According to MacKinnon's (2008) in order to test mediation effect, zero order correlations between variables have to be computed. Zero order correlations assess the relationships between two variables while ignoring the influence of other variables in prediction. The multiple regression analysis conducted indicated that, in the first step, loyalty programs was significantly associated with customer loyalty $b = 0.20$, $t = 3.03$, $p < 0.01$ (see Model 1 of Table 4.9). In the second step, loyalty programs was significantly associated with customer satisfaction $b = 0.14$, $t = 2.76$, $p < 0.01$ (see Model 2 of Table 4.29). In the third step when the study controls for loyalty program,

customer satisfaction was significantly associated with customer loyalty, $b = 0.428$, $t = 6.51$, $p < 0.01$. The final step, the bias – corrected percentile bootstrap method indicated that the indirect effect of loyalty program on customer loyalty through customer satisfaction was significant, $ab = 0.06$, $SE = 0.03$, $95\% \text{ CI} = [0.00, 0.14]$. The mediation effect accounted for 30.44 per cent of the total effect. The four criteria's above for establishing mediation effect have been fully satisfied. Therefore, Hypothesis H_{04} was rejected.

This study had similar results like those ones established on a study

Table 4.32: Testing the mediation effect of customer satisfaction

Predictors	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>	
	Customer Loyalty β	Customer Loyalty T	Customer Satisfaction β	Customer Satisfaction T	Customer Loyalty B	Customer Loyalty T
<i>Loyalty Programs</i>	.20**	3.027	.14**	2.76	.14*	2.21
<i>Customer Satisfaction</i>					.43**	6.51
<i>Gender of Respondent</i>	.12	1.682	.28**	5.15	-.00	-.034
<i>Age of Patron</i>	-.07	-1.156	.04	.91	-.09	-1.54
<i>Highest Education Level</i>	-.04	-1.677	-.02	-.93	-.04	-1.45
<i>Number of years patronizing the hotel</i>	-.18**	-3.910	.03	.81	-.19	-4.42
<i>Number of years as an LP member</i>	.27**	4.773	.01	.27	.26	4.96
<i>The Category of the Hotel</i>	-.11**	-2.743	-.08*	-2.47	-.08	-2.01
R^2	0.14		.15		.24	
F	8.05**		8.75**		13.19**	
<i>Durbin-Watson</i>	2.36		1.67		2.35	

Note. Each column is a regression model that predicts the criterion at the top of the column. Gender was dummy coded such that 0 = female and 1 = male

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

Source: Research Data (2018)

4.13.5 Moderation Analysis

To test Hypotheses 2, 3 and 4, the study makes use of PROCESS macro applying model 1 as discussed by Hayes (2007). The PROCESS macro followed by path coefficients is used to determine the direction and strengths of the factors. In Hypotheses H₂, H₃, and H₄ it is anticipated that the moderating effect of experiential encounter has no significant effect on the following relationships: 1) the relationship between loyalty programs benefits and customer satisfaction (Model 1); 2) the relationship between customer satisfaction and customer loyalty (Model 2); 3) the relationship between loyalty programs benefits and customer loyalty.

According to Dardas and Ahmad (2015) the presence of moderating variable causes changes in the magnitude or the direction of the relationship between variables. Further Dardas and Ahmad argue that the moderation which implies interaction effect could (i) increase the predictors' effect on the outcome (ii) Decrease the predictors effect on the outcome or (iii) reverse the predictors effect on the outcome. To test the three hypotheses a simple moderation analysis using the PROCESS macro was carried out.

4.13.6 The moderating effect of experiential encounter on the relationship between loyalty programs and customer satisfaction

In Hypotheses H₅, it is anticipated that the moderating effect of experiential encounter has no significant effect on the relationship between loyalty programs and customer satisfaction. According to Dardas and Ahmad (2015) the presence of moderating variable causes changes in the magnitude or the direction of the relationship between variables. To avoid multicollinearity problems loyalty programs, customer satisfaction and experiential encounter were mean centered before running the analysis and an interaction term between loyalty programs and experiential encounter produced (Aiken

and West, 1991). Fig 4.1 shows the simple moderation tested. The results revealed that the loyalty program effect was positive but not significant [$b = 0.066$, $t(337) = 1.059$, $p > 0.05$], while the experiential encounter was positive and significant [$b = 0.133$, $t(337) = 2.685$, $p < 0.01$]. The interaction between loyalty program and experiential encounter accounted for a significant proportion of the variance on change in customer satisfaction related to loyalty program [$R^2 = 0.017$, $b = -0.248$, $t(337) = (2.087)$, $p < 0.05$]. The interaction effect was significant, therefore hypothesis 2 is rejected.

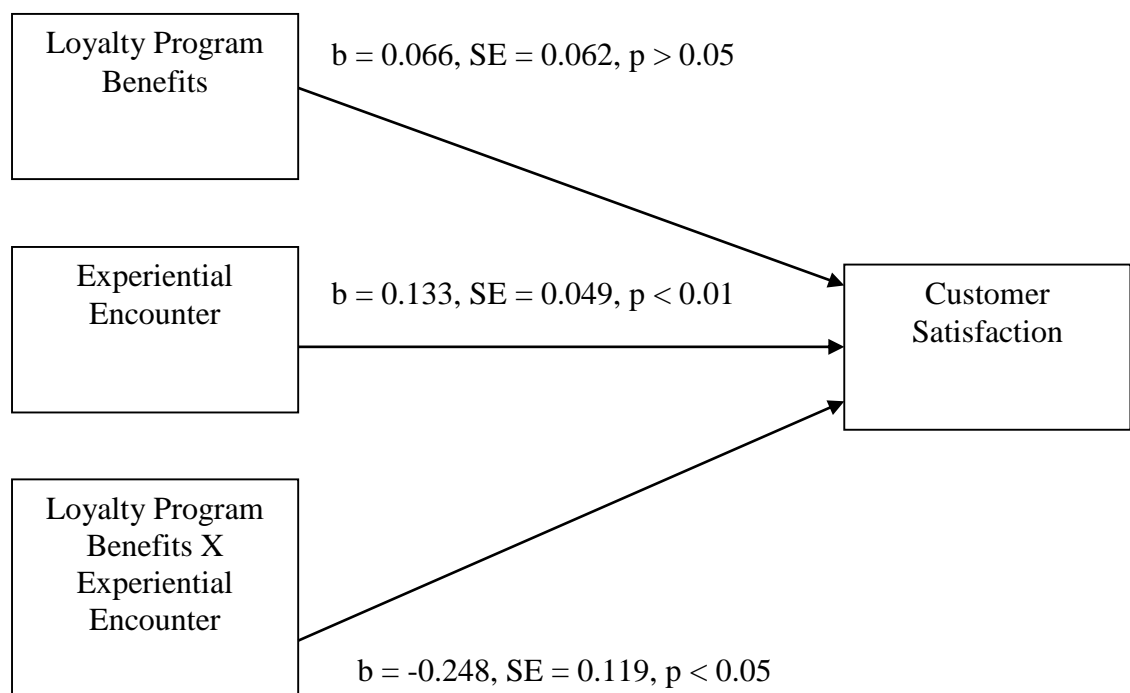


Fig 4.1 Simple Moderation Analysis

The figure below indicate the interaction effect as displayed using the simple slopes methods.

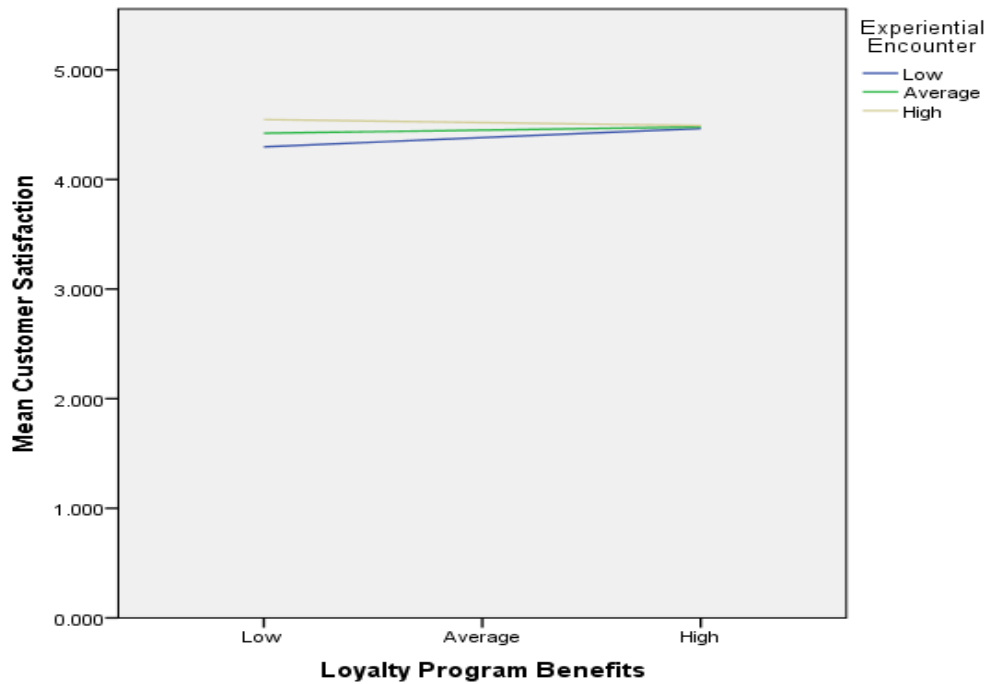


Fig 4.2 Customer satisfaction as a function of experiential encounter

The graph above represents customer satisfaction as a function of experiential encounter. The slopes indicate that at low experiential encounter, customer satisfaction tends to increase as loyalty programs increases. The pattern is the same for average experiential encounter though the slope is gentler than the latter. At higher levels of experiential encounter the slope seems constant.

4.13.7 The moderating effect of experiential encounter on the relationship between loyalty programs benefits and customer loyalty

In Hypotheses H₆, it is anticipated that the moderating effect of experiential encounter has no significant effect on the relationship between loyalty program benefits and customer loyalty. The results are depicted in Fig 4.2, which were generated from running Model 1 PROCESS macro. From the results of the PROCESS macro model 1 in addition to the control variables, the effect of loyalty program benefits to customer loyalty is positive but not significant [$b = 0.133$, $t(337) = 1.808$, $p > 0.05$], while the experiential encounter was positive but not significant [$b = 0.053$, $t(337) = 0.907$, $p >$

0.05]. The interaction term causes a variance change that is significant [$R^2 = 0.16$, $b = -0.308$, $t(337) = -2.097$, $p < 0.05$]. Therefore, H_3 is rejected; that is the moderating effect of experiential encounter has no significant effect on the relationship between loyalty programs benefits and customer loyalty.

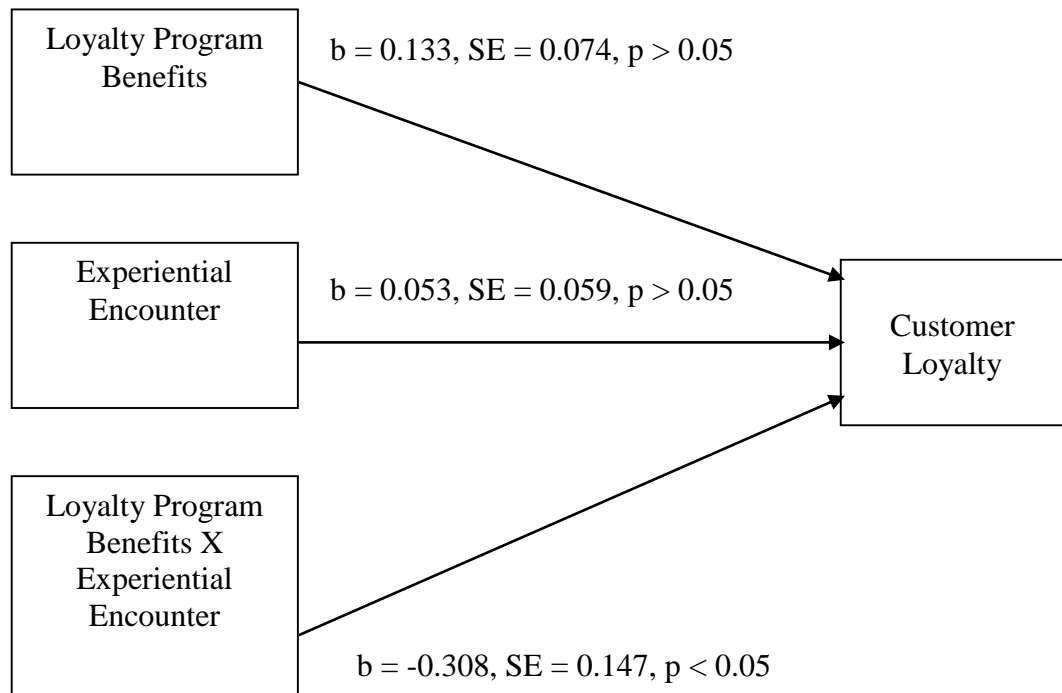


Fig 4.3 Simple Moderation

The figures below indicate the interaction effect as displayed using the simple slopes methods.

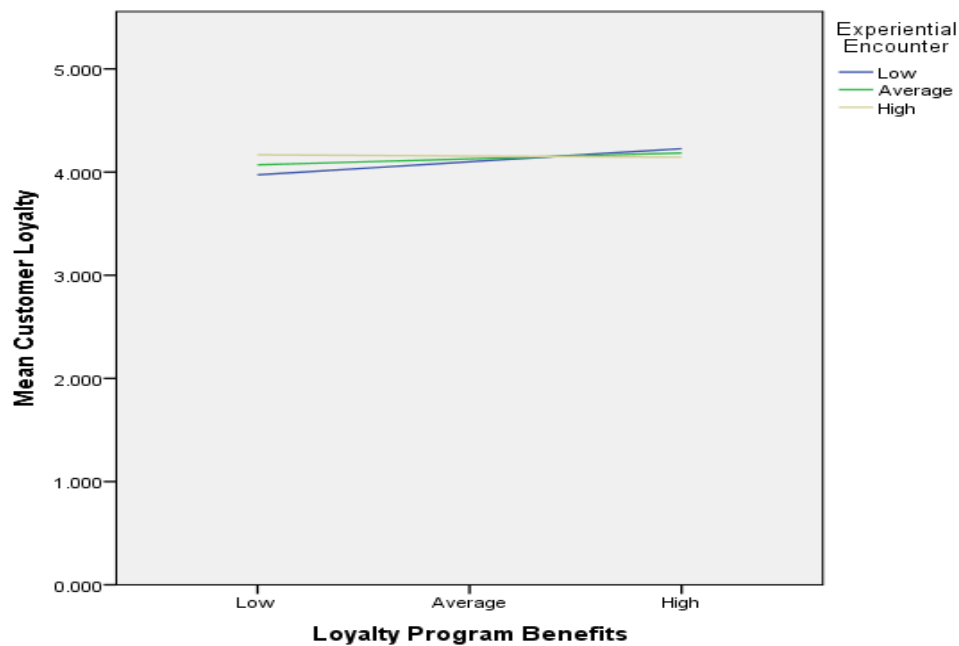


Fig 4.4 Customer loyalty as a function of experiential encounter

The graph above represents customer loyalty as a function of experiential encounter. The slopes indicate that at low experiential encounter, customer loyalty tends to increase as loyalty program benefits increases. The pattern is the same for average experiential encounter though the slope is gentler than the latter. The three slopes for experiential encounter tend to converge slightly between average loyalty program benefits and higher loyalty program benefits. The convergence is a clear indicator that experiential encounter moderates the relationship between loyalty program benefits and customer loyalty.

