Impact of Factors that Affect Customer Loyalty during Hotel Stay: A Study of Mediating Role of Customer Satisfaction in Pakistan

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ABSTRACT:

The study investigates the impact of services cape factors–furnishings, customer service, brand image, and amenities on customer loyalty in the hotel industry of Pakistan, examining customer satisfaction as a mediating variable. The research adopts a quantitative design using a structured Likert-scale questionnaire distributed among hotel guests in Hyderabad, Karachi, and Lahore. Data from 98 valid responses were analyzed through regression analysis using SPSS to test four hypotheses. Findings reveal significant relationships among services cape, customer satisfaction, and customer loyalty. Results further confirm partial mediation of customer satisfaction in the relationship between services cape and loyalty, indicating that the physical and experiential environment significantly enhances guest satisfaction, which in turn strengthens loyalty intentions. The study contributes empirical evidence from a developing-country context to the hospitality literature, emphasizing the pivotal role of service quality and ambience in driving repeat patronage. Managerially, hotel operators are encouraged to prioritize personalized customer service, aesthetic interior design, and functional amenities that align with guest expectations to sustain competitive advantage. Future research should extend to cross-cultural or longitudinal analyses to better understand evolving customer perceptions post-pandemic.

Keywords: Customer Loyalty, Customer Satisfaction; Servicescape.

Introduction

Background of the Study

The global hospitality sector has evolved into a highly competitive service domain where customer experience and retention determine long-term sustainability. Hotels, as a core component of the tourism industry, operate within an increasingly dynamic environment shaped by globalization, digitalization, and heightened customer expectations. According to the World Tourism Organization (UNWTO), international tourism arrivals have grown consistently over the past two decades, intensifying competition among hotel brands for market share and customer loyalty. In this context, maintaining guest satisfaction and loyalty is not merely a strategic choice but a business imperative for hotels aiming to sustain profitability and brand reputation.

Customer loyalty has emerged as one of the most critical determinants of success in hospitality. Loyal guests are more likely to revisit, spend more per stay, and recommend the brand to others, leading to both direct and indirect revenue growth. Reichheld (1996) noted that retaining an existing customer is five times less costly than acquiring a new one, emphasizing the financial rationale for loyalty-focused strategies. In the hospitality context, loyalty is expressed through repeat patronage, positive word of mouth, and resistance to competitors' offers. However, loyalty is not an isolated construct–it is driven by customer satisfaction and shaped by multiple tangible and intangible service attributes within the hotel environment.

One of the central constructs explaining customer perception in service industries is servicescape, which refers to the physical and ambient environment where service interactions occur (Bitner, 1992). Servicescape encompasses hotel furnishings, cleanliness, décor, lighting, amenities, and the overall atmosphere that collectively influence guest emotions and behavioral intentions. The ambience and aesthetics of a hotel can evoke feelings of comfort, luxury, or belonging–factors that directly affect satisfaction and indirectly influence loyalty (Ryu & Han, 2011). In Pakistan's rapidly growing hospitality industry, servicescape elements remain underexplored as strategic tools for differentiation and customer retention.

Problem Statement

Although the global hospitality industry has been extensively studied, there is limited empirical research examining how physical environment and service attributes jointly influence customer satisfaction and loyalty in emerging markets such as Pakistan. The hotel industry in Pakistan is expanding due to increasing domestic and regional travel, yet many establishments struggle to maintain consistent service standards that encourage repeat visitation. Moreover, while previous research has highlighted the role of service quality in shaping satisfaction, relatively little is known about how tangible factors–such as furnishing, amenities, and brand image–interact with satisfaction to build loyalty. Understanding these relationships can help local hotels enhance customer experience and compete effectively within the regional and international market.

Research Objectives

This study aims to investigate the impact of servicescape factors–furnishings, customer service, brand image, and amenities–on customer loyalty in the Pakistani hotel industry, with customer satisfaction serving as a mediating variable.

The specific objectives are to:

1. Examine the relationship between servicescape and customer loyalty.

2. Assess the relationship between servicescape

and customer satisfaction.

3. Determine the relationship between customer satisfaction and customer loyalty.

4. Evaluate the mediating role of customer satisfaction between servicescape and customer loyalty.

Research Questions

To achieve the above objectives, this research addresses the following questions:

• Does servicescape significantly influence customer loyalty?

• Does servicescape significantly influence customer satisfaction?

• Does customer satisfaction significantly affect customer loyalty?

• Does customer satisfaction mediate the relationship between servicescape and customer loyalty?

Hypotheses of the Study

Based on the theoretical framework and literature, the following hypotheses are proposed:

• H1: Servicescape has a significant relationship with customer loyalty.

• H2: Servicescape has a significant relationship with customer satisfaction.

