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# The moderating effect of positive word-of-mouth between service quality and customer loyalty in the hospitality sector: A PLS-SEM approach

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#### Abstract

**Aim/purpose** – The main objective of this research is to investigate the relationship between service quality and customer loyalty and the moderating effect of positive word--of-mouth on this relationship in the hospitality sector, in North Central Nigeria.

**Design/methodology/approach** – The research adopted a quantitative technique. Data were collected through a survey technique and Statistical Package for Social Science (SPSS) version 25.0 was used for descriptive analysis. Then SmartPLS 3.3.7 was employed to examine relations between service quality, customer loyalty, and positive word-of-moth.

**Findings** – The current study confirmed that service quality had a significant positive relationship with customer loyalty and positive word-of-mouth moderates the relationship between service quality and customer loyalty.

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**Research implications/limitations** – The current study looked at the moderating effect of positive word-of-mouth on the relationship between service quality and customer loyalty in relation to the hospitality sector in North Central Nigeria.

**Originality/value/contribution** – Examination of the moderating role of positive word-of-mouth in this study has aided to fit into the literature gap.

**Keywords:** service quality, customer loyalty, positive word-of-mouth, hospitality, PLS-SEM.

JEL Classification: M31, M37, Z31, Z32.

#### 1. Introduction

The hospitality and tourist industries contribute significantly to both developed and developing countries' economic growth and development. These organizations help to increase not only the national gross domestic product (GDP), but also the quality of life in their communities. They are well-known for generating revenue and wealth for investors from many countries throughout the world; they also employ people and provide superior service to their major clientele (Liat et al., 2017).

In 2020, the entire contribution of hospitality and tourism to global GDP was estimated to be at 4.671 billion US dollars, compared to 8,810.96 billion US dollars in 2018 (www.statista.com). The figure has dropped dramatically in recent years, owing to the global travel disruption caused by the coronavirus (COVID-19) pandemic. Nigeria is a country with numerous good tourist sites and hotels, as well as a variety of tourism resources, all of which can provide plentiful economic opportunities for both locals and tourists, hence increasing government revenues (Dauda et al., 2019). According to the National Bureau of Statistics, the hospitality and tourism sectors generated 2.8 percent of Nigeria's GDP in 2020, equivalent to 11 billion US dollars. The contribution of the hotel sector to the Nigerian economy has decreased significantly in comparison to 2019.

Despite the sector's contributions to economic and national development, it is beset by a slew of issues in Nigeria, including poor lodging, poor infrastructure, terrorism and security challenges, cynical global perspicacity, flawed hotel classification, poor customer service, little or no standardization in operations, an inconsistent regulatory environment, and a lack of a suitable platform to enable information about services and solutions. Other issues that hospitality businesses confront include the incapacity of some managers to possess technological skills and managerial qualities, as well as irregular power supplies (Uwa & Akpaetor, 2018).

Previous research on service quality and customer loyalty has yielded varied results, with some indicating a favorable link (Hadi et al., 2019; Kanyama et al., 2022; Liu & Wang, 2017; Nguyen et al., 2020; Yıldız, 2017). In Nigeria, studies by Adeniyi and Ogunnaike (2013), Nduka et al. (2017) found that service quality increases customer loyalty in hotel businesses. However, according to some research, service quality and client loyalty are unrelated (Andri et al., 2022; Gopi & Samat; 2020). According to the findings of Kanyama et al. (2022), several dimensions of service quality related to customer loyalty revealed a positive and negative relationship depending on the company environment, nature, and type of services provided to customers.

To reconcile these contradictory findings, this study aims to define the conditions under which a relationship between service quality and client loyalty can exist. As a result, in predicting customer loyalty, the study included an interacting variable of word-of-mouth and service quality. However, there is a paucity of research on the influence of service quality and customer loyalty on word-of-mouth. In addition, Alshaabani et al. (2021) did research on the relationship between service quality and perceived value, as well as customer loyalty. In keeping with the demand, the primary goal of this research is to determine the function of word-of-mouth in bolstering the relationship between service quality and customer loyalty.

The current study was motivated by the fact that few studies had been undertaken in developing nations, and the majority of them had focused on direct relationships between variables, with findings from these studies focusing on the banking sector and yielding conflicting results. As a result, our research aims to close the gap in the literature. The specific goals are to:

- 1. Examine the relationship between hospitality sector service quality and customer loyalty in North Central Nigeria;
- 2. Determine the extent to which service quality and word-of-mouth interact to predict customer loyalty in the hospitality industry in North Central Nigeria.

The rest of the paper is structured as follows: a review of existing literature explains both theoretical and empirical underpinnings. The sample, data collection approach, measurement of the variables of interest, and results are all covered in the methodology section. The final section contains a discussion of the research findings, recommendations, knowledge additions, and future study directions.