4.13.8 The moderating effect of experiential encounter on the relationship between customer satisfaction and customer loyalty

The study anticipates that, experiential encounter has no moderating effect on the relationship between customer satisfaction and customer loyalty. To test hypothesis

seven, the study utilized the Hayes (2013), PROCESS macro model 1. The variables under study; customer satisfaction, customer loyalty, and the experiential encounter were mean centred to eliminate the effect of multicollinearity. The results for the simple moderation are shown in Fig 4.3. The customer satisfaction effect on customer loyalty is positive and significant [$b = 0.424$, $t(334) = 5.696$, $p < 0.01$], while the experiential encounter was positive but not significant [$b = 0.051$, $t(337) = 0.909$, $p > 0.05$]. The interaction between customer satisfaction and experiential encounter accounted for a variance change in customer loyalty though not significant. [$R^2 = 0.005$, $b = (0.146)$, $t(337) = (1.339)$, $p > 0.05$]. The interaction term was not significant, therefore hypothesis 4 is accepted.

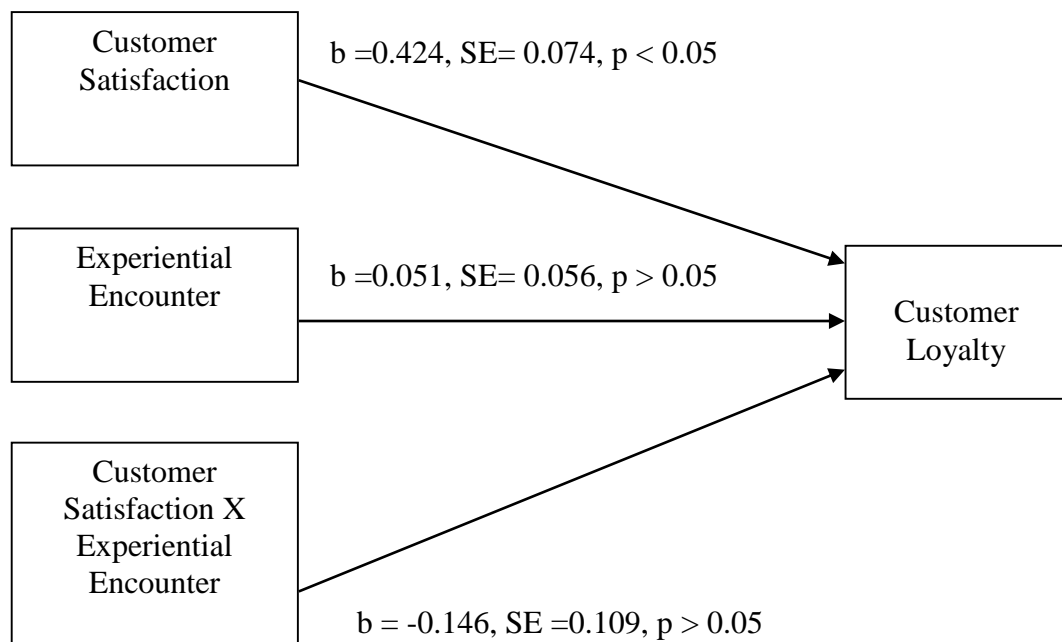


Fig 4.5 Simple Moderation Analysis

The figure 4.6 below is a graph of customer satisfaction as a function of experiential encounter. The slope indicates that as customer satisfaction increase, customer loyalty also increases, that is when EE is low. When the level of EE is increased the same happens and this results to lack of point of convergence. The figure 4.6 indicates the

lack of moderating effect of EE on the relationship between customer satisfaction and customer loyalty.

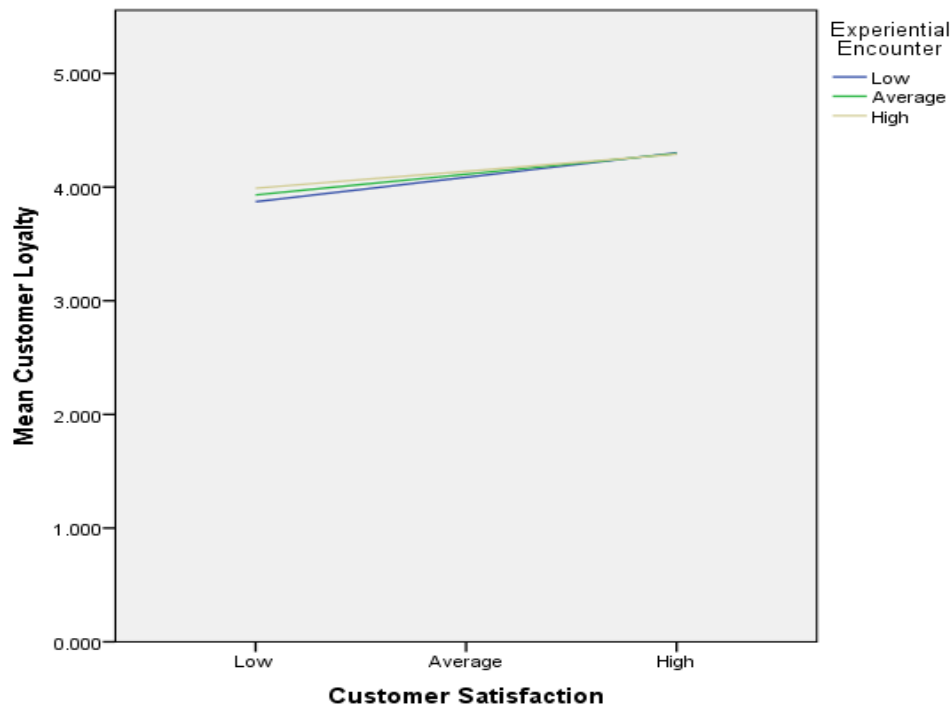


Fig 4.6 Customer Loyalty as a function of Experiential Encounter

4.13.9 The moderating role of experiential encounter on the indirect relationship between loyalty programs and customer loyalty through customer satisfaction

Moderated mediation is established in the instance if either or both of these two patterns existed: (i) the path between loyalty programs benefits and customer satisfaction is moderated by experiential encounter, and or (ii) the path between customer satisfaction and customer loyalty is moderated by experiential encounter. On the other hand total effect moderation occurs when all the following pattern exist: (i) the path between loyalty programs benefits and customer satisfaction is moderated by experiential encounter, and (ii) the path between customer satisfaction and customer loyalty is moderated by experiential encounter and, (iii) the path between loyalty programs benefits and customer loyalty is moderated by experiential encounter. To avoid

multicollinearity problems as advised by (Aiken and West, 1991; Frاسquilho, Margarida, Marques, Neville, Gaspar and Almeida, 2016), loyalty programs and experiential encounter were mean centred before running the analysis and an interaction term between loyalty programs and experiential encounter produced. The specifications of the PROCESS model 59 are summarized in the table 4.27 below.

Table 4.33 Moderated Mediation

Predictors	<i>Model 1</i>		<i>Model 2</i>	
	Customer Satisfaction		Customer Loyalty	
	β	<i>T</i>	β	<i>T</i>
<i>Gender</i>	.229***	3.829	-.032	-.393
<i>Age</i>	.083	1.809	-.100	-1.646
<i>No. Of Years as a Loyalty Program Member (LP)</i>	-.041	-.901	0.265***	4.463
<i>Education Level</i>	-.031*	-1.452	-.040	-1.414
<i>Years Patronizing the Hotel</i>	.055	1.273	-.185**	-3.844
<i>Hotel Star Rating</i>	-.069*	-2.386	-.067	-1.566
<i>LP</i>	.066	1.059	0.105	1.604
<i>Experiential Encounter (EE)</i>	.133**	2.685	.001	.015
<i>LP x EE</i>	-.248*	-2.087	-.198	-1.307
<i>Customer Satisfaction (CS)</i>			.406***	5.695
<i>CS x EE</i>			-.018	-.144
<i>R²</i>	.194		.245	
<i>F</i>	11.117***		9.633***	

Note. Each column is a regression model that predicts the criterion at the top of the column. Gender was dummy coded such that 0 = female and 1 = male
* p<.05, ** p<.01 *** p<0.001

Source: Research Data (2018)

According to Hayes (2013), moderated mediation is established if either or both: (a) the path between loyalty programs benefits and customer satisfaction was moderated by experiential encounter, and/or (b) the pathway between customer satisfaction and customer loyalty was moderated by experiential encounter. As the Table 4.27 depicts, in model 1, loyalty program benefits did not have a significant effect on customer

satisfaction, $b = .066$, $p > 0.05$, and this effect was moderated by experiential encounter $b = -.248$, $p < 0.01$. Model 2 shows that the effect of loyalty programs benefits on customer loyalty was positive but not significant, $b = 0.105$, $p > 0.05$, and that this effect was not moderated by experiential encounter, $b = -.001$, $p > 0.05$. Finally, there was a significant main effect of customer satisfaction on customer loyalty, $b = .406$, $p < 0.001$, and this effect was not moderated by experiential encounter, $b = .001$, $p > 0.05$.

The bias corrected bootstrap results further indicated that the indirect effect of loyalty programs benefits on customer loyalty via customer satisfaction was partially moderated by experiential encounter. Table 4.28 below, indicates the indirect conditional effect results for the moderated mediation. For below average experiential encounter, the indirect effect of loyalty programs benefits on customer loyalty via experiential encounter was significant $b = .081$, $SE = .038$, $95\% \text{ CI} = [.014 .162]$. In contrast, this indirect effect was non-significant for high experiential encounter process, $b = -.025$, $SE = .039$, $95\% \text{ CI} = [-.108 .049]$. Given that experiential encounter moderated only the first stage of the mediation processes, the current study calls this a partial moderation model, which is one form of the moderated mediation. Thus the study Hypothesis was partially supported. These study results are also consistent with the results of running Hayes PROCESS Model 7 (See Appendix V).

Table 4.34 Testing for Indirect Conditional Effect

Experiential Encounter	Effect	BootLLCI	Boot ULCI
-.520	.081	.014	.162
.000	.027	-.017	.088
.520	-.025	-.108	.049

NB. The average experiential encounter is equal to 0 as the variable was centred before the interactive term was created and the analysis were carried out

Source: Research Data (2018).

To establish the direct, indirect effect we borrow from the model developed in section 3.16 whereby; the simple indirect effect(s) of X on Y, conditional on W is given by $(a_1 + a_3W) (b_1 + b_2W)$ while simple direct effect of X on Y, conditional on W: $c_1' + c_3'W$. Referencing from the moderated mediation model results Table 4.27 the values of a_1 , a_3 , b_1 , b_2 , c_1' and c_3' are derived from there whereas, the value of W is derived from Table 4.28 which in our case is indicated as the effect. Therefore;

Simple indirect effect(s) of X on Y, conditional on W is given by;

$$\begin{aligned} (a_1 + a_3W) (b_1 + b_2W) &= (0.066 + -.248(W)) (0.406 + -.018 (W)) \\ &= (0.066-0.248(-.520)) (0.406 - 0.018(-.520)) \\ &= 0.081 \end{aligned}$$

Simple direct effect of X on Y, conditional on W: $c_1' + c_3'W = 0.105 + (-.198) (-.520)$
 $= 0.208$

The direct and indirect effects of loyalty program benefits on customer loyalty are positive and statistically different from zero among those exposed to experiential encounter. The direct effect is positive in the relationship between loyalty program benefits and customer loyalty conditional to experiential encounter. This is an indicator that the presence of positive customer experience is bound to have an effect on the relationship between loyalty program benefits and customer loyalty. Organizations not only enrol customers to their loyalty programs but also couple it with other customer relationship management strategies like service quality, physical evidence, customer care and experience. This is geared to enhance the envisioned relationship between loyalty program benefits and customer loyalty. Elements of experiential encounter have been found to influence relationships between customer relationship management elements and customer loyalty. A study by Liu *et al.* (2015) established a conditional effect of customer experience on the relationship between word of mouth and customer

loyalty. Similar results established a conditional effect of experiential encounter elements on the relationship between service provision process and customer satisfaction (Dong *et. al.*, 2015).

Table 4.35 Summaries of the Hypotheses Tests and Results

Hypothesis Statement	Results
H ₀₁ : Loyalty program benefits have no significant effect on customer loyalty	Reject the H ₀
H ₀₂ : Loyalty program benefits have no significant effect on customer satisfaction	Reject the H ₀
H ₀₃ : Customer satisfaction has no significant effect on customer loyalty	Reject the H ₀
H ₀₄ : The mediating effect of customer satisfaction has no significant effect on the relationship between loyalty programs and customer loyalty.	Reject the H ₀
H ₀₅ : The moderating effect of experiential encounter has no significant effect on the relationship between loyalty programs and customer satisfaction.	Reject the H ₀
H ₀₆ : The moderating effect of experiential encounter has no significant effect on the relationship between loyalty programs and customer loyalty.	Reject the H ₀
H ₀₇ : The moderating effect of experiential encounter has no significant effect on the relationship between customer satisfaction and customer loyalty.	Accept the H ₀
H ₀₈ : The moderating effect of experiential encounter has no significant effect on the indirect relationship between loyalty programs and customer loyalty through customer satisfaction.	Partially Supported

Source: Research Results (2018)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

5.0 Overview

This chapter consists of findings of the study, conclusions, and recommendations in accordance with the defined study objectives and hypotheses. Recommendations are made on how loyalty programs benefits affects customer loyalty when mediated through customer satisfaction. The study also makes recommendations on the moderating effect of experiential encounter on the indirect relationship between loyalty program benefits and customer loyalty through customer satisfaction. The study was guided by eight specific objectives and eight hypotheses. The discussions in the sections below highlight the summary of findings, conclusions and recommendations of the study.

5.1 Summary of Findings

The study examined the moderating effect of experiential encounter on the indirect relationship between loyalty programs benefits and customer loyalty through customer satisfaction in the hospitality industry within the Coastal Region of Kenya. The study was guided by the following objectives; to establish the effect of loyalty programs benefits on customer loyalty, to investigate the effect of loyalty programs benefit on customer satisfaction, to determine the effect of customer satisfaction on customer loyalty, to investigate the mediating effect of customer satisfaction on the relationship between loyalty programs and customer loyalty, determine the moderating effect of experiential encounter on the relationship between loyalty programs and customer satisfaction, establish the moderating effect of experiential encounter on the relationship between loyalty programs and customer loyalty, establish the moderating

effect of experiential encounter on the relationship between customer satisfaction and customer loyalty, and to investigate the moderating effect of experiential encounter on the indirect relationship between loyalty programs and customer loyalty through customer satisfaction.

Preliminary analysis focused on establishing the characteristics of the respondents and description of the responses on the measures of study variables. Various linear regression assumptions tests like normality, linearity, and multicollinearity were carried out on the study variables. There after hypotheses tests were then conducted to address the defined objectives of the study.