• H3: Customer satisfaction has a significant relationship with customer loyalty.

• H4: Customer satisfaction mediates the relationship between servicescape and customer loyalty.

Significance of the Study

This study contributes both theoretically and practically to the hospitality management discipline. Theoretically, it advances understanding of how the servicescape framework applies to hotels in developing economies, integrating physical and psychological dimensions of customer experience. It also empirically tests the mediating role of satisfaction–an aspect often assumed but seldom measured quantitatively in regional hospitality research.

Practically, the findings can guide hotel managers in Pakistan and other emerging markets to invest strategically in elements that most strongly influence satisfaction and loyalty. Enhancing interior design, employee-customer interaction, and service facilities can elevate guests' emotional attachment to the hotel brand. The insights are particularly relevant in the post-pandemic era, where customer expectations regarding hygiene, comfort, and personalization have intensified.

Scope and Limitations

The study focuses on customers of 3- to 5-star hotels in three major Pakistani cities–Karachi, Lahore, and Hyderabad. The findings reflect perceptions of customers who have previously stayed in such establishments for business or leisure. While this scope enhances contextual relevance, it limits generalizability to budget hotels or international chains operating under different service models. Additionally, due to time and pandemic-related constraints, data were collected through online questionnaires rather than in-person interviews, which may restrict the depth of qualitative insights.

Structure of the Paper

The remainder of the paper is organized as follows: Section 2 presents a concise review of relevant literature on servicescape, satisfaction, and loyalty. Section 3 explains the research methodology, including sampling, data collection, and analysis procedures. Section 4 presents empirical results and discusses their implications. Section 5 concludes the study with recommendations for theory and practice.

Literature Review

Theoretical Foundation

The hospitality industry is fundamentally experiential in nature, where customer evaluations are based on subjective perceptions rather than tangible product attributes. The SERVQUAL model (Parasuraman, Zeithaml, & Berry, 1988)

remains one of the most influential frameworks for assessing service quality. It proposes five dimensions–tangibility, reliability, responsiveness, assurance, and empathy–as determinants of customer satisfaction and loyalty. In hotel contexts, the tangibility dimension closely aligns with the concept of servicescape, which refers to the physical environment in which service encounters occur (Bitner, 1992). Servicescape includes design, layout, décor, lighting, cleanliness, and other sensory elements that collectively shape customer perceptions of quality. Bitner's (1992) servicescape model and Grönroos's (1994) service quality framework together emphasize that both physical and interactive service components contribute to perceived value. Later studies, such as Han and Ryu (2009) and Ryu and Han (2011), confirmed that positive evaluations of the physical environment enhance emotional satisfaction and behavioral intentions in restaurant and hotel settings. These theories provide the conceptual basis for exploring how servicescape influences satisfaction and loyalty among hotel guests.

Customer Satisfaction in Hospitality

Customer satisfaction is defined as the degree to which perceived performance of a service meets or exceeds expectations (Oliver, 1997). It represents an effective response that arises after comparing pre-purchase expectations with post-purchase experiences. In the hotel sector, satisfaction depends on various factors–service quality, cleanliness, amenities, décor, staff behavior, and perceived value for money (Barsky & Nash, 2003). Satisfied guests are more likely to repurchase and engage in positive word-of-mouth communication, reinforcing the long-term viability of hotel brands (Skogland & Siguaw, 2004). Kotler, Bowen, and Makens (2003) suggest that satisfaction is a key driver of customer loyalty,

acting as a mediating mechanism between perceived service quality and behavioral outcomes. Empirical studies support this relationship: Yee, Yeung, and Cheng (2009) found that customer satisfaction directly predicts loyalty intentions, while Dominici and Guzzo (2010) confirmed that understanding customer needs leads to enhanced satisfaction and profitability in hospitality operations. Given that the cost of acquiring new customers far exceeds that of retaining existing ones (Barsky & Nash, 2003), maintaining satisfaction is essential to achieving sustainable competitive advantage in service industries.

Servicescape and Its Dimensions

The concept of servicescape captures the multifaceted role of the physical and atmospheric environment in shaping service experiences. Bitner (1992) defined it as the built environment that influences both customer and employee behaviors. For hotels, this includes not only architecture and design but also sensory cues such as lighting, music, scent, and temperature that together affect emotions and cognitive evaluations.

Furnishings and Aesthetic Design

Hotel furnishings create the first visual impression for guests. Interior aesthetics–including color schemes, furniture arrangement, and spatial harmony–strongly affect perceived quality and comfort. Grimley and Love (2007) argue that a well-designed interior conveys brand personality and can elevate guests' mood, thereby improving satisfaction. Similarly, Ryu and Han (2011) found that aesthetic appeal significantly enhances emotional pleasure, leading to higher loyalty intentions. In contrast, outdated or poorly maintained décor can lead to dissatisfaction and negative reviews, especially in competitive urban markets.