#### 2. Literature review

### 2.1. Service quality

Because of its considerable impact on behavioral outcomes such as image, customer satisfaction, customer loyalty, profitability, perceived value, and performance, service quality has garnered the attention of academics and practitioners in recent years (Dam & Dam, 2021; Li et al., 2022; Camilleri, 2021). The level of a given service quality is defined as how well it meets the consumers' expectations (Santouridis & Trivellas, 2010). Service quality, according to Parasuraman et al. (1988, p. 3), is "the overall judgment of a firm's precise service that results from comparing that firm's performance to consumers' general expectation of how firms in that industry should operate." In an era of globalization and borderless worlds, service quality aids organizations in differentiating themselves and establishing a competitive advantage (Ali et al., 2016). Service quality is frequently viewed as a multi-dimensional construct in the marketing literature. According to the Nordic school of thought, good service quality should have two crucial dimensions: technical excellence and customer satisfaction (that is, what customers receive from services provided by an organization and functional quality). It demonstrates how a company provides customer service (Brady & Cronin, 2001; Ismail & Yunan, 2016).

Later, the US school of thought modified and simplified service quality constructs, proposing that effective service quality should have five specific dimensions: tangible (physical facilities, equipment, and worker appearance), reliability (the ability to perform the promised service reliably and accurately), responsiveness, and consistency (willingness to help customers and provide prompt service); assurance (staff knowledge and civility, as well as their ability to inspire trust and confidence); and empathy (the organization's caring, individualized attention to its consumers) (Ismail & Yunan, 2016).

Customer satisfaction is impacted by several intangible factors, making measuring service quality difficult. Unlike a product having objectively measurable physical characteristics (such as the fit and finish of an automobile), service quality includes a variety of psychological characteristics (e.g., the ambiance of a restaurant). Because, like in the case of health treatment, service quality has an impact on a person's future quality of life, it frequently continues beyond the current encounter (Gadi, 2015; Li et al., 2020). The SERVQUAL instrument captures the numerous dimensions of service quality, including five dimensions and twenty-two statements (Ali & Raza, 2105; Parasuraman et al., 1988). The SERVQUAL is an effective tool for surveying customer satisfaction. It is based on the service quality gap model.

### 2.2. Customer loyalty

Customer loyalty research has been divided into two categories: behavioral and attitudinal. When a customer buys a product or service from a company on a regular basis, this is referred to as "behavioural loyalty" (Ali et al., 2021; Kandampully et al., 2015). Critics have slammed that concept because it fails to distinguish between commitment and convenience, resulting in favored attitudinal loyalty (Akpi et al., 2020). Attitudinal loyalty, on the other hand, is defined as "a firmly held commitment to patronize a favored product or service consistently in the future, notwithstanding the possibility for situational influences and marketing attempts to trigger switching behavior" (Ofosu-Boateng & Acquaye, 2020, p. 23). Unlike behavioral loyalty, which is based on purchase frequency, attitudinal loyalty is based on commitment and choice despite the availability of alternatives. The foundation of this study is behavioral loyalty, which is based on frequency.

For years, customer loyalty has been debated as one of the most important determinants in relationship marketing (So et al., 2016). Relationship marketing is important in all business models since it is less expensive to keep existing customers than to acquire new ones (Hwang & Mattila, 2018; Xie & Chen, 2013). Furthermore, Rather and Camilleri (2019) claimed that as competition becomes more intense, organizations rely on dependable regulars to stay afloat. As a result, they are willing to pay more, have a greater purchasing habit, and have a lower switching tendency (Ali & Raza, 2015). Despite the fact that a few studies have looked at the antecedents of consumer loyalty in recent years from various perspectives, there is a growing body of research among researchers. A review of the literature reveals that existing literature focuses on the perception of service quality as a predictor of customer loyalty (Agha et al., 2021), trust (Agha et al., 2021), and corporate image (Agha et al., 2021; Han & Lee, 2017). Similarly, information and research on customer satisfaction (Ali, 2020; Helm et al., 2010) and corporate reputation (de Leaniz & del Bosque Rodríguez, 2015; Walsh et al., 2009). Customer loyalty has also been proven to be predicted by information and communication technologies (Gontur et al., 2017).

### 2.3. Word-of-mouth

The hospitality business is inextricably linked to customer behavioral intent, such as customer willingness to recommend others via word-of-mouth (WOM) (Chen et al., 2019). WOM is an essential method for a firm to grow its consumer base (San Martín et al., 2015). It has been indicated as one of the most

reliable means for clients to purchase brand information, make product-related decisions, and make product adoption decisions (Alves et al., 2016; Sun et al., 2021). WOM refers to the unstructured, unmotivated interpersonal connection between people that can take many forms, both offline and online (Fida et al., 2020; Han & Lee, 2017). According to Yang et al. (2018), WOM is defined as a customer's responsiveness to a product by alerting others. Positive and negative WOM are two types of WOM (Akhtar et al. 2019).