The primary stage of the analysis was on testing the hypotheses to the study. This stage involved on establishing the direct effects first, that is hypotheses one to three; Loyalty programs benefits have no significant effect on customer loyalty, Loyalty programs benefits have no significant effect on customer satisfaction and Customer satisfaction has no significant effect on customer loyalty. The results indicated that all the hypotheses had significant and positive effect thus leading to their rejection. The present study supports the previous studies like the one conducted by Waithigo (2016) which indicated that loyalty programs benefits explained 5.7 per cent of the variability in customer satisfaction. Similar results had been established in a study of loyalty program members of shoes and handbags outlets by Irshad, Amjad, and Janjua (2015) who found a positive and significant relationship between loyalty programs benefit and customer satisfaction. A previous study by Ou *et al.*, (2011) conducted in Taiwan departmental store had established a strong and positive relationship between loyalty programs benefits, and customer satisfaction and customer loyalty.

The study focused on the mediating effect of customer satisfaction on the relationship between loyalty programs benefits and customer loyalty. There being one mediator the study postulated one hypothesis; H₀₄: Customer satisfaction does not significantly mediate the relationship between loyalty programs and customer loyalty. The results indicated that on the overall there was partial mediation since both predictor variables predict the dependent variable. According to (Baron and Kenny, 1986) and Kenny (2003), the mediating effect of the variable customer satisfaction was analysed by using the four steps procedure. The purpose of the steps, especially 1 - 3 was to establish whether the Zero-order relationships among variables exists, and if one or more of these relationships are non-significant, then mediation effect is not possible or likely. If the three relationships are significant one proceeds to step 4, from the outcome the result had partial mediation.

Although previous research has shown that customer satisfaction is a crucial mediation mechanism linking loyalty programs and other relationship management constructs (Omar, Aziz, & Nazri, 2011; Demoulin & Ziddah, 2008) to customer loyalty, the present study is among the first to document the mediating effect of customer satisfaction on the association between loyalty programs benefits and customer loyalty within the hospitality industry context focusing on the star rated hotels within Kenya. These findings support the previous literature by uncovering the partial mediation aspect of the indirect relationship thus empirically adding to the studies conducted by (Egan, 2000; Oliver, 1999; Zakaria, Rahman, Othman, Yunus, Dizulkipli, & Osman, 2014). This study contributes towards resolving the existing conflict that has been pointed in various studies examining the relationship between loyalty program benefits and customer loyalty, where loyalty program benefits have been found to influence loyalty to the reward rather than to the superiority of the product or relevance of the

brand (McMullan & Gilmore, 2002; Capizzi & Furguson, 2005). The results from Table 4.26, indicates that star rating of the hotel has significant relationship with customer loyalty and with customer satisfaction. This implies that the rating of hotels tends to influence customers perception when making choices on which to patronize or in terms of preference. The results of the mediation model indicate loyalty program membership and the years the customer has patronized a hotel are positively associated with customer satisfaction and customer loyalty. The solution to the conflicting problem of loyalty programs influencing loyalty to reward rather than product lies in implementing strategies that ensures customer satisfaction mediates the relationship between loyalty programs and customer loyalty. The structuring of the loyalty programs and customer experiences are a major contributor towards appealing to the emotional aspect of the relationship between the customer and the product superiority (Kaura, 2013)

In addition to the above mediation results, each of the individual stages of the mediation model is important. For the first stage of the mediation process (loyalty program benefits and customer satisfaction), our findings support the hypothesis that loyalty program benefits are significantly associated with customer satisfaction. This finding corroborates with the expectancy disconfirmation theory (Oliver, 1997). The second stage of the model indicates a positive and significant relationship between customer satisfaction and customer loyalty. These results are consistent with those established in the studies by (Kumar & Shah, 2004; Kundampally & Suhartanto, 2000).

The moderating effect of experiential encounter on the relationships between loyalty programs benefits, customer satisfaction and customer loyalty had postulated three hypotheses: H₀₂: The moderating effect of experiential encounter has no significant effect on the relationship between loyalty programs and customer satisfaction, H₀₃: The

moderating effect of experiential encounter has no significant effect on the relationship between loyalty programs and customer loyalty, and H₀₄: The moderating effect of experiential encounter has no significant effect on the relationship between customer satisfaction and customer loyalty.

The results indicated that experiential encounter moderated the first stage path and the direct stage path; that is the path between loyalty programs benefits and customer satisfaction, and the path between loyalty program benefits and customer loyalty respectively. Various studies have made use of elements of experiential encounter; experiential marketing, service encounter and customer experience as moderating variables with varying results (Liu *et al.*, 2015; Yi and Gong, 2009; Dong *et. al.*, 2015; Wijaya, 2017). A positive and significant moderating effect of customer experience was established on the relationship between electronic word of mouth and repeat purchases (Liu *et al.*, 2015), while Dong *et. al.*, (2015), found out that the moderating effect of customer participation in the relationship between the service provision process and customer satisfaction depended on the readiness and preparedness of the customer. Our results showed that experiential encounter did not moderate the relationship between customer satisfaction and customer loyalty. This may be explained by prior research showing that some elements of experiential encounter have no significant effect on long term purchasing behavior which is an indicator of customer loyalty (Wong & Tsai, 2010) and in some studies where customer satisfaction does not necessarily affect customer loyalty (Reichheld F. , 1994).

They were two key findings on the moderated mediation effect: customer satisfaction partially mediated the relationship between loyalty programs benefits and customer satisfaction. The results indicated that loyalty programs benefits had an indirect effect

on the customer loyalty via customer satisfaction. There have been numerous researches investigating the specific mechanisms linking loyalty programs with customer satisfaction. The current study expands on the results of these previous studies by demonstrating that customer satisfaction mediates the association between loyalty programs benefits and customer loyalty. Secondly, the mediating effect of customer satisfaction on the relationship between loyalty programs benefits and customer loyalty was partially moderated by experiential encounter. The results highlight the need of customer participation in the service delivery process, designing of loyalty programs and ambience of the physical structures within the service delivery process.

Most studies have exclusively investigated the association between loyalty programs and customer retention, purchase repetition and customer referrals. In addition, customer retention, repeat purchases and customer loyalty have been equated to customer loyalty (El-Adly & Eid, 2016; Lee, Hsiao, & Yang, 2011). The results established by this study are in tandem with such findings. Although loyalty program benefits and customer retention may have different outcomes in a buyer seller relationship, loyalty programs may lead to a customer being susceptible to brand loyalty as well as reward loyalty (Kaura, 2013). Our results indicate that loyalty programs benefits had an indirect effect on the customer loyalty through customer satisfaction. Although our cross sectional data is limited in separating the causal links, these findings indicate that loyalty programs may confer loyalty to a firms products/services through customer satisfaction.

Interestingly, our findings indicate that not all customers who are members of loyalty programs and enjoying loyalty program benefits and satisfied are turned to loyal customers. Some of them, who are exposed to higher experiential encounter (more than

average), appear not to be loyal customers through customer satisfaction. In other words when customers are enrolled to loyalty programs that provide more benefits, it might not be necessary to be satisfied for them to become loyal customers, whereas those who may not be exposed to experiential encounter may likely become loyal through customer satisfaction. This indicates that not all customers who enjoy loyalty program benefits are loyal customers. The finding that the moderating effect of experiential encounter does not affect the link between customer satisfaction and customer loyalty indicates the importance of early interventions in the service delivery process like incorporating the customer in service delivery process, co-opting the customer in service design process and involving the customer in the companies events especially during the initial stages of her encounter or contact with the hotel.

5.2 Conclusions

The mediating effect of customer satisfaction on the relationship between loyalty programs benefits and customer loyalty among members of loyalty programs in the hospitality industry within the Coastal Region of Kenya has been empirically examined in this study. Results of this study supported the relationship linking loyalty programs benefits, customer satisfaction, and customer loyalty. The concept of customer satisfaction and its basis were introduced by reviewing the existing academic literature. Taking into consideration the dynamism and competitiveness being experienced in the hospitality industry, companies are thus required to refocus their strategies and centre on building customer satisfaction. This is because through customer satisfaction it's easier to create and build customer loyalty as indicated in the study results.

This study identifies the presence of positive effect that customer satisfaction has on loyalty for the loyalty program members in the hospitality industry. Businesses

operating in competitive industries have an added advantage of transforming their regular members to loyal customers the moment they exceed or meet customer satisfaction by enrolling them into loyalty programs. Empirical literature reviewed like (Pizam, *et al.*, 2016) and in addition with the study results shows that despite a company offering service benefits and loyalty program benefits there is need to go an extra mile in ensuring the quality of the service such that its within the customer's expectation and the accepted industry standards. According to the study, customer satisfaction is about confirming the customers' expectations and thus there is need to offer the right kind of benefits. The study does recognize the need of engaging the customer through experiential marketing and service encounter.

5.3 Limitations of the Study

There are several limitations identified in this study. First, this study is only able to explain the perception of loyalty programs benefits influence towards customer satisfaction and customer loyalty. Secondly, our results are specific to hospitality industry and therefore limited in terms of external validity and probably cannot be generalized to other industries. This is due to the fact that hospitality industry may not be the only industry that utilizes the loyalty programs. The test of effectiveness of loyalty programs is difficult in industries that lack market wide panel data on competitive purchasing.

The third limitation facing this study is that there rises an oversimplification of rewards or loyalty programs benefits. It's difficult to classify rewards exactly and uniquely to one category of gratification because they might satisfy several purchase targets at the same time or might serve different types of customer perceived benefits. The exact hypotheses about extrinsic or intrinsic nature of a reward are difficult to formulate as

customer perceived benefits and purchase orientations are multidimensional and not hermitical. Fourth, like most empirical research, the findings of this study are based on information generated from patrons of hotels. Self-reported data is usually inherently coupled with biasness. Therefore, the conclusions arrived at are devoid of the business owner or industry perception and understanding on customer satisfaction, loyalty programs, and experiential encounter.

Fifth, convincing customers to answer the questionnaires was rather challenging as some of them claimed that they were busy and therefore did not have time. Besides, some of the respondents could not respond to all the items on the questionnaire which made the research instrument invalid, therefore, had to be excluded from the data analysed. Despite these challenges, the findings from the study were valid and would be of great benefit to patrons of hotels, hospitality industry operators, policy makers, scholars, experts and regulators in the industry.

5.4 Recommendations

This study gives recommendations towards the practice and theory aspects within the field of management. These recommendations acts as an eye opener to academicians, business owners, management practitioners and the policy makers in the area of marketing and management, and may help in filling the gaps identified in the context of the moderated mediation of experiential encounter and customer satisfaction on the indirect relationship between loyalty program benefits and customer loyalty. Further, practice and theoretical recommendations are arrived at for the mediating effect of customer satisfaction on the relationship between loyalty programs benefits and customer loyalty.

5.4.1 Contribution to Theory

The findings of this study are expected to have implications to scholars, marketing practitioners, and industry stakeholders. There are several meaningful and useful contributions to theory as listed below. The study is believed to contribute to the increasing database of empirical and theoretical literature on loyalty programs benefits, customer satisfaction, experiential encounter and customer loyalty within the hospitality industry. This study has further demonstrated the importance of customer satisfaction towards inducing customer loyalty in the hospitality industry. In addition, the study demonstrates the need for people or personal aspect in the service process. The research model could further serve as a reference point for scholars in order to enhance the scholar's and students understanding on the key variables that is; Customer Loyalty, Customer Satisfaction, Experiential Encounter and Loyalty Programs Benefits.

The findings of this study has highlighted partial mediation role of customer satisfaction in the relationship between loyalty programs benefits and customer loyalty an indication that beside customer satisfaction there are other factors that also play pertinent roles towards customer loyalty, hence the need for scholars to explore other relationship marketing factors that influence customer loyalty beside customer satisfaction and loyalty programs benefits. There is also need to investigate the antecedent factors of customer satisfaction beside loyalty program benefits and in order of their importance and magnitude. This would clearly help in identifying the right factors for improving customer satisfaction thus improving its magnitude of effect on customer loyalty. The study model further indicates the importance role of moderating effect as there is a significant moderating effect between loyalty program benefits and customer satisfaction but when the moderator is applied between customer satisfaction

and customer loyalty the moderating effect is non-significant. This may be an indicator that there is need for practitioners to choose the right kind of moderator at any given stage of business process as a continued application of a moderator during the different service process stages may not yield additional results. Further research is needed to establish whether there is need of different moderators and in each of the different stages of the research model and establish the right marketing constructs that would act as the moderators. Future researchers should provide a broad and more inclusive definition of loyalty programs benefits more so the separation between hard based and soft based loyalty program benefits. The model indicates that there is presence of partial moderated mediation and also partial mediation which may lead to a conclusion that customer satisfaction despite being a necessary link towards customer loyalty; customer satisfaction may not be equated to customer loyalty. This further brings into focus other factors that may lead to customer loyalty that need to be investigated within the construct of customer relationship management. From the research findings and especially the mediation one, the number of years as a loyalty program members and number of years patronizing the hotel when included in the model as covariates indicate significant relationship with customer satisfaction and customer loyalty. This raises questions whether; customer loyalty is enhanced by one being a loyalty program member or number of years one interacts with the organization. These are future research questions that scholars in the hospitality industry and customer relationship management can focus on.

5.4.2 Contribution to Practice

The study recommends that businesses operating in a competitive global environment and demanding customers need to reorient their strategies and focus on customer relational management, experiential marketing, and loyalty programs. This is bound to

meet the expectation of the customers leading to higher satisfaction level that may induce loyalty to the company's products. The strategies may forestall any profitability shocks that many hospitality businesses experience due to poor service provision. The study recommends that as the hospitality service providers design loyalty programs they should balance between those appealing to financial benefits as well as those appealing to emotional satisfaction or emotional experience of the customer. The business practitioner should be aware of the customer's desire to be identified with the business through involvement and co-option in the business activities and events. The co-option of the customer in the business events for example launching of new products or involvement in philanthropic projects draws the customer closer to the organization making them more of co-owners and co-creators rather than spectators and consumers. Business practitioners should be made aware of the loyalty program benefits factors generated during the factor analysis process as they are the most critical factors in enhancing customer satisfaction and customer loyalty. In other words, service providers could improve these factors and their respective attributes by devising appropriate methodologies and applications in order to create and maintain customer loyalty. To forestall any loss of customers there is need to improve the loyalty programs based benefits. This creates a closer customers relationship with the firm's offering, inducing a continuous and consistent relationship with the customer.

The study recommends that hospitality service providers who are interested in nurturing customer loyalty must endeavour to satisfy their customers through designing a pricing mechanism for their services that signify enjoyment of discounts. This acts as a form of reward for the customers' choice and commitment to the company's products and service offerings amidst other competitors. The rewards are recommended for their ability to induce emotional satisfaction and future expectations. On the same stead,

loyalty club members should not only see the distinction between them and regular members but also experience it through being consulted by the hotel personnel on their dislikes and likes. The study recommends that the service providers should leave a lasting impression on the customers through experiential encounter. This involves direct engagement with the customer through conversations and polite conversation on the general daily happenings as this enhances establishment of strong bonds with the customers. Further interaction during the service provision enables the service provider to incorporate the customer in the service production process thus creating an opportunity for personal service offering for example involving the customer in choice of wine by offering advice on its maturity, taste, persistence, and texture.

In conclusion, the current findings indicate that the impact of loyalty programs benefits on customer loyalty through customer satisfaction can be buffered through the introduction of experiential encounter as an intervention in the early stages of customer patronage. This kind of intervention should target individuals with low level loyalty programs benefits.