2.3.2 Customer Service and Employee Interaction

Interpersonal interactions are central to customer evaluations in hospitality. Parasuraman et al. (1988) and Lovelock and Wirtz (2010) emphasize that responsiveness, assurance, and empathy form the backbone of service quality. In hotels, employees act as boundary spanners who represent the brand's promise to guests. Studies by Adeleke and Aminu (2012) and Syaqirah and Faizurrahman (2014) revealed that courteous and responsive service enhances satisfaction and fosters repeat patronage. Conversely, poor communication or indifference by staff can quickly erode perceived value and trust. Therefore, the human element of servicescape–employee demeanor and professionalism–plays an indispensable role in creating positive emotional responses.

Brand Image

Brand image refers to the set of associations that customers hold in memory about a company or service (Keller, 2003). In hospitality, a strong brand image evokes credibility, consistency, and emotional connection, influencing customer expectations before the service encounter even occurs (Kayaman & Arasli, 2007). Kandampully and Suhartanto (2000) found that brand image significantly affects customer satisfaction, which in turn predicts loyalty. A positive brand image amplifies the perceived quality of tangible and intangible elements, creating a halo effect that enhances satisfaction even when minor service failures occur. For hotels in developing economies like Pakistan, brand image also signals trust and reliability in an environment where service standards vary widely.

Amenities and Functional Offerings

Amenities refer to the supplementary features provided during a hotel stay, such as Wi-Fi access, complimentary breakfast, fitness centers, or spas. These add-on features enhance perceived value and convenience, differentiating hotels in a crowded market (Dolnicar & Otter, 2003). Studies by Nicolau and Sellers (2012) and Kucukusta (2017) show that amenities significantly affect guests' satisfaction and intention to revisit. Amenities also serve as tangible cues of quality that shape customer perceptions before and during the stay. In modern hospitality, the absence of expected amenities can generate dissatisfaction even when core service elements are adequate.

Customer Satisfaction as a Mediator

The relationship between service quality (or servicescape) and loyalty is often indirect, mediated by satisfaction (Cronin, Brady, & Hult, 2000). Satisfaction operates as a psychological bridge translating cognitive evaluations of service into affective loyalty responses. Mittal and Kamakura (2001) observed that satisfied customers exhibit stronger repurchase intentions and tolerance for price increases, suggesting that satisfaction strengthens the loyalty bond. In hospitality, Han and Ryu (2009) found that customer satisfaction mediates the effect of physical environment and price perception on loyalty in restaurants. Similarly, Kandampully and Suhartanto (2000) demonstrated that satisfaction fully or partially mediates the relationship between image and loyalty among hotel guests.

This study extends these findings by testing the mediating effect of satisfaction within Pakistan's hotel industry, where customer expectations are rapidly evolving. Given cultural and contextual variations, it is necessary to verify whether the satisfaction-loyalty link holds consistently in emerging markets.

Conceptual Framework and Hypothesized Relationships

Drawing on the above literature, the conceptual model integrates servicescape (as a second-order construct) with customer satisfaction and loyalty. The model posits that:

1. Servicescape, encompassing furnishing, customer service, brand image, and amenities, directly influences customer satisfaction and loyalty.

2. Customer satisfaction directly affects loyalty.

3. Satisfaction partially mediates the relationship between servicescape and loyalty.

This framework aligns with expectation-confirmation theory (Oliver, 1997), which suggests that satisfaction arises when perceived performance meets or exceeds expectations, leading to repeat purchase behavior. It also resonates with the relationship marketing perspective, which emphasizes building long-term emotional bonds rather than one-time transactions (Sui & Baloglu, 2003; Rather & Sharma, 2017).

Summary of Literature Gaps

While extensive research exists on service quality and loyalty in Western and East Asian hotel markets, empirical studies from South Asia remain sparse. Few studies have examined how the integrated construct of servicescape influences satisfaction and loyalty simultaneously. Moreover, research on the Pakistani hotel industry often focuses on service quality or customer satisfaction independently rather than their combined effects. Another gap concerns the role of satisfaction as a mediator–most local studies assume rather than empirically test mediation effects. Therefore, this study contributes to the literature by providing quantitative evidence of the servicescape-satisfaction-loyalty nexus within an emerging hospitality market context.

Transition to Methodology

Building upon the conceptual framework established in the literature, the next section outlines the methodological approach adopted to test the proposed hypotheses, including research design, sampling strategy, data collection, and analytical procedures.

Methodology

Research Design and Approach

This study employed a quantitative, explanatory research design to examine the relationships among servicescape, customer satisfaction, and customer loyalty in the hotel industry of Pakistan. The objective was to test hypothesized relationships derived from previous literature rather than to generate new theory, thereby justifying the use of a deductive approach (Bryman & Bell, 2015). Quantitative analysis was chosen because it allows for the measurement of latent constructs and the statistical testing of hypotheses through standardized instruments and regression models (Apuke, 2017).

A structured, self-administered questionnaire was developed to collect primary data. The questionnaire utilized a five-point Likert scale (1 = strongly disagree, 5 = strongly agree) to measure participants' perceptions regarding various dimensions of servicescape, satisfaction, and loyalty. This scale was selected for its reliability, ease of understanding, and suitability for measuring attitudinal variables in social science research (Sekaran & Bougie, 2016).

Research Population and Sampling

The target population consisted of individuals who had stayed in three- to five-star hotels in Pakistan within the past two years, either for business or leisure purposes. These hotels were selected because they represent a more structured and standardized form of hospitality, ensuring that guests could reasonably evaluate key elements of the servicescape, such as furnishings, amenities, and customer service.

Given the geographical diversity of the country and the concentration of hospitality activity, data were collected from three major urban centers– Karachi, Lahore, and Hyderabad–which are the leading hubs for business travel and domestic

tourism.

Because of time, accessibility, and pandemic-related limitations, convenience sampling was employed. This non-probability technique is commonly used in hospitality research when the exact population frame is difficult to define (Hair et al., 2010). Although it may limit generalizability, it allows researchers to gather data efficiently from a relevant population subset.

According to Roscoe's (1975) rule of thumb, an appropriate sample size ranges between 30 and 500, with a recommended ratio of 10:1 for the number of items in the questionnaire. Since the instrument included 29 items, a minimum of 290 responses would ideally be desired. However, due to COVID-19 constraints, 150 participants were approached online, and 100 valid responses were obtained, of which 98 were retained after screening for completeness. Although smaller than ideal, this sample size was deemed sufficient for regression-based hypothesis testing.

3.3 Instrument Development and Measures

The questionnaire comprised two main sections:

1. Demographic Information: capturing participants' gender, age, education, occupation, income, and marital status.

2. Construct Measures adapted from validated scales in previous hospitality studies.

Each construct was measured using multiple items drawn from established sources to ensure content validity.

Variable	No. of Items	Source(s)
Furnishings	4	Hanaysha (2016)
Customer Service	5	Pérez (2015)
Brand Image	5	Kim & Kim (2005)
Amenities	4	Lim & Endean (2009)
Customer Satisfaction	5	Dagger et al. (2007)
Customer Loyalty	6	Russell-Bennett et al. (2007)

All items were slightly contextualized to fit the Pakistani hotel environment while maintaining their original semantic meaning. Respondents indicated agreement with statements such as "The furnishing of the hotel was visually appealing" or "I intend to stay at this hotel in the future."

Data Collection Procedure

Data collection was conducted using an online Google Forms survey to comply with social distancing regulations in effect at the time of study completion (late 2021). Respondents were recruited via hotel customer networks, social media platforms, and referrals. Participation was voluntary, and confidentiality was strictly maintained. Each participant was informed of the academic purpose of the study and assured that their responses would be anonymized.

Prior to full deployment, a pilot test was conducted with 15 respondents to ensure clarity and reliability of the questionnaire. Minor adjustments were made to the wording of several items for better comprehension. The final instrument was distributed electronically, and responses were automatically captured into a spreadsheet for subsequent analysis.

Data Screening and Analysis Tools

All collected data were screened for completeness and accuracy. Responses containing missing values or inconsistent patterns (e.g., identical responses for all items) were excluded, resulting in 98 usable questionnaires. Statistical analysis was conducted using IBM SPSS Statistics (Version 25).

The analysis followed a stepwise procedure:

1. Descriptive statistics were used to summarize demographic characteristics.

2. Reliability analysis was performed using Cronbach's alpha to assess internal consistency of measurement scales.

3. Correlation and regression analyses were applied to test hypothesized relationships among constructs.

4. Mediation analysis was conducted following Baron and Kenny's (1986) causal steps approach

to evaluate the mediating role of customer satisfaction between servicescape and loyalty.

Reliability and Validity of Measures

Reliability measures the internal consistency of a scale, indicating how well items representing a construct correlate with one another. Cronbach's alpha coefficients were computed for each variable, with values exceeding the recommended threshold of 0.70 (Nunnally, 1978). The overall alpha value for the study was 0.938, indicating excellent reliability across all constructs.

To establish content validity, scale items were adapted from previously validated studies, as shown in Table 1. Construct validity was assessed through factor analysis to verify whether the items loaded appropriately on their respective constructs. Factor loadings exceeded 0.60, confirming convergent validity. Discriminant validity was inferred from low inter-construct correlations (r < 0.80), ensuring distinct measurement of each variable.