5.5 Suggestions for Further Studies

The relationship between loyalty program benefits and customer loyalty is more complex than has been assumed in this study and others. The empirical study had several limitations; the effect of loyalty programs benefits was only tested with regard to behavioural aspects of customer loyalty and the integration of the attitudinal aspects would be an important addition to the study. It would also be interesting if progress on the explanatory model of this model would be explored further with a view of precisely explaining changes in customer loyalty expressed in customer patronage or increased purchases when loyalty program benefits are coupled with experiential encounter

processes and activities. Therefore new variables should be added to take into consideration the movement from transactional oriented marketing strategies to digital marketing strategies. This makes it possible to determine whether with improved technology and incorporation of digital marketing programs decreases or increases customer patronage and frequency of purchases.

Additionally, this study proposes the segmentation of loyalty programs to incorporate its heterogeneous nature. Loyalty programs sometimes have been known to exhibit a polygamous nature where patrons tend to belong to several loyalty programs offered by competitors. Segmentation can also be carried out based on the customer life time value soft and hard benefits as this would shift the focus from the benefits accrued to answering the question whether future expectations or expected value would influence customer patronage and frequency of purchases. Therefore, this study suggests adoption of a longitudinal study that would take into consideration the economic cycles and the long term interaction of the customers and the service providers. This would enable the control the human aspect in service process fluctuations.

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APPENDICES

Appendix I: Request Letter to Respondents

Moi University
School of Business and Economics

Dear Respondent,

QUESTIONNAIRE FOR PATRONS/ HOTEL CUSTOMERS

I am a Ph.D. student at Moi University in the School of Business and Economics, Majoring in Marketing. In order to complete my study, I am conducting research to focusing on “**RELATIONSHIPS AMONG LOYALTY PROGRAM BENEFITS, CUSTOMER SATISFACTION, EXPERIENTIAL ENCOUNTER AND CUSTOMER LOYALTY IN THE HOSPITALITY INDUSTRY: SURVEY OF STAR RATED HOTELS IN THE COASTAL REGION OF KENYA**”. This study will enable me to make suggestions that will help in improving marketing relationships between the service providers and their customers. Finally, the results of this study will provide valuable insight to research institutions that wish to improve the education of our future students.

Your participation and opinion will be of great value to me and the hospitality industry. The information you will provide will be kept confidential. To ensure your anonymity, no name or other means of identification are requested in this survey. Your completed survey will only be accessed by the researchers of this study.

Thank you for participating in this study. If you have any query, opinion, questions, or comments on this study, please contact me using mobile phone 254-721986343 or e-mail. dnderius@gmail.com. Moi University P.O. Box 3900, Eldoret.

Your input is highly appreciated.

Sincerely,

Daniel Nderi Waari

dnderius@gmail.com

Researcher

Appendix II: Questionnaire

SECTION A: Respondent Personal Information

Please tick [✓] the appropriate box that best describes you

1. Gender of respondents:

Male

Female

2. Please select your Age:

< 18 years

18-24 years

25-34 years

35-44 years

Over 45 years

3. Select your Highest Level of Education:

O-Level

Certificate

Diploma/HN Diploma

Bachelor's Degree

Post Graduate Degree

4. For how long have you patronized this hotel/restaurant?

< 1 year

1-3 years

4-6 year

7-9 years

Over 10 years

5. For how long have you been a member of a Loyalty program in this Hotel/Restaurant?

< 1 year

1-3 years

4-6 year

7-9 years

Over 10years

SECTION B; PART I: Loyalty Programs

In your opinion indicate the most appropriate agreement with loyalty programs benefits (LP) offered by the hotel/restaurant in terms of the following

1-Strongly disagree, 2- disagree, 3- undecided, 4- Agree, 5- Strongly agree

LP1	I save more money	1	2	3	4	5
LP2	Patronizing this hotel ensures I enjoy more discounts	1	2	3	4	5
LP3	Am afforded free gifts	1	2	3	4	5
LP4	The hotel provides free parking services	1	2	3	4	5
LP5	I'm afforded opportunities to try new offers/services	1	2	3	4	5
LP6	I'm updated on hotel events	1	2	3	4	5
LP7	The hotel offers tailored services/products to me	1	2	3	4	5
LP8	I'm afforded special treatment (better care) by the hotel	1	2	3	4	5
LP9	I'm able to access express check in and out counters	1	2	3	4	5
LP10	I'm treated with more respect as a member	1	2	3	4	5

LP11	I get personal attention	1	2	3	4	5
LP12	I feel a sense of belonging	1	2	3	4	5
LP13	I feel recognised for patronizing the hotel	1	2	3	4	5
LP14	I feel close to the brand/I like to be identified with the hotel	1	2	3	4	5

Part II: Experiential Encounter

Please circle the most appropriate number of each statement which corresponds most closely to your desired response

1-Strongly disagree, 2- disagree, 3- undecided, 4- Agree, 5- Strongly agree

EE1	The hotel ambience engages my senses	1	2	3	4	5
EE2	The hotel processes and premises excite my senses	1	2	3	4	5
EE3	The overall hotel atmosphere is stimulating	1	2	3	4	5
EE4	I can relate to other patrons through the hotel	1	2	3	4	5
EE5	I would like to buy some souvenirs' related to the hotel	1	2	3	4	5
EE6	The hotel induces in me a sense of pride and patriotism	1	2	3	4	5
EE7	The hotel services and physical evidence makes me affective	1	2	3	4	5
EE8	The hotel services and physical evidence makes me emotional	1	2	3	4	5
<i>Typically the service employees of this hotel;</i>						
EE9	They are efficient in carrying out their job	1	2	3	4	5
EE10	They are prompt in service delivery	1	2	3	4	5
EE11	Always acknowledge the customers presence	1	2	3	4	5
EE12	Are very appreciative and thankful to the customers	1	2	3	4	5
EE13	Enquire about the customers day/ talk about their day	1	2	3	4	5
EE14	Enquire and discuss about the customers likes and dislikes	1	2	3	4	5
EE15	Offer personal experience of a product/service	1	2	3	4	5

Part III: Customer Satisfaction

Please circle the most appropriate number of each statement which corresponds most closely to your desired response

1-Strongly disagree, 2- disagree, 3- undecided, 4- Agree, 5- Strongly agree

CS1	I made a good choice when I decided to participate in the loyalty program	1	2	3	4	5
CS2	My overall evaluation of this program is good	1	2	3	4	5
CS3	The benefits I receive from this program meets my expectation	1	2	3	4	5
CS4	All in all am satisfied with this program	1	2	3	4	5
CS5	I receive prompt attention during service delivery	1	2	3	4	5
CS6	Using the services of the hotel has been a positive experience	1	2	3	4	5
CS7	Appointments at the hotel are kept	1	2	3	4	5
CS8	I'm satisfied with the hotel service quality	1	2	3	4	5
CS9	I'm satisfied with the hotel staff	1	2	3	4	5
CS10	I'm satisfied with the hotel service offering	1	2	3	4	5

Part IV: Customer Loyalty

Please circle the most appropriate number of each statement which corresponds most closely to your desired response

1-Strongly disagree, 2- disagree, 3- undecided, 4- Agree, 5- Strongly agree

CL1	When in need of this service/product again I will choose this hotel	1	2	3	4	5
CL2	I have the intention of patronizing this hotel in the future	1	2	3	4	5
CL3	I intend to keep buying and using this hotels products/services in the future	1	2	3	4	5
CL4	I gladly forward positive and valuable messages from this hotel to other people	1	2	3	4	5
CL5	I frequently mention this hotel and its products/services to others	1	2	3	4	5
CL6	Am proud when discussing/informing others about this hotel products and services	1	2	3	4	5
CL7	I recommend this hotel to others	1	2	3	4	5
CL8	If the hotel employees makes a mistake, am ready to forgive the error	1	2	3	4	5
CL9	I will continue to patronize the hotel even if services/products prices increases	1	2	3	4	5
CL10	Am willing to pay higher prices for the products/services than for similar products/services offered by competitors	1	2	3	4	5
CL11	The nature of products/services offered by this hotel makes me to consider extending my purchase time	1	2	3	4	5
CL12	Am willing to increase my expenditure in this hotel	1	2	3	4	5

Thank you for participating in this study

Appendix III: Proportionate Sampling

S/NO	Category	Population	Sample
1	5 Star	300	105
2	4 Star	374	131
3	3 Star	422	148
Total		1096	384

Source: Research Data (2018)

Therefore the sample size for LP members patronizing 5 Star categories of hotels

$$n_5 = \frac{300 \times 384}{1096} = \frac{115200}{1096} \approx 105.11 \approx 105$$

The sample size for LP members patronizing 4 star hotels is

$$n_4 = \frac{374 \times 384}{1096} = \frac{143616}{1096} \approx 131.04 \approx 131$$

The sample size for LP members patronizing 3 star hotels is given by

$$n_3 = \frac{422 \times 384}{1096} = \frac{162048}{1096} \approx 147.85 \approx 148$$

Appendix IV: Hotels Classification

	One Star Hotels
1	Leinmach Guest House
2	White Castle Hotel
3	Papweza
4	Logoon
5	Dolphine
6	Ilcovo
7	Indiana
8	Indian Ocean
9	Intercontinental
10	The Majilis, Lamu
11	Peponi Hotel
12	Kipungani explorer
13	Kiwayu safari village
14	Tropical Resort
15	Scorpio Villas
16	Turtle Bay
17	Makuti Villas
18	Paradise Hotel
19	Kilifi Bay
20	Bougan village
21	Ocean Sports
22	Pettley's Inn
23	Crocodile Camp
24	Pride in Villas, Nyali
25	Shimo la tewa
26	Hotel Splendid
27	Seascapes Villas
28	Shimoni Reef Fishing Lodge
29	Diani Beach Cottages

	Two Star Hotels
1	Acacia Gardens
2	African sun Resort
3	Baobab Sea Lodge
4	Baobab Hotel
5	Driftwood Beach Club
6	Kenya Comfort
7	Kibweza Bed & Breakfast
8	Kenya Bay
9	Mikes Camp
10	Mvuli House
11	Milele Beach
12	Ocean Sport Resort
13	Reef Hotel
14	Royal Court
15	Roundhouse Villa Resort
16	Pride Inn Hotel
17	Sheshe Baharini
18	Sai Rose
19	Sai Rock
20	Voyager Beach
21	Tamarind Hotel
22	Hotel Dhow
23	Neptune Village
24	Plaza Beach Hotel
25	Baracuda Beach Hotel
26	Coconut Village
27	Peponi Hotel
28	Scorpio Villas
29	White Elephant Sea Lodge
30	Yatch club Mnarani

31	Hotel Hermes
32	Bahari Beach
33	Ocean View beach Hotel
34	Tsavo Safari Camp
35	Trade Winds Hotel
36	Shelly Beach Hotel
37	Trade Winds Hotel
38	Shelly Beach Hotel
39	Chamiach Luxury Apartments & Hotel
	Three Star Hotels
1	Reef Hotel
2	Royal Court
3	Kenya Bay Beach Hotel
4	Bamburi Beach
5	Castle Royal Hotel
6	Diani Breeze Villas
7	Diani Sea Lodge
8	Diani Sea Resort – 3 Star Hotel
9	Eden Rock Hotel
10	Gazi Tented Retreat
11	Hill Park Hotel – Tiwi Beach
12	Indian Ocean Beach Resort
13	Kenya Bay Beach Hotel
14	Kenya Beach Hotel
15	Milele Beach
16	Masai Safari Lodge
17	New Palm Tree Hotel
18	Nyali International Beach Hotel & Spa
19	Nyali Reef
20	Papillon Palms Beach Resort
21	Sarova Whitesands Beach Resort & Spa
22	Shaanti Holistic Health Retreat

23	Shimba Hills Lodge
24	Tiwi Beach
25	Ukunda Beach, Tiwi-Map
26	Voyager Beach Resort
27	Vascodagama
28	African Dream Village
29	Manor Hotel
30	Bluebay Beach Hotel
31	Blue Marlin Hotel
32	Kivulini Beach Hotel
33	Lawfords Hotel
34	Monkey Sea Lodge
35	Palm Tree Club
36	Plaza Hotel
37	Silver Beach Hotel
38	Silver Star Hotel
39	Black Marine Hotel Msambweni
40	Lagoon Reef Hotel
41	Lake Jipe Lodge
42	Nyali Beach Apartments
43	Pride Inn Hotel Mombasa
44	The Planet Apartments
45	Mei Place Bandari Pillars
46	Lambada Holiday Resort
47	Voyager Beach Resort
48	Silversands Villas
49	Tropical village
50	Watamu Beach Hotel
51	Reef
52	Sentrim
53	Nyali International
54	Whispering Palms Hotel

55	African Sea Lodge
56	Oceanic Hotel
57	Outrigger Hotel
58	Coral Beach Hotel
59	Dolphin Beach Hotel
	Four Star Hotels
1	Robinson Baobab Club
2	Eden Beach Resort and Spa
3	Emerald Flamingo Beach Resort & Spa
4	Serena Beach Hotel and Spa
5	Sentrim Castle
6	Sentido Neptune Village Resort
7	Severine Hotel
8	Southern palms beach resort
9	Jijara Beach
10	Travellers
11	Topical Resort
12	Scorpio Villas
13	Ocean Resort and Spa
14	Turtle Bay
15	Sun Palm
16	Crystal Bay Sea View Acquires Beach
17	Watamu Villas
18	Jumia Beach
19	Coral Key
20	Driftwood Beach
21	Safari Beach Hotel
22	Two Fishes
23	Sun 'N' Sand Beach Hotel
24	Turtle Bay Beach Hotel
25	Leisure Lodge Hotel
26	Jadini Beach

27	Kilaguni Lodge
28	Ngulia Lodge
29	Salt Lick
30	Voi Safari Lodge
	Five Star Hotels
1	Amboseli Serena Lodge
2	Bamburi Beach
3	Kikayu Safari Village
4	Taita Hills Lodge
5	Kipungani Explorer
6	Leisure Lodge Hotel
7	Leopard Beach Resort and Spa
8	Lantana Galu Beach
9	Mombasa Intercontinental Hotel
10	Mombasa Serena Beach
11	Voyager Beach Resort
12	Peponi Hotel
13	Plan Hotel Dream of African
14	Royal Castle
15	Sarova Whitesand Beach Resort
16	The sands at nomad
17	Funzi Keys
18	Diani Reef
19	Golden Beach Hotel
20	Leopard Beach Hotel
21	Mombasa Beach Hotel
22	Nyali Beach Hotel
23	Serena Beach Hotel

Source: ROK (2016)

Appendix V: Results of Inferential Statistics on the Relationship of the Study Variables

Table A1: Descriptive Statistics

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std.	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Deviation	Statistic	Std.	Statistic	Std.
							Error		Error
LP	347	3.00	5.00	4.3499	.43132	-.508	.131	2.713	.261
EE	347	2.50	5.00	4.3228	.51977	.195	.131	2.885	.261
CS	347	2.75	5.00	4.4352	.42938	.498	.131	3.002	.261
CL	347	2.00	5.00	4.1085	.54714	-.635	.131	2.986	.261