Ethical Considerations

The study adhered to standard ethical guidelines for social science research. Participation was voluntary, and respondents could withdraw at any time without consequence. No personal identifiers (e.g., names, contact information) were collected. Data were stored securely and used solely for academic purposes. Ethical clearance was obtained from the research supervisor at the Shaheed Zulfikar Ali Bhutto Institute of Science and Technology (SZABIST).

Analytical Framework

To test the four hypotheses, a series of regression models were specified:

• Model 1: Servicescape → Customer Loyalty (Direct Effect)
• Model 2: Servicescape → Customer Satisfaction (Mediator Path A)
• Model 3: Customer Satisfaction → Customer Loyalty (Mediator Path B)
• Model 4: Servicescape + Customer Satisfaction → Customer Loyalty (Full Mediation Model)

If the coefficient of servicescape decreases when satisfaction is added to the model, but remains significant, partial mediation is established. If the coefficient becomes insignificant, full mediation is indicated (Baron & Kenny, 1986). The statistical significance threshold was set at p < 0.05, and beta coefficients were used to determine the strength and direction of relationships.

Demographic Profile of Respondents

Among the 98 valid respondents, 61.4% were male and 38.6% female, reflecting the gender composition of frequent hotel users in Pakistan. The majority (73.3%) were between 21-30 years old, followed by 14.9% aged 31-40. Most respondents held a graduate or master's degree (91%), and 42.6% were corporate employees, while 35.6% were students. In terms of income, 73% earned less than PKR 120,000 per month, consistent with Pakistan's upper-middle-income demographic. Approximately three-quarters (75.2%) were single, which aligns with the travel and leisure patterns of younger urban consumers.

This profile indicates that the sample primarily comprised educated, urban, and relatively young individuals with sufficient disposable income to stay in mid- to high-tier hotels–making them appropriate subjects for examining loyalty behavior in the hospitality context.

Transition to Results and Discussion

The next section presents the results of statistical analyses, including regression models testing the direct and mediated relationships between servicescape, customer satisfaction, and customer loyalty, followed by interpretation of findings in relation to existing literature.

Results and Discussion

Overview of Analysis

This study used regression-based analysis to evaluate the hypothesized relationships between servicescape, customer satisfaction, and customer loyalty. Following data screening, 98 valid responses were analyzed using IBM SPSS. Descriptive, correlation, and multiple regression analyses were conducted sequentially to test the direct and mediating effects outlined in the conceptual framework.

Descriptive Analysis of Respondents

As reported in the methodology section, the respondent pool consisted primarily of young, educated, and urban customers, typical of Pakistan's emerging middle-class hospitality clientele. Their experience across different hotel brands and categories enhances the representativeness of perceptions concerning service quality and loyalty. This demographic composition aligns with prior studies emphasizing the increasing influence of young travelers in shaping hospitality demand in South Asia (Rather & Sharma, 2017).

Reliability and Correlation Statistics

The internal reliability of the constructs was assessed using Cronbach's alpha. The overall alpha coefficient was 0.938, significantly higher than the 0.70 benchmark (Nunnally, 1978), confirming excellent internal consistency.

Correlation analysis revealed strong positive relationships among servicescape, customer satisfaction, and customer loyalty, suggesting that these constructs are conceptually interlinked but distinct. The correlation between servicescape and loyalty was $r = 0.73$ ($p < 0.01$), between servicescape and satisfaction $r = 0.81$ ($p < 0.01$), and between satisfaction and loyalty $r = 0.79$ ($p < 0.01$). These correlations provide initial support for the proposed hypotheses.

Regression Results

4.4.1 Model 1: Servicescape → Customer Loyalty

The first regression tested the direct influence of servicescape on customer loyalty.

The results indicated a strong and statistically significant relationship:

• $R^2 = 0.532$, $F = 111.61$, $p < 0.001$

• $\beta = 0.239$, $t = 10.56$, $p < 0.001$

This means that 53.2% of the variance in customer loyalty was explained by servicescape alone, establishing support for H1. The positive standardized coefficient indicates that improvements in the physical and experiential environment directly increase guests' likelihood of returning or recommending the hotel.

This finding is consistent with Han and Ryu (2009), who found that a pleasant physical environment enhances revisit intention in restaurant settings, and with Ryu and Han (2011), who emphasized aesthetic value as a determinant of loyalty. Within the Pakistani context, this result suggests that guests place substantial importance on the sensory and aesthetic experience during their stay, reinforcing the growing role of ambience in emerging-market hospitality.

Model 2: Servicescape → Customer Satisfaction

The second regression assessed whether servicescape significantly predicts customer satisfaction.

Results were as follows:

• $R^2 = 0.653$, $F = 184.72$, $p < 0.001$

• $\beta = 0.248$, $t = 13.59$, $p < 0.001$

This model confirms a strong positive relationship, supporting H2. Approximately 65% of the variation in customer satisfaction is explained by servicescape dimensions. This underscores that guests' satisfaction is highly sensitive to the physical and social cues within the hotel environment.

These results corroborate Grönroos's (1994) argument that perceived quality arises from a

blend of tangible and intangible service elements. Specifically, well-maintained furnishings, courteous staff, and modern amenities contribute jointly to satisfaction. In Pakistan, where service standardization varies, the physical surroundings and employee interactions act as visible indicators of reliability and professionalism.

Model 3: Customer Satisfaction → Customer Loyalty

The third regression examined the relationship between satisfaction and loyalty:

• $R^2 = 0.619$, F = 159.27, $p < 0.001$

• $\beta = 0.841$, t = 12.62, $p < 0.001$

The results demonstrate a robust and significant effect, confirming H3. A one-unit increase in satisfaction corresponds to an 84% increase in loyalty ($\beta = 0.841$). This finding aligns with prior research by Kandampully and Suhartanto (2000) and Mittal and Kamakura (2001), who established satisfaction as the strongest predictor of loyalty in hospitality and service industries.

The result implies that in Pakistan's hotel industry, satisfied customers are highly likely to engage in repeat bookings and positive word-of-mouth, critical for brand growth in a competitive market with limited advertising budgets.

Model 4: Mediation Analysis – Servicescape + Satisfaction → Customer Loyalty

The final regression included both servicescape and customer satisfaction as predictors of loyalty to test for mediation effects.

Results were as follows:

• $R^2 = 0.644$, F = 87.89, $p < 0.001$

• Servicescape $\beta = 0.089$, t = 2.63, p = 0.010

• Customer Satisfaction $\beta = 0.607$, t = 5.53, $p < 0.001$

Compared with Model 1, the coefficient of servicescape decreased from 0.239 to 0.089 upon introducing satisfaction into the equation but remained statistically significant (p = 0.010). This reduction indicates partial mediation, thereby supporting H4.

In other words, servicescape exerts both a direct effect on loyalty (through customers' perception of physical quality and ambience) and an indirect effect via customer satisfaction. This pattern mirrors the findings of Han and Ryu (2009), who reported partial mediation of satisfaction between physical environment and loyalty intentions in hospitality services.

4.5 Summary of Hypotheses Testing

Hypotheses	Statement	Result	
H1	Servicescape has a significant relationship with customer loyalty	Supported	
H2	Servicescape has a significant relationship with customer satisfaction	Supported	
H3	Customer satisfaction has a significant relationship with customer loyalty	Supported	
H4	Customer satisfaction mediates the relationship between services cape and loyalty	Supported	(Partial Mediation)

Discussion of Findings

Servicescape as a Driver of Satisfaction and Loyalty

The findings confirm that the physical environment–represented by furnishing, amenities, brand image, and customer service–is a major determinant of both satisfaction and loyalty. This reinforces the SERVQUAL and servicescape theories, suggesting that tangible cues strongly influence service evaluations. In the Pakistani context, where infrastructural disparities exist between hotel categories, the aesthetic and sensory aspects act as trust-building mechanisms that assure guests of professionalism and care.

Similar results were found by Countryman and Jang (2006) and Lucas (2012), who emphasized that visual appeal and spatial design directly influence perceived quality and emotional comfort. The study extends this understanding by showing that even in developing economies, customers

evaluate service experiences through comparable global standards of ambience and functionality.

Customer Satisfaction as a Mediating Mechanism

The confirmation of partial mediation highlights that satisfaction serves as a psychological bridge connecting environmental perceptions with behavioral outcomes. Guests first evaluate tangible and intangible service cues (servicescape), which then shape emotional responses (satisfaction), ultimately influencing repeat purchase and advocacy behaviors (loyalty). This finding supports expectation-confirmation theory (Oliver, 1997) and the relationship marketing perspective (Sui & Baloglu, 2003).

However, because mediation was partial, other factors–such as brand trust, perceived value, and emotional attachment–may also mediate or moderate this relationship. Future studies could incorporate these additional constructs to provide a more holistic understanding of loyalty formation.

4.6.3 Implications for the Pakistani Hotel Industry

This research provides empirical validation that service environment quality is a decisive factor in generating loyalty in Pakistan's hospitality sector. Hotels that invest in physical design, staff training, and service personalization are more likely to cultivate satisfied and repeat customers. Importantly, the significance of amenities such as Wi-Fi, breakfast, and leisure facilities indicates that even functional conveniences are perceived as reflections of service excellence.