Table A2. Reliability Coefficient for All Items Combined

Reliability Statistics	
Cronbach's Alpha	No. of Items
.879	51

Table A2.1 Reliability Test for Loyalty Programs Items

Reliability Statistics	
Cronbach's Alpha	No. of Items
.758	14

Table A2.2 Reliability Test for Experiential Encounter Items

Reliability Statistics	
Cronbach's Alpha	No. of Items
.733	15

Table A2.3 Reliability Test for Customer Satisfaction Items

Reliability Statistics	
Cronbach's Alpha	No. of Items
.656	10

Table A2.4 Reliability Test for Customer Loyalty Items

Reliability Statistics	
Cronbach's Alpha	No. of Items
.694	12

Table A3. Test for Normality

	Shapiro-Wilk		
	Statistic	Df	Sig.
CL	.903	347	.333
LP	.928	347	.721
EE	.807	347	.232
CS	.902	347	.068

Table A.4 Correlation Matrix

		Correlations			
		LP	EE	CS	CL
LP	Pearson Correlation	1	.277**	.100	.194**
	Sig. (2-tailed)		.000	.062	.000
	N	347	347	347	347
EE	Pearson Correlation	.277**	1	.127*	.127*
	Sig. (2-tailed)	.000		.018	.018
	N	347	347	347	347
CS	Pearson Correlation	.100	.127*	1	.338**
	Sig. (2-tailed)	.062	.018		.000
	N	347	347	347	347
CL	Pearson Correlation	.194**	.127*	.338**	1
	Sig. (2-tailed)	.000	.018	.000	
	N	347	347	347	347

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

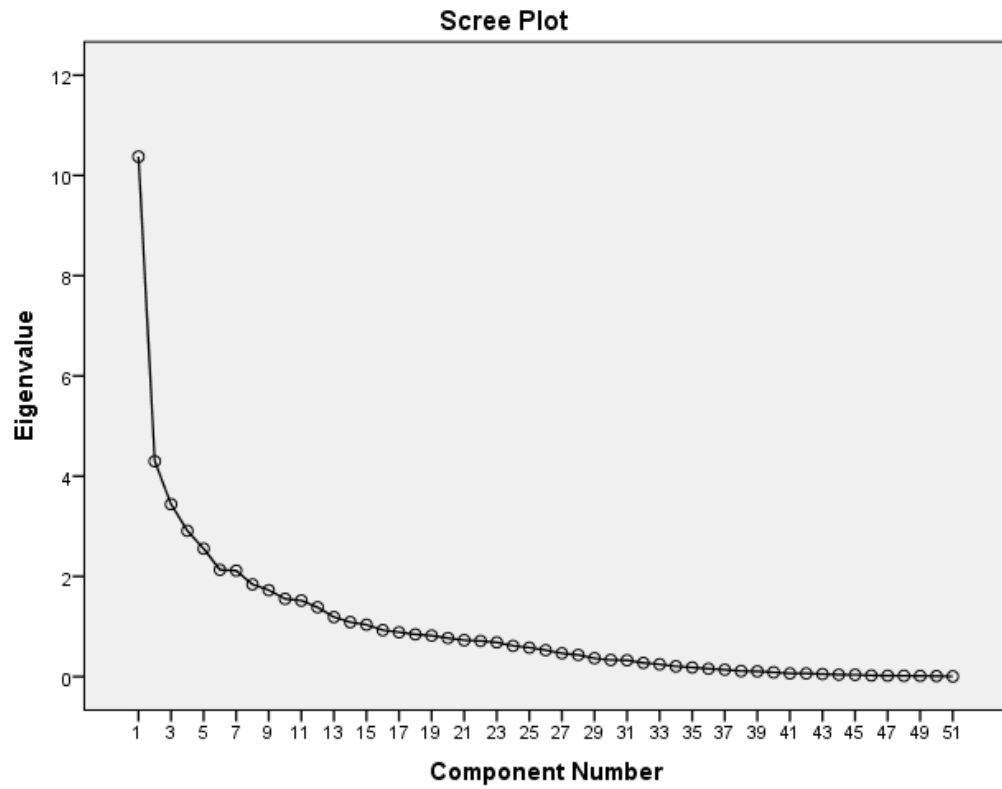


Fig. A1. Scree Plot for Factor Analysis

Table A5.1 Component Matrix

Component Matrix^a				
	Component			
	1	2	3	4
LP2 Patronizing this hotel ensures I enjoy more discounts	.586			
LP6 I'm updated on hotel events	.550			
LP9 I'm able to access express check in and out counters	.584			
LP12 I feel a sense of belonging	.635			
LP14 I feel close to the brand/I like to be identified with the hotel	.500			
EE12 Are very appreciative and thankful to the customers	.519			
EE13 Enquire about the customers day/ talk about their day			.719	
EE14 Enquire and discuss about the customers likes and dislikes			.604	
EE15 Offer personal experience of a product/service	.594		.535	
CS3 The benefits I receive from this program meets my expectation		.698		
CS8 I'm satisfied with the hotel service quality	.515			
CS9 I'm satisfied with the hotel staff				
CS10 I'm satisfied with the hotel service offering		.544		.554
CL6 Am proud when discussing/informing others about this hotel products and services	.551			
CL9 I will continue to patronize the hotel even if services/products prices increases		.579		-.574
CL12 Am willing to increase my expenditure in this hotel				-.556
Extraction Method: Principal Component Analysis.				
a. 4 components extracted.				

Table A5.2 Total Variance Explained

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	1	4.150	24.409	24.409	4.150	24.409	24.409	3.026	17.797
2	2.660	15.649	40.059	2.660	15.649	40.059	2.552	15.013	32.810
3	2.034	11.964	52.023	2.034	11.964	52.023	2.546	14.979	47.789
4	1.560	9.178	61.201	1.560	9.178	61.201	2.280	13.412	61.201
5	1.044	6.142	67.343						
6	.852	5.013	72.356						
7	.744	4.377	76.733						
8	.643	3.781	80.514						
9	.580	3.413	83.927						
10	.526	3.096	87.023						
11	.475	2.793	89.816						
12	.399	2.348	92.164						
13	.364	2.139	94.303						
14	.298	1.755	96.058						
15	.255	1.499	97.557						
16	.226	1.327	98.884						
17	.190	1.116	100.000						

Extraction Method: Principal Component Analysis.

Table A5.3 KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.710
Bartlett's Test of Sphericity	Approx. Chi-Square	2338.114
	Df	136
	Sig.	.000

Table A5.4 Communalities

Communalities		
	Initial	Extraction
LP2 Patronizing this hotel ensures I enjoy more discounts	1.000	.493
LP6 I'm updated on hotel events	1.000	.565
LP9 I'm able to access express check in and out counters	1.000	.683
LP12 I feel a sense of belonging	1.000	.592
LP14 I feel close to the brand/I like to be identified with the hotel	1.000	.524
EE12 Are very appreciative and thankful to the customers	1.000	.495
EE13 Enquire about the customers day/ talk about their day	1.000	.765
EE14 Enquire and discuss about the customers likes and dislikes	1.000	.609
EE15 Offer personal experience of a product/service	1.000	.704
CS3 The benefits I receive from this program meets my expectation	1.000	.583
CS8 I'm satisfied with the hotel service quality	1.000	.613
CS9 I'm satisfied with the hotel staff	1.000	.571
CS10 I'm satisfied with the hotel service offering	1.000	.671
CL2 I have the intention of patronizing this hotel in the future	1.000	.436
CL6 Am proud when discussing/informing others about this hotel products and services	1.000	.580
CL9 I will continue to patronize the hotel even if services/products prices increases	1.000	.794
CL12 Am willing to increase my expenditure in this hotel	1.000	.728

Extraction Method: Principal Component Analysis.

Table A6 Hypotheses Test 1: Model 3 Mediation Analysis

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
3	.488 ^a	.238	.220	.48326	2.354

a. Predictors: (Constant), The Category of the Hotel, LP, Number of years as a LP member, Highest Education Level, CS, Gender of Respondent, Age of Patron, Number of years patronizing the hotel

b. Dependent Variable: CL

Table A6.1 Analysis of Variance

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
3	Regression	24.642	8	3.080	13.189	.000 ^b
	Residual	78.936	338	.234		
	Total	103.578	346			

a. Dependent Variable: CL

b. Predictors: (Constant), The Category of the Hotel, LP, Number of years as a LP member, Highest Education Level, CS, Gender of Respondent, Age of Patron, Number of years patronizing the hotel

Table A6.2 Model 3 for Mediation

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
	3	(Constant)	2.321			.448	
	LP	.139	.063	.109	2.205	.028	.917 1.090
	CS	.428	.066	.336	6.505	.000	.847 1.181
	Gender of Respondent	-.003	.067	-.002	-.037	.970	.666 1.501
	Age of Patron	-.089	.057	-.107	-1.543	.124	.468 2.137
	Highest Education Level	-.036	.025	-.073	-1.446	.149	.886 1.128
	Number of years patronizing the hotel	-.197	.045	-.343	-4.423	.000	.374 2.672
	Number of years as a LP member	.264	.053	.400	4.960	.000	.346 2.887
	The Category of the Hotel	-.080	.040	-.118	-2.013	.045	.652 1.534

a. Dependent Variable: CL

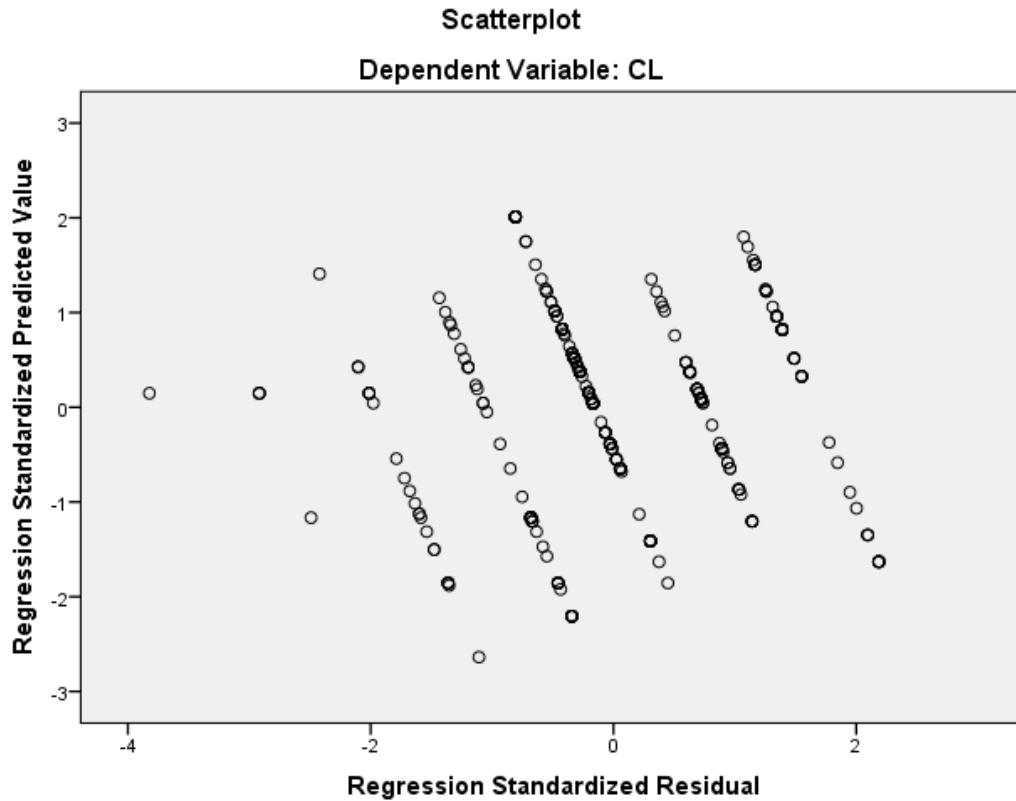


Fig A2 Regression Standardized Residual for Model 3

Table A7. Hypotheses 1 Model 2 Mediation

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
2	.391 ^a	.153	.136	.39921	1.669

a. Predictors: (Constant), The Category of the Hotel, LP, Number of years as a LP member, Highest Education Level, Gender of Respondent, Age of Patron, Number of years patronizing the hotel

b. Dependent Variable: CS

Table A7.1 Analysis of Variance

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
2	Regression	9.765	7	1.395	8.753	.000 ^b
	Residual	54.026	339	.159		
	Total	63.791	346			

a. Dependent Variable: CS

b. Predictors: (Constant), The Category of the Hotel, LP, Number of years as a LP member, Highest Education Level, Gender of Respondent, Age of Patron, Number of years patronizing the hotel

Table A7.2 Regression Analysis Model 2 for Mediation

Model	Coefficients ^a									
	Unstandardized		Standardized	T	Sig.	Correlations			Collinearity	
	Coefficients		Coefficients			Zero-	Partial	Part	Tolerance	VIF
	B	Std.	Beta	order						
	Error									
(Constant)	3.620	.314		11.527	.000					
LP	.142	.051	.143	2.762	.006	.100	.148	.138	.938	1.066
Gender of Respondent	.276	.054	.304	5.153	.000	.303	.269	.258	.718	1.392
Age of Patron	.043	.047	.066	.906	.366	.154	.049	.045	.469	2.132
Highest Education Level	-.019	.021	-.049	-.929	.354	.007	-.050	-	.889	1.125
2 Number of years patronizing the hotel	.030	.037	.066	.809	.419	.190	.044	.040	.375	2.667
Number of years as a LP member	.012	.044	.023	.267	.789	.144	.015	.013	.346	2.886
The Category of the Hotel	-.080	.032	-.152	-2.473	.014	-.139	-.133	-	.664	1.507
									.124	

a. Dependent Variable: CS

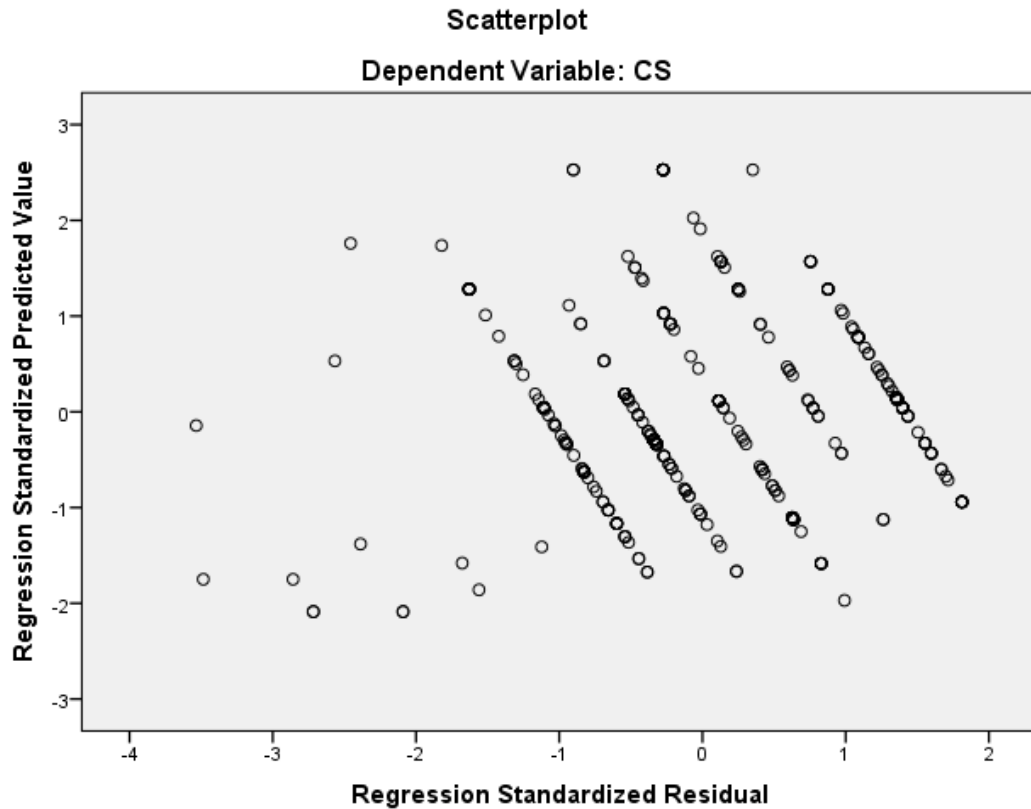


Fig A3 Regression Standardized Residual model 2

Table A8. Model 1 Testing Hypotheses 1 for Mediation Analysis

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.377 ^a	.142	.125	.51186	2.364

a. Predictors: (Constant), The Category of the Hotel, LP, Number of years as a LP member, Highest Education Level, Gender of Respondent, Age of Patron, Number of years patronizing the hotel

b. Dependent Variable: CL

Table A8.1 Analysis of Variance

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.759	7	2.108	8.047	.000 ^b
	Residual	88.819	339	.262		
	Total	103.578	346			

a. Dependent Variable: CL

b. Predictors: (Constant), The Category of the Hotel, LP, Number of years as a LP member, Highest Education Level, Gender of Respondent, Age of Patron, Number of years patronizing the hotel

Table A8.2 Regression Analysis Model 1 for Mediation

Model	Coefficients ^a									
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
(Constant)	3.869	.403		9.610	.000					
LP	.199	.066	.157	3.027	.003	.194	.162	.152	.938	1.066
Gender of Respondent	.116	.069	.100	1.682	.093	-.033	.091	.085	.718	1.392
Age of Patron	-.070	.061	-.085	1.156	.248	.096	-.063	-.058	.469	2.132
Highest Education Level	-.044	.026	-.089	1.677	.094	-.107	-.091	-.084	.889	1.125
1 Number of years patronizing the hotel	-.184	.047	-.321	3.910	.000	-.082	-.208	-.197	.375	2.667
Number of years as a LP member	.269	.056	.408	4.773	.000	.144	.251	.240	.346	2.886
The Category of the Hotel	-.114	.042	-.169	2.743	.006	-.172	-.147	-.138	.664	1.507

a. Dependent Variable: CL

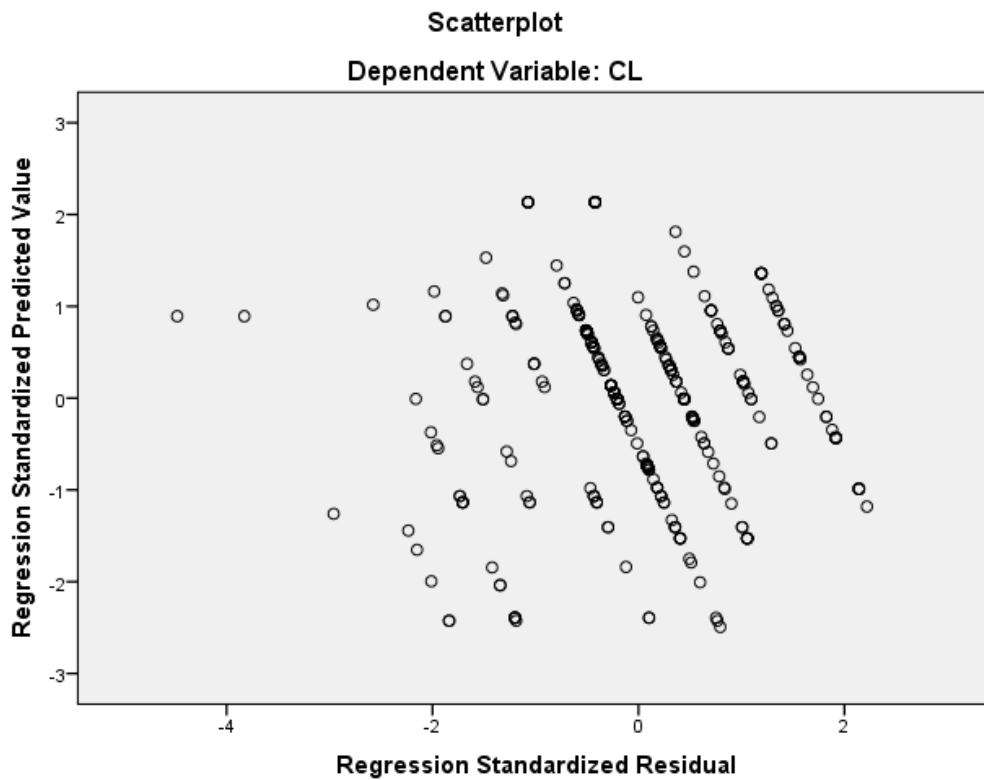


Fig A4 Regression Standardized Residual model 3

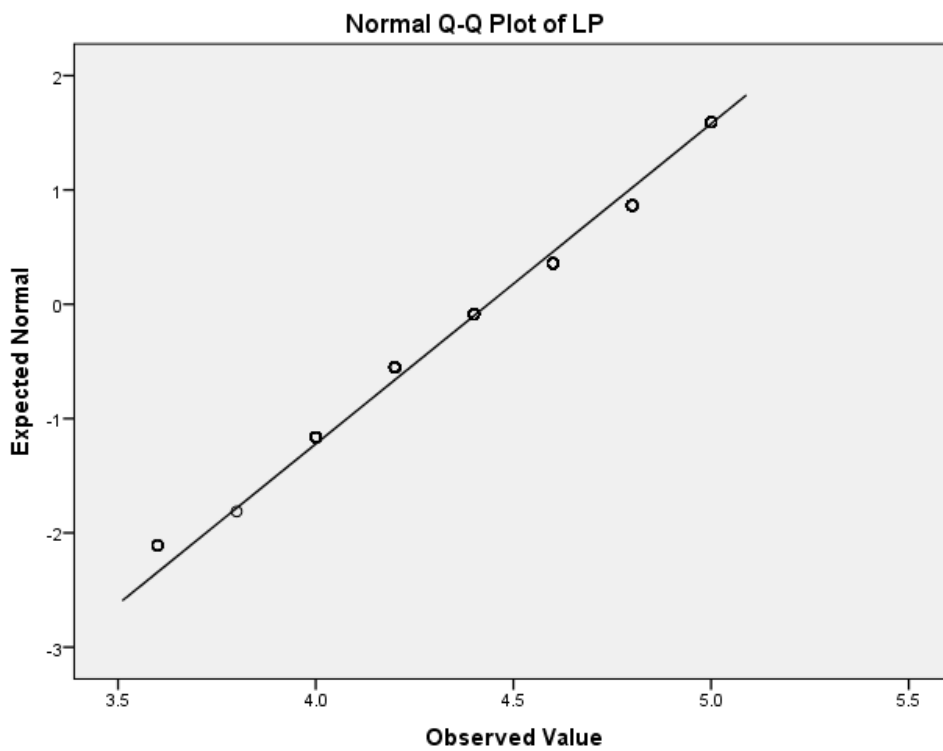


Fig A5: Normality and Linearity of Loyalty Programs Benefits

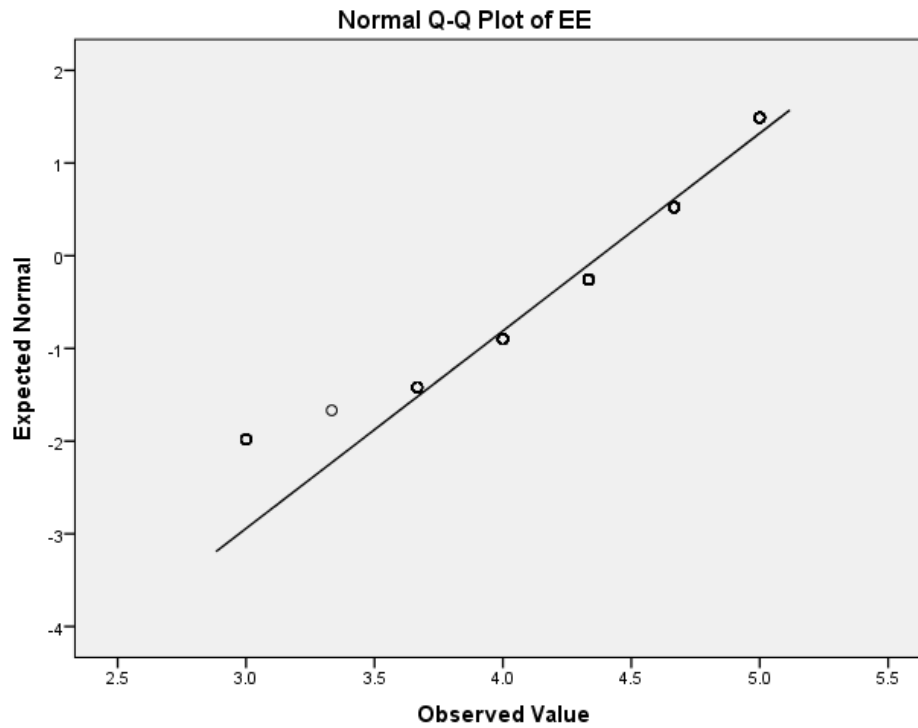


Fig A6: Normality and Linearity of Experiential Encounter

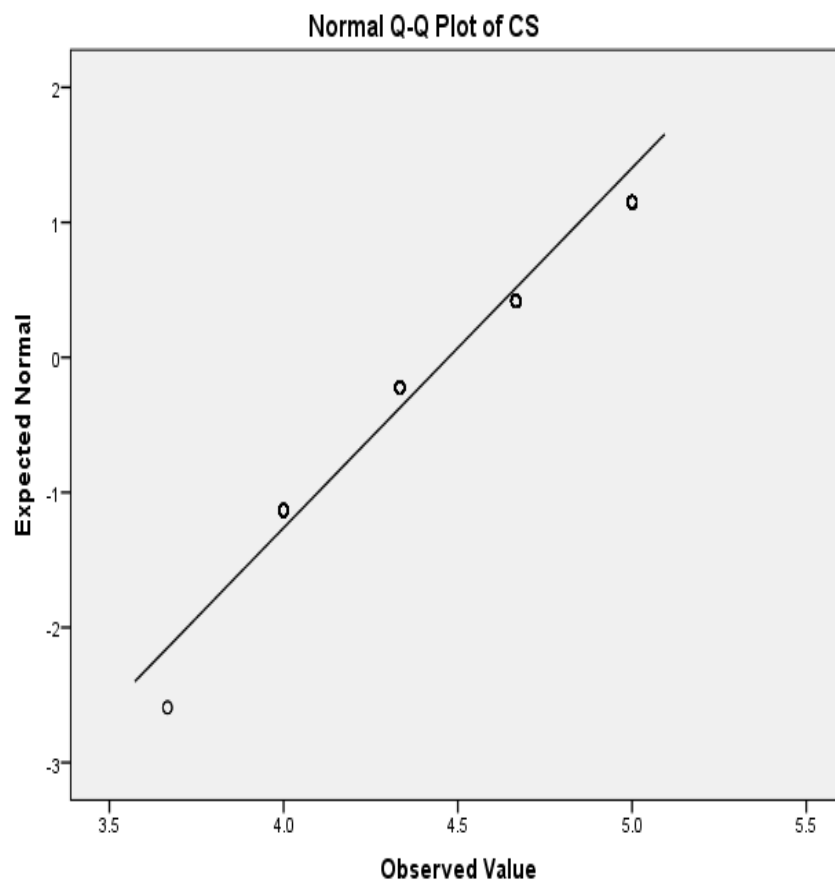


Fig A7: Normality and Linearity of Customer Satisfaction

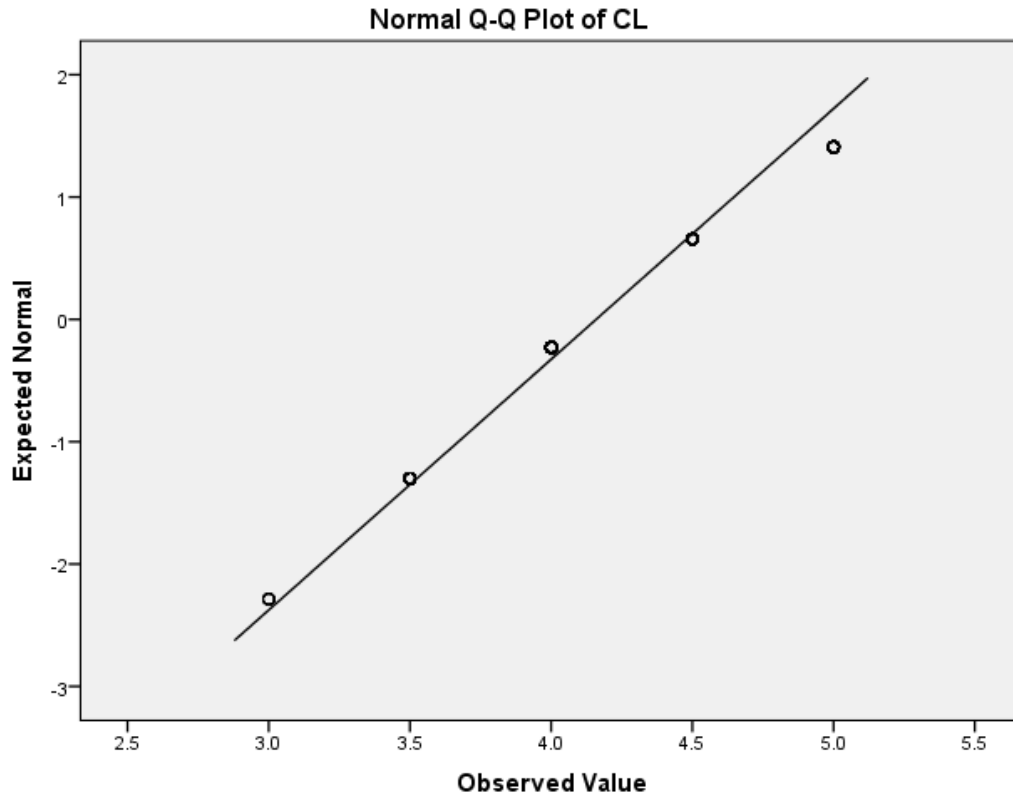


Fig A8: Normality and Linearity of Customer Loyalty

Table A9: Moderation Model 1 and Moderated Mediation, Model 59

```

GET
  FILE='G:\Final Stab 2\Option 3\Coastal Hotel Data.sav'.
DATASET NAME DataSet1 WINDOW=FRONT.
/* PROCESS for SPSS 2.16.1 */.
/* Written by Andrew F. Hayes */.
/* www.afhayes.com */.
/* Copyright 2012-2016 */.
/* Online distribution other than through */.
/* www.afhayes.com or processmacro.org is not authorized */.
/* Please read the documentation */.
/* available in Appendix A of */.
/* Hayes (2013) prior to use */.
/* www.guilford.com/p/hayes3 */.
/* Documentation available in Appendix A of
http://www.guilford.com/p/hayes3 */.
preserve.
set printback=off.
Matrix
[DataSet1] G:\Final Stab 2\Option 3\Coastal Hotel Data.sav
Run MATRIX procedure:
***** PROCESS Procedure for SPSS Release 2.16.1
*****
                Written by Andrew F. Hayes, Ph.D.           www.afhayes.com
                Documentation available in Hayes (2013).
www.guilford.com/p/hayes3
*****
*****
Model = 1
      Y = CS

```

X = LP
M = EE

Statistical Controls:

CONTROL= Gender Age EdnLevel YrsP YrsLP HotelSta

Sample size
347

Outcome: CS

Model Summary

	R	R-sq	MSE	F	df1	df2	p
	.440	.194	.153	11.117	9.000	337.000	.000

Model

	coeff	se	t	p	LLCI	ULCI
constant	4.238	.157	26.953	.000	3.929	4.547
EE	.133	.049	2.685	.008	.035	.230
LP	.066	.062	1.059	.290	-.056	.188
int_1	-.248	.119	-2.087	.038	-.481	-.014
Gender	.229	.060	3.829	.000	.111	.346
Age	.083	.046	1.809	.071	-.007	.174
EdnLevel	-.031	.022	-1.452	.148	-.074	.011
YrsP	.055	.043	1.273	.204	-.030	.140
YrsLP	-.041	.046	-.901	.368	-.131	.049
HotelSta	-.069	.029	-2.386	.018	-.125	-.012

Product terms key:

int_1 LP X EE

R-square increase due to interaction(s):

	R2-chng	F	df1	df2	p
int_1	.017	4.357	1.000	337.000	.038

Conditional effect of X on Y at values of the moderator(s):

EE	Effect	se	t	p	LLCI	ULCI
-.520	.194	.075	2.606	.010	.048	.341
.000	.066	.062	1.059	.290	-.056	.188
.520	-.063	.099	-.639	.523	-.257	.131

Values for quantitative moderators are the mean and plus/minus one SD from mean.