Moreover, the results underscore that loyalty is not solely built through emotional bonds but also through consistent delivery of tangible comfort and reliability. This has practical implications for hotel managers, particularly in mid-tier and locally owned establishments seeking to compete with international chains.

Comparison with Previous Research

The overall pattern of results is consistent with previous international findings (Han & Ryu, 2009;

Rather & Sharma, 2017; Kandampully & Suhartanto, 2000), thereby extending the generalizability of the servicescape-satisfaction-loyalty relationship to South Asian markets. However, the degree of mediation observed (partial rather than full) differs from some Western studies, possibly due to cultural differences in how customers process service experiences. In collectivist cultures like Pakistan, loyalty may also be influenced by interpersonal warmth, community reputation, and price sensitivity–variables that may attenuate the full mediating role of satisfaction.

Post-Pandemic Considerations

The study's timing during the post-COVID-19 recovery period provides additional context. Guests' sensitivity to hygiene, space, and safety has intensified, effectively redefining the notion of servicescape to include perceived cleanliness and health security (Harris & Sachau, 2005; Lockyer, 2003). Thus, service environment quality now encompasses not only aesthetics but also trust in the hotel's ability to provide a safe, hygienic stay. This reaffirms the enduring relevance of the physical environment in shaping satisfaction and loyalty in a post-pandemic hospitality landscape.

Transition to Conclusion and Recommendations

The following section summarizes the study's main contributions, outlines managerial implications, and suggests directions for future research in hospitality loyalty and servicescape management.

Conclusion and Recommendations

Summary of the Study

The purpose of this research was to examine the impact of servicescape factors–furnishings, customer service, brand image, and amenities–on customer loyalty in the hotel industry of Pakistan, while exploring the mediating role of customer satisfaction. Using a quantitative approach and data collected from 98 hotel guests in Karachi,

Lahore, and Hyderabad, the study empirically tested four hypotheses derived from established theories in services marketing and hospitality management.

Results from regression analysis provided strong evidence that servicescape significantly influences both customer satisfaction and loyalty, confirming that the physical and social environment of a hotel plays a central role in shaping overall customer experience. Moreover, customer satisfaction was found to partially mediate the relationship between servicescape and loyalty, suggesting that while a well-designed environment directly fosters repeat patronage, satisfaction also serves as a critical emotional link that strengthens this relationship.

Collectively, the findings reinforce the conceptual propositions of SERVQUAL (Parasuraman et al., 1988) and servicescape theory (Bitner, 1992), while also validating their applicability in a developing-country context. They indicate that Pakistani consumers, like their international counterparts, value aesthetic quality, personalized service, and functional amenities as determinants of satisfaction and loyalty.

Theoretical Contributions

This study extends the literature on hospitality management and customer behavior in several important ways:

Contextual Extension of Servicescape Theory:

While previous studies on servicescape have predominantly focused on developed markets, this research validates the model within Pakistan's emerging hospitality sector. It demonstrates that even in culturally diverse, price-sensitive markets, the physical and atmospheric environment exerts a measurable influence on satisfaction and loyalty.

Integration of Tangible and Intangible Factors:

By conceptualizing servicescape as a multidimensional construct encompassing furnishing, customer service, brand image, and amenities, the study provides a more holistic understanding of how both physical and human elements contribute to guest experiences.

Empirical Verification of Mediation:

The partial mediation of customer satisfaction between servicescape and loyalty supports the argument that satisfaction functions as an emotional and cognitive intermediary in the service evaluation process. This empirically validates prior conceptual claims by Han and Ryu (2009) and Mittal and Kamakura (2001) in a South Asian context.

Contribution to Relationship Marketing Literature:

The study reinforces the relationship marketing perspective (Sui & Baloglu, 2003), which emphasizes long-term relational bonds rather than one-time transactions. It confirms that consistent satisfaction derived from environmental and service quality enhances both attitudinal and behavioral loyalty.

Managerial Implications

The findings have significant implications for hotel managers, particularly in developing markets striving to enhance competitiveness and customer retention.

Strategic Design and Aesthetics:

The aesthetic and spatial design of hotel interiors should be treated as a strategic investment rather than a cosmetic expense. Managers should ensure that color schemes, lighting, furniture, and layout collectively convey comfort and brand identity. Contemporary designs that evoke relaxation and cleanliness can significantly improve guests' emotional responses and perceived value.

Emphasis on Personalized Customer Service:

The human dimension of servicescape–staff interaction, communication, and responsiveness– emerged as a critical determinant of satisfaction. Continuous training programs focused on

empathy, courtesy, and problem-solving should be implemented. Employee behavior should reflect the brand's values and hospitality ethos, as interpersonal warmth strongly influences guests' willingness to return.