Values for dichotomous moderators are the two values of the moderator.

***** JOHNSON-NEYMAN TECHNIQUE *****

Moderator value(s) defining Johnson-Neyman significance region(s)

Value	% below	% above
-.213	28.530	71.470

Conditional effect of X on Y at values of the moderator (M)

EE	Effect	se	t	p	LLCI	ULCI
-1.823	.517	.208	2.485	.013	.108	.927
-1.698	.486	.194	2.507	.013	.105	.868
-1.573	.455	.180	2.530	.012	.101	.809
-1.448	.424	.166	2.556	.011	.098	.751
-1.323	.393	.152	2.583	.010	.094	.693
-1.198	.362	.139	2.612	.009	.089	.635
-1.073	.331	.125	2.641	.009	.085	.578
-.948	.300	.113	2.667	.008	.079	.522

-.823	.269	.100	2.684	.008	.072	.467
-.698	.239	.089	2.683	.008	.064	.413
-.573	.208	.079	2.643	.009	.053	.362
-.448	.177	.070	2.529	.012	.039	.314
-.323	.146	.063	2.297	.022	.021	.270
-.213	.119	.060	1.967	.050	.000	.237
-.198	.115	.060	1.910	.057	-.003	.233
-.073	.084	.060	1.389	.166	-.035	.202
.052	.053	.064	.824	.410	-.073	.179
.177	.022	.071	.308	.758	-.117	.161
.302	-.009	.080	-.115	.908	-.166	.148
.427	-.040	.090	-.445	.656	-.218	.137
.552	-.071	.102	-.699	.485	-.271	.129
.677	-.102	.114	-.894	.372	-.327	.122

Data for visualizing conditional effect of X on Y
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/LP EE CS.

BEGIN DATA.

-.431	-.520	4.298
.000	-.520	4.382
.431	-.520	4.465
-.431	.000	4.422
.000	.000	4.450
.431	.000	4.479
-.431	.520	4.547
.000	.520	4.519
.431	.520	4.492

END DATA.

GRAPH/SCATTERPLOT=LP WITH CS BY EE.

* Estimates are based on setting covariates to their sample means.

***** ANALYSIS NOTES AND WARNINGS

Level of confidence for all confidence intervals in output:

95.00

NOTE: The following variables were mean centered prior to analysis:

LP EE

NOTE: All standard errors for continuous outcome models are based on the HC3 estimator

----- END MATRIX -----

restore.

/* PROCESS for SPSS 2.16.1 */.

/* Written by Andrew F. Hayes */.

/* www.afhayes.com */.

/* Copyright 2012-2016 */.

/* Online distribution other than through */.

/* www.afhayes.com or processmacro.org is not authorized */.

/* Please read the documentation */.

/* available in Appendix A of */.

/* Hayes (2013) prior to use */.

/* www.guilford.com/p/hayes3 */.

/* Documentation available in Appendix A of

<http://www.guilford.com/p/hayes3> */.

preserve.

set printback=off.

Matrix

Run MATRIX procedure:

***** PROCESS Procedure for SPSS Release 2.16.1

Written by Andrew F. Hayes, Ph.D.

www.afhayes.com

Documentation available in Hayes (2013).
 www.guilford.com/p/hayes3

```

*****
*****
Model = 1
  Y = CL
  X = CS
  M = EE

Statistical Controls:
CONTROL= Gender   Age           EdnLevel YrsP       YrsLP   HotelSta

Sample size
      347
*****
*****
Outcome: CL
Model Summary
      R      R-sq      MSE      F      df1      df2
p      .483      .233      .236     11.132     9.000     337.000      .000

Model
      coeff      se      t      p      LLCI      ULCI
constant     4.810     .265     18.182     .000     4.289     5.330
EE             .051     .056      .909     .364     -.059     .162
CS             .424     .074     5.696     .000     .278     .571
int_1         -.146     .109    -1.339     .182     -.362     .069
Gender         -.043     .080     -.533     .594     -.201     .115
Age           -.079     .061    -1.305     .193     -.199     .040
EdnLevel      -.031     .029    -1.083     .280     -.088     .025
YrsP          -.188     .049    -3.822     .000     -.285    -.091
YrsLP         .257     .060     4.268     .000     .139     .376
HotelSta     -.077     .043    -1.785     .075     -.162     .008

Product terms key:
  int_1   CS           X           EE
R-square increase due to interaction(s):
      R2-chng      F      df1      df2      p
int_1      .005      1.792      1.000     337.000     .182

*****
*****
Conditional effect of X on Y at values of the moderator(s):
      EE      Effect      se      t      p      LLCI      ULCI
      -.520      .500      .084     5.923     .000      .334      .666
      .000      .424      .074     5.696     .000      .278      .571
      .520      .348      .102     3.408     .001      .147      .549

Values for quantitative moderators are the mean and plus/minus one SD
from mean.
Values for dichotomous moderators are the two values of the
moderator.

***** JOHNSON-NEYMAN TECHNIQUE
*****
There are no statistical significance transition points within the
observed
range of the moderator.
*****
*****
Data for visualizing conditional effect of X on Y

```

Paste text below into a SPSS syntax window and execute to produce plot.

```

DATA LIST FREE/CS EE CL.
BEGIN DATA.
  -.429      -.520      3.871
   .000      -.520      4.086
   .429      -.520      4.301
  -.429      .000      3.931
   .000      .000      4.113
   .429      .000      4.295
  -.429      .520      3.990
   .000      .520      4.139
   .429      .520      4.289
END DATA.
GRAPH/SCATTERPLOT=CS WITH CL BY EE.
* Estimates are based on setting covariates to their sample means.
***** ANALYSIS NOTES AND WARNINGS
*****
Level of confidence for all confidence intervals in output:
  95.00
NOTE: The following variables were mean centered prior to analysis:
  CS      EE
NOTE: All standard errors for continuous outcome models are based on
the HC3 estimator
----- END MATRIX -----
restore.
/* PROCESS for SPSS 2.16.1 */.
/* Written by Andrew F. Hayes */.
/* www.afhayes.com */.
/* Copyright 2012-2016 */.
/* Online distribution other than through */.
/* www.afhayes.com or processmacro.org is not authorized */.
/* Please read the documentation */.
/* available in Appendix A of */.
/* Hayes (2013) prior to use */.
/* www.guilford.com/p/hayes3 */.
/* Documentation available in Appendix A of
http://www.guilford.com/p/hayes3 */.
preserve.
set printback=off.

Matrix
Run MATRIX procedure:
***** PROCESS Procedure for SPSS Release 2.16.1
*****
          Written by Andrew F. Hayes, Ph.D.          www.afhayes.com
          Documentation available in Hayes (2013).
www.guilford.com/p/hayes3
*****
*****
Model = 1
  Y = CL
  X = LP
  M = EE
Statistical Controls:
CONTROL= Gender   Age           EdnLevel YrsP           YrsLP           HotelSta
Sample size
          347
*****
*****

```

Outcome: CL

Model Summary

	R	R-sq	MSE	F	df1	df2	p
	.404	.163	.257	6.276	9.000	337.000	.000

Model

	coeff	se	t	p	LLCI	ULCI
constant	4.768	.257	18.535	.000	4.262	5.274
EE	.053	.059	.907	.365	-.062	.169
LP	.133	.074	1.808	.072	-.012	.279
int_1	-.308	.147	-2.097	.037	-.598	-.019
Gender	.063	.088	.714	.476	-.111	.237
Age	-.068	.062	-1.097	.274	-.189	.054
EdnLevel	-.054	.028	-1.932	.054	-.108	.001
YrsP	-.165	.055	-3.010	.003	-.272	-.057
YrsLP	.250	.062	4.046	.000	.128	.371
HotelSta	-.095	.043	-2.223	.027	-.179	-.011

Product terms key:

int_1 LP X EE

R-square increase due to interaction(s):

	R2-chng	F	df1	df2	p
int_1	.016	4.396	1.000	337.000	.037

Conditional effect of X on Y at values of the moderator(s):

	EE	Effect	se	t	p	LLCI	ULCI
	-.520	.294	.087	3.391	.001	.123	.464
	.000	.133	.074	1.808	.072	-.012	.279
	.520	-.027	.123	-.219	.826	-.269	.215

Values for quantitative moderators are the mean and plus/minus one SD from mean.

Values for dichotomous moderators are the two values of the moderator.

***** JOHNSON-NEYMAN TECHNIQUE *****

Moderator value(s) defining Johnson-Neyman significance region(s)

Value	% below	% above
-.030	53.314	46.686

Conditional effect of X on Y at values of the moderator (M)

	EE	Effect	se	t	p	LLCI	ULCI
	-1.823	.696	.253	2.748	.006	.198	1.194
	-1.698	.657	.236	2.790	.006	.194	1.120
	-1.573	.619	.218	2.837	.005	.190	1.047
	-1.448	.580	.201	2.890	.004	.185	.975
	-1.323	.541	.184	2.950	.003	.180	.902
	-1.198	.503	.167	3.018	.003	.175	.831
	-1.073	.464	.150	3.093	.002	.169	.760
	-.948	.426	.134	3.175	.002	.162	.690
	-.823	.387	.119	3.261	.001	.154	.621
	-.698	.349	.104	3.340	.001	.143	.554
	-.573	.310	.091	3.389	.001	.130	.490
	-.448	.272	.081	3.362	.001	.113	.430
	-.323	.233	.073	3.186	.002	.089	.377
	-.198	.194	.070	2.791	.006	.057	.331
	-.073	.156	.071	2.197	.029	.016	.295
	-.030	.143	.072	1.967	.050	.000	.285
	.052	.117	.077	1.529	.127	-.034	.268
	.177	.079	.086	.914	.361	-.091	.248
	.302	.040	.098	.409	.683	-.153	.233

.427	.002	.112	.014	.989	-.218	.222
.552	-.037	.127	-.292	.771	-.286	.212
.677	-.076	.143	-.530	.596	-.356	.205

Data for visualizing conditional effect of X on Y
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/LP EE CL.

BEGIN DATA.

-.431	-.520	3.973
.000	-.520	4.100
.431	-.520	4.227
-.431	.000	4.070
.000	.000	4.128
.431	.000	4.185
-.431	.520	4.167
.000	.520	4.155
.431	.520	4.144

END DATA.

GRAPH/SCATTERPLOT=LP WITH CL BY EE.

* Estimates are based on setting covariates to their sample means.

***** ANALYSIS NOTES AND WARNINGS

Level of confidence for all confidence intervals in output:
95.00

NOTE: The following variables were mean centered prior to analysis:

LP EE

NOTE: All standard errors for continuous outcome models are based on the HC3 estimator

----- END MATRIX -----

restore.

/* PROCESS for SPSS 2.16.1 */.

/* Written by Andrew F. Hayes */.

/* www.afhayes.com */.

/* Copyright 2012-2016 */.

/* Online distribution other than through */.

/* www.afhayes.com or processmacro.org is not authorized */.

/* Please read the documentation */.

/* available in Appendix A of */.

/* Hayes (2013) prior to use */.

/* www.guilford.com/p/hayes3 */.

/* Documentation available in Appendix A of

<http://www.guilford.com/p/hayes3> */.

preserve.

set printback=off.

Matrix

Run MATRIX procedure:

***** PROCESS Procedure for SPSS Release 2.16.1

Written by Andrew F. Hayes, Ph.D.

www.afhayes.com

Documentation available in Hayes (2013).

www.guilford.com/p/hayes3

Model = 59

Y = CL

X = LP
M = CS
W = EE

Statistical Controls:

CONTROL= Gender Age EdnLevel YrsP YrsLP HotelSta

Sample size

347

Outcome: CS

Model Summary

R	R-sq	MSE	F	df1	df2	p
.440	.194	.153	11.117	9.000	337.000	.000

Model

	coeff	se	t	p	LLCI	ULCI
constant	-.197	.157	-1.254	.211	-.506	.112
LP	.066	.062	1.059	.290	-.056	.188
EE	.133	.049	2.685	.008	.035	.230
int_1	-.248	.119	-2.087	.038	-.481	-.014
Gender	.229	.060	3.829	.000	.111	.346
Age	.083	.046	1.809	.071	-.007	.174
EdnLevel	-.031	.022	-1.452	.148	-.074	.011
YrsP	.055	.043	1.273	.204	-.030	.140
YrsLP	-.041	.046	-.901	.368	-.131	.049
HotelSta	-.069	.029	-2.386	.018	-.125	-.012

Product terms key:

int_1 LP X EE

Outcome: CL

Model Summary

R	R-sq	MSE	F	df1	df2	p
.495	.245	.233	9.633	11.000	335.000	.000

Model

	coeff	se	t	p	LLCI	ULCI
constant	4.842	.268	18.052	.000	4.315	5.370
CS	.406	.071	5.695	.000	.266	.546
LP	.105	.065	1.604	.110	-.024	.234
int_2	-.018	.126	-.144	.886	-.265	.229
EE	.001	.056	.015	.988	-.109	.110
int_3	-.198	.152	-1.307	.192	-.497	.100
Gender	-.032	.083	-.393	.694	-.195	.130
Age	-.100	.061	-1.646	.101	-.221	.020
EdnLevel	-.040	.029	-1.414	.158	-.097	.016
YrsP	-.185	.048	-3.844	.000	-.280	-.090
YrsLP	.265	.059	4.463	.000	.148	.382
HotelSta	-.067	.043	-1.566	.118	-.150	.017

Product terms key:

int_2 CS X EE

int_3 LP X EE

***** DIRECT AND INDIRECT EFFECTS

Conditional direct effect(s) of X on Y at values of the moderator(s):

EE	Effect	SE	t	p	LLCI	ULCI
-.520	.208	.086	2.407	.017	.038	.378
.000	.105	.065	1.604	.110	-.024	.234
.520	.002	.116	.017	.986	-.227	.231

Conditional indirect effect(s) of X on Y at values of the moderator(s):

Mediator

	EE	Effect	Boot SE	BootLLCI	BootULCI
CS	-.520	.081	.038	.014	.162
CS	.000	.027	.026	-.017	.088
CS	.520	-.025	.039	-.108	.049

Values for quantitative moderators are the mean and plus/minus one SD from mean.
 Values for dichotomous moderators are the two values of the moderator.

***** ANALYSIS NOTES AND WARNINGS *****

Number of bootstrap samples for bias corrected bootstrap confidence intervals:
 5000

Level of confidence for all confidence intervals in output:
 95.00

NOTE: The following variables were mean centered prior to analysis:
 LP CS EE

NOTE: All standard errors for continuous outcome models are based on the HC3 estimator

----- END MATRIX -----

The Mediation Model

Run MATRIX procedure:

***** PROCESS Procedure for SPSS Release 2.16.1 *****

Written by Andrew F. Hayes, Ph.D. www.afhayes.com
 Documentation available in Hayes (2013).
www.guilford.com/p/hayes3

Model = 4
 Y = CL
 X = LP
 M = CS

Statistical Controls:
 CONTROL= Gender Age EdnLevel YrsP YrsLP HotelSta

Sample size
 347

Outcome: CS

Model Summary

R	R-sq	MSE	F	df1	df2	p
.3912	.1531	.1594	8.7528	7.0000	339.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	3.6195	.3140	11.5270	.0000	3.0019	4.2372
LP	.1419	.0514	2.7623	.0061	.0409	.2430
Gender	.2762	.0536	5.1526	.0000	.1708	.3817
Age	.0429	.0473	.9057	.3657	-.0502	.1359
EdnLevel	-.0191	.0206	-.9291	.3535	-.0596	.0214
YrsP	.0298	.0368	.8090	.4191	-.0426	.1021

YrsLP	.0117	.0439	.2673	.7894	-.0746	.0981
HotelSta	-.0804	.0325	-2.4727	.0139	-.1443	-.0164

Outcome: CL

Model Summary

R	R-sq	MSE	F	df1	df2	p
.4878	.2379	.2335	13.1895	8.0000	338.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	2.3210	.4485	5.1754	.0000	1.4388	3.2031
CS	.4277	.0657	6.5054	.0000	.2984	.5570
LP	.1387	.0629	2.2052	.0281	.0150	.2624
Gender	-.0025	.0674	-.0372	.9704	-.1350	.1300
Age	-.0885	.0574	-1.5430	.1238	-.2013	.0243
EdnLevel	-.0361	.0250	-1.4462	.1490	-.0852	.0130
YrsP	-.1972	.0446	-4.4234	.0000	-.2849	-.1095
YrsLP	.2637	.0532	4.9604	.0000	.1591	.3682
HotelSta	-.0799	.0397	-2.0134	.0449	-.1580	-.0018

***** TOTAL EFFECT MODEL

Outcome: CL

Model Summary

R	R-sq	MSE	F	df1	df2	p
.3775	.1425	.2620	8.0471	7.0000	339.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	3.8691	.4026	9.6099	.0000	3.0771	4.6610
LP	.1994	.0659	3.0267	.0027	.0698	.3290
Gender	.1156	.0687	1.6824	.0934	-.0196	.2508
Age	-.0702	.0607	-1.1564	.2483	-.1895	.0492
EdnLevel	-.0443	.0264	-1.6771	.0944	-.0962	.0077
YrsP	-.1845	.0472	-3.9104	.0001	-.2773	-.0917
YrsLP	.2687	.0563	4.7728	.0000	.1580	.3794
HotelSta	-.1143	.0417	-2.7428	.0064	-.1962	-.0323

***** TOTAL, DIRECT, AND INDIRECT EFFECTS

Total effect of X on Y

Effect	SE	t	p	LLCI	ULCI
.1994	.0659	3.0267	.0027	.0698	.3290

Direct effect of X on Y

Effect	SE	t	p	LLCI	ULCI
.1387	.0629	2.2052	.0281	.0150	.2624

Indirect effect of X on Y

Effect	Boot SE	BootLLCI	BootULCI
CS	.0607	.0340	.0019

Partially standardized indirect effect of X on Y

Effect	Boot SE	BootLLCI	BootULCI
CS	.1172	.0641	.0002

Completely standardized indirect effect of X on Y

Effect	Boot SE	BootLLCI	BootULCI
CS	.0494	.0279	.0010

Ratio of indirect to total effect of X on Y

	Effect	Boot SE	BootLLCI	BootULCI
CS	.3044	.5535	.0126	.8374

Ratio of indirect to direct effect of X on Y

	Effect	Boot SE	BootLLCI	BootULCI
CS	.4377	4.0452	-.0144	3.2873

Normal theory tests for indirect effect

	Effect	se	Z	p
	.0607	.0241	2.5175	.0118

***** ANALYSIS NOTES AND WARNINGS

Number of bootstrap samples for bias corrected bootstrap confidence intervals:
5000

Level of confidence for all confidence intervals in output:
95.00

----- END MATRIX -----

Model 7

Run MATRIX procedure:

***** PROCESS Procedure for SPSS Release 2.16.1

Written by Andrew F. Hayes, Ph.D. www.afhayes.com
Documentation available in Hayes (2013).
www.guilford.com/p/hayes3

Model = 7
Y = CL
X = LP
M = CS
W = EE

Statistical Controls:
CONTROL= Gender Age EdnLevel YrsP YrsLP HotelSta

Sample size
347

Outcome: CS

Model Summary

	R	R-sq	MSE	F	df1	df2	p
	.4402	.1938	.1526	8.9987	9.0000	337.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	4.2380	.2002	21.1710	.0000	3.8442	4.6317

LP	.0657	.0536	1.2256	.2212	-.0397	.1711
EE	.1326	.0527	2.5143	.0124	.0289	.2363
int_1	-.2477	.0929	-2.6667	.0080	-.4304	-.0650
Gender	.2286	.0544	4.2011	.0000	.1216	.3357
Age	.0835	.0525	1.5901	.1127	-.0198	.1867
EdnLevel	-.0314	.0204	-1.5391	.1247	-.0714	.0087
YrsP	.0549	.0365	1.5019	.1341	-.0170	.1267
YrsLP	-.0413	.0484	-.8529	.3943	-.1365	.0539
HotelSta	-.0687	.0326	-2.1040	.0361	-.1329	-.0045

Product terms key:

int_1 LP X EE

Outcome: CL

Model Summary

R	R-sq	MSE	F	df1	df2	p
.4878	.2379	.2335	13.1895	8.0000	338.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	2.9242	.3718	7.8660	.0000	2.1930	3.6555
CS	.4277	.0657	6.5054	.0000	.2984	.5570
LP	.1387	.0629	2.2052	.0281	.0150	.2624
Gender	-.0025	.0674	-.0372	.9704	-.1350	.1300
Age	-.0885	.0574	-1.5430	.1238	-.2013	.0243
EdnLevel	-.0361	.0250	-1.4462	.1490	-.0852	.0130
YrsP	-.1972	.0446	-4.4234	.0000	-.2849	-.1095
YrsLP	.2637	.0532	4.9604	.0000	.1591	.3682
HotelSta	-.0799	.0397	-2.0134	.0449	-.1580	-.0018

***** DIRECT AND INDIRECT EFFECTS

Direct effect of X on Y

Effect	SE	t	p	LLCI	ULCI
.1387	.0629	2.2052	.0281	.0150	.2624

Conditional indirect effect(s) of X on Y at values of the moderator(s):

Mediator

	EE	Effect	Boot SE	BootLLCI	BootULCI
CS	-.5198	.0832	.0398	.0070	.1618
CS	.0000	.0281	.0277	-.0190	.0894
CS	.5198	-.0270	.0423	-.1158	.0518

Values for quantitative moderators are the mean and plus/minus one SD from mean.

Values for dichotomous moderators are the two values of the moderator.

***** INDEX OF MODERATED MEDIATION

Mediator

	Index	SE(Boot)	BootLLCI	BootULCI
CS	-.1059	.0583	-.2209	.0097

***** ANALYSIS NOTES AND WARNINGS

Number of bootstrap samples for bias corrected bootstrap confidence intervals:
5000

Level of confidence for all confidence intervals in output:
95.00

NOTE: The following variables were mean centered prior to analysis:
LP EE

----- END MATRIX -----

Appendix VI: Mediation and Moderated Mediation when all Elements are included

Table AVI.1 Mediation Analysis

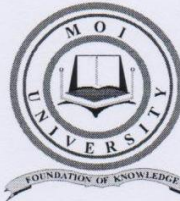
Predictors	Customer Satisfaction		Customer Loyalty	
	<i>B</i>	<i>T</i>	<i>B</i>	<i>T</i>
<i>Loyalty Programs</i>	0.472**	8.961	0.4769**	9.5516
<i>Customer Satisfaction</i>			0.3054**	6.6981
<i>Gender of Respondent</i>	0.0614	1.5419	-.0577	-1.7198
<i>Age of Patron</i>	0.0485	1.3469	-.0141	-.4639
<i>Highest Education Level</i>	-.0086	-.5739	0.0070	.5568
<i>Number of years patronizing the hotel</i>	0.0955**	3.443	-.0455	-1.9190
<i>Number of years as an LP member</i>	-.0612	-1.8369	0.0697*	2.4770
<i>The Category of the Hotel</i>	-.0131	-.5441	-.0353	-1.7445
<i>R²</i>	0.2307		0.4603	
<i>F</i>	14.5259**		36.0410**	

Note. Each column is a regression model that predicts the criterion at the top of the column. Gender was dummy coded such that 0 = female and 1= male
*p<.05, ** p<.01

Moderated Mediation Results**Table AVI.2 Moderated Mediation Analysis**

Predictors	<i>Model 1</i>		<i>Model 2</i>	
	Customer Satisfaction		Customer Loyalty	
	<i>B</i>	<i>T</i>	<i>B</i>	<i>T</i>
<i>Gender</i>	0.0033	0.0869	-.1350**	-4.0961
<i>Age</i>	0.0960*	2.8017	0.0104	0.3565
<i>Education Level</i>	-.0167	-1.1849	-.0014	-.1180
<i>Years Patronizing the Hotel</i>	0.1369**	5.1813	0.0084	0.3572
<i>No. Of Years as a Loyalty Program Member (LP)</i>	-.1193**	-3.6981	0.037	1.3607
<i>Hotel Star Rating</i>	-.0053	-.2264	-.128	-.6529
<i>LP</i>	0.3091**	5.6302	0.4064**	8.4714
<i>Experiential Encounter (EE)</i>	0.3229**	5.3659	0.087	1.5990
<i>LP x EE</i>	-.2371*	-2.5785	-.0184	-.1356
<i>Customer Satisfaction (CS)</i>			0.1898**	4.1661
<i>CS x EE</i>			-.4844*	-3.3919
<i>R²</i>	0.3392		0.5424	
<i>F</i>	19.202**		36.10**	

Note. Each column is a regression model that predicts the criterion at the top of the column. Gender was dummy coded such that 0 = female and 1 = male
*p<.05, **p<.01

Appendix VII: Research Authorization

**MOI UNIVERSITY
SCHOOL OF BUSINESS AND ECONOMICS**

Tel: (053) 43287
 Fax No: (053) 43360
 Telex No. 35047 MOIVARSITY

Box 3900
Eldoret
 KENYA

REF: SBE/D.PHIL/BM/012/11

DATE: 21st June, 2017

TO WHOM IT MAY CONCERN

Dear Sir/Madam,


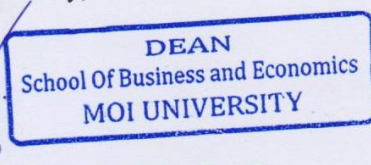
RE: WAARI DANIEL NDERI - SBE/D.PHL/BM/012/11

The above named is a bonafide student of Moi University, School of Business and Economics pursuing a Doctor of Philosophy degree in Business Management, Strategic Management option.

He has completed course work, defended his proposal and is proceeding to the field to collect data for his research entitled: *"The Effect of Loyalty Program benefits on Customer Loyalty: Moderated Mediation Role of Customer Satisfaction and Experiential Encounter in the Hospitality Industry in Coastal Region of Kenya"*.

Please accord him any necessary assistance and support.

Yours faithfully,

PROF. THOMAS CHERUIYOT
DEAN, SCHOOL OF BUSINESS AND ECONOMICS



**NATIONAL COMMISSION FOR SCIENCE,
TECHNOLOGY AND INNOVATION**

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2241349,3310571,2219420
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Uhuru Highway
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NAIROBI-KENYA

Ref. No. **NACOSTI/P/17/25382/17393**

Date: **12th July, 2017**

Daniel Nderi Waari
Moi University
P.O. Box 3900-30100
ELDORET.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on *“Loyalty programs and customer satisfaction: Moderated mediation role of experiential encounter and customer perceived value, a survey of hospitality industry in Coastal Region of Kenya,”* I am pleased to inform you that you have been authorized to undertake research in **selected Counties** for the period ending **12th July, 2018**.

You are advised to report to **the County Commissioners and the County Directors of Education of the selected Counties** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

**GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO**

Copy to:

The County Commissioners
Selected Counties.

The County Directors of Education
Selected Counties.


THIS IS TO CERTIFY THAT: **MR. DANIEL NDERI WAARI** of **MOI UNIVERSITY, 3589-200 NAIROBI**, has been permitted to conduct research in **Kilifi , Kwale , Lamu , Mombasa , Nairobi, Tanariver Counties**

on the topic: **LOYALTY PROGRAMS AND CUSTOMER SATISFACTION: MODERATED MEDIATION ROLE OF EXPERIENTIAL ENCOUNTER AND CUSTOMER PERCEIVED VALUE, A SURVEY OF HOSPITALITY INDUSTRY IN COASTAL REGION OF KENYA**

for the period ending: **12th July,2018**

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Applicant's Signature


Permit No : **NACOSTI/P/17/25382/17393**
Date Of Issue : **12th July,2017**
Fee Received : **USD 18.92**




Galenwa
.....
Director General
National Commission for Science, Technology & Innovation

CONDITIONS

1. The Licence is valid for the proposed research, research site specified period.
2. Both the Licence and any rights thereunder are non-transferable.
3. Upon request of the Commission, the Licensee shall submit a progress report.
4. The Licensee shall report to the County Director of Education and County Governor in the area of research before commencement of the research.
5. Excavation, filming and collection of specimens are subject to further permissions from relevant Government agencies.
6. This Licence does not give authority to transfer research materials.
7. The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
8. The Commission reserves the right to modify the conditions of this Licence including its cancellation without prior notice.


REPUBLIC OF KENYA


National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No.A 14927
CONDITIONS: see back page