Enhancing Amenities and Functional Value:

The availability and quality of amenities such as Wi-Fi, complimentary breakfast, and leisure facilities were found to contribute to perceived value. Hotels should periodically review their amenity offerings to align with evolving customer expectations, particularly regarding health and technology (e.g., contactless check-in, smart-room services).

Building and Managing Brand Image:

A strong and consistent brand image fosters trust and sets guest expectations even before arrival. Marketing efforts should highlight not only functional excellence but also emotional benefits— such as comfort, safety, and prestige. Positive brand communication through social media engagement, online reviews, and public relations can reinforce loyalty and attract new clientele.

Prioritizing Hygiene and Safety Post-COVID-19

In the post-pandemic era, cleanliness has become an integral component of the servicescape. Visible hygiene measures, contactless services, and adherence to safety protocols can enhance perceived trustworthiness. Hotels that successfully integrate safety with comfort will likely enjoy stronger loyalty from health-conscious travelers.

Policy and Industry Implications

For policymakers and industry associations, the findings suggest the need for capacity building and service standardization across Pakistan's hospitality sector. Tourism boards and hotel associations should collaborate to establish national quality benchmarks that include design, service behavior, and facility standards. Incentives for hotel certification and staff training programs can help local establishments elevate their competitiveness to international levels.

Furthermore, destination marketing organizations (DMOs) can use these insights to promote Pakistan as a hospitality destination that offers both comfort and cultural authenticity. Strengthening the national image of hospitality excellence can attract more international visitors and encourage domestic travel.

Limitations of the Study

Despite its contributions, this study is subject to several limitations that should be acknowledged:

Sampling Constraints:

The use of convenience sampling and a relatively small sample size (n = 98) limits the generalizability of findings. Future studies should employ random or stratified sampling with larger sample sizes to increase representativeness.

Geographical Focus

The study focused on three major urban centers— Karachi, Lahore, and Hyderabad—which may not fully reflect the perceptions of customers from other regions or rural areas of Pakistan.

Cross-sectional Design

Data were collected at a single point in time, preventing assessment of changes in satisfaction and loyalty over time. Longitudinal research would provide deeper insight into how loyalty evolves through repeated interactions.

Limited Variables

While this study emphasized servicescape, satisfaction, and loyalty, other potentially influential variables such as perceived value, trust, service recovery, or emotional attachment were not examined. Including these constructs could yield a more comprehensive understanding of loyalty formation.

Self-reported Data

All data were collected through self-reported questionnaires, which are subject to social desirability and recall bias. Future research could integrate behavioral data (e.g., booking frequency,

online reviews) to triangulate results.

Directions for Future Research

To build upon the present findings, several avenues for further inquiry are suggested:

Cross-Cultural Comparisons:

Comparative studies between Pakistan and other South Asian or Middle Eastern countries could reveal cultural differences in how servicescape and satisfaction influence loyalty.

Experimental and Longitudinal Designs

Experimental methods could manipulate servicescape elements (e.g., lighting, scent, or music) to observe their direct effects on satisfaction, while longitudinal studies could track loyalty development across multiple stays.

Integration of Digital Experiences:

As hotels increasingly adopt digital interfaces, future research could explore how virtual servicescapes—such as mobile apps, online booking interfaces, and digital concierge systems—affect satisfaction and loyalty.

Exploring Moderating Variables:

Variables such as price perception, customer involvement, and service innovation could moderate the servicescape-satisfaction-loyalty relationship. Including these factors could enrich theoretical understanding and practical relevance.

Linking to Organizational Outcomes:

Future work could connect customer loyalty metrics with financial performance indicators such as occupancy rates, revenue per available room (RevPAR), and profitability to demonstrate the economic value of investing in servicescape improvements.

Conclusion

This study provides empirical evidence that the quality of the servicescape—the physical and social environment within hotels—plays a pivotal role in shaping customer satisfaction and loyalty in Pakistan's hospitality sector. The findings confirm that both tangible elements (furnishing, amenities, and design) and intangible elements (service quality, brand image) collectively determine guests' emotional responses and behavioral intentions.

By establishing satisfaction as a partial mediator, the research highlights that customers' perceptions of environment and service not only directly influence loyalty but also indirectly do so through emotional fulfillment and perceived value. For practitioners, this underscores the need to view every component of the guest experience—from décor and amenities to staff demeanor and brand communication—as an integrated ecosystem driving long-term relationships. For scholars, it affirms the continued relevance of servicescape and satisfaction theories in explaining loyalty behavior within emerging hospitality markets.

In essence, the study contributes to both academic understanding and managerial practice by demonstrating that in the experience-driven economy of modern hospitality, designing memorable service environments is not optional—it is the foundation of loyalty and sustained competitive advantage.

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