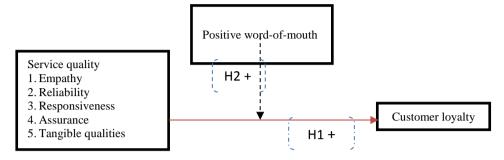
When a consumer has had a positive or negative experience with the hospitality industry, they will tell others about it and encourage them to visit the tourist attraction or hotel to see for themselves (Abror et al., 2021). Different techniques to enhance good WOM have been discovered in the literature, such as customer involvement (Akhtar et al. 2019), attitudes (Lien & Cao, 2014), customer satisfaction, and customer value (Hussain et al., 2018; Teh et al., 2022; Wardi et al., 2018). According to Alves et al. (2016), WOM within the hospitality sector can be influenced by a variety of factors, including client incentives to use the company's products and services. From an intellectual standpoint, there is an avenue for social interaction and customer activities. Therefore, customers will be more likely to disseminate the favorable or negative word-of-mouth about the company's products or services (Hwang & Mattila, 2018). WOM has been demonstrated to have an impact on customer decisions in studies (Hwang & Mattila, 2018). It also contributes to a positive post-purchase influence on customer loyalty. From the company's perspective, scholars have identified different strategies to promote positive WOM for a brand. For instance, Upamannyu et al. (2021) conducted research on antecedents of customer loyalty and word-of-mouth on consumer durables in emerging economies. He found that educating customers enhances customer positive WOM for a brand. The research also discovered that the positive impact of WOM is stronger for customers who have less prior knowledge regarding the educational topic and are more amenable to knowledge sharing. Besides the direct relationship between word--of-mouth, service quality, and customer loyalty, we argued that WOM might moderate the relationship between service quality and customer loyalty.

# 2.4. Model proposed

The research model (Figure 1) was proposed based on the literature, and the following hypotheses were generated:

- H1. Customer loyalty is positively related to service quality;
- H2. The relationship between service quality and customer loyalty is moderated by positive word-of-mouth.

**Figure 1.** The moderating effect of positive word-of-mouth in the relationship between service quality and customer loyalty



This study hinges on the reciprocity theory, whose central proposition in this study is service quality and word-of-mouth of hotels in retaining customers loyal to the firm's services. The theory is based on the premise that human relationships are formed by the use of cost-benefit analysis and comparisons of alternatives to satisfy customers and reciprocate with something valuable in return, which will go a long way to building customer loyalty (Hadi et al., 2019). Most hotel owners reciprocate their patronage through the offering of qualitative service to customers. Considering the current study, it can be said that when customers are satisfied with services provided by these organizations, they will recommend their businesses to other customers through the sharing of positive experiences of the company with prospective and already existing customers (Abror et al., 2021). Adding to that, the interface between service quality and word-of-mouth is important in promoting customer loyalty (Li et al., 2022). Also, word-of-mouth will help to strengthen hotels' possibilities of improving customer retention. In summary, it is obvious that a company that is meeting customer needs by providing qualitative service will gain important advantages and benefits by keeping its customers for a very long time, thereby achieving its goals successfully. Arising from this understanding, it is evident that the reciprocity theory will help hotels and tourist sites attain the goals of attracting new customers and keeping old ones.

# 3. Research methodology

A quantitative study was conducted in Nigeria to investigate the moderating effect of positive word-of-mouth on the relationship between service quality and customer loyalty. The target population of this study was customers from the hospitality industry in North Central Nigeria. A purposive sampling technique

was adopted to select the respondents. From May to July 2021, empirical data were collected via a self-administered questionnaire survey. Of the 1050 distributed questionnaires, only 355 were returned, which constituted an overall response rate of 33.81%. A minimum sample size estimation was performed using a G\*Power analysis. The results indicated that the minimum sample size required for this research was 98. Thus, it can be assured that the collected data are sufficient for testing the significance of the hypothesized relationships.

The questionnaire was prepared to contain three sections. The first section included the questions about the demographic profiles; the second section included 29 items for measuring service quality, positive word-of-mouth, and customer loyalty adapted from previous studies. The section of the questionnaire for measuring service quality was prepared to have 21 items proposed by Parasuraman et al. (1988) with the usage of a perception-only scale. Referring to the customers' positive word-of-mouth response to the quality of a service experienced in comparison to other service providers in terms of meeting their expectations, three items, which were derived from the previous studies, were asked for measuring the customer's positive word-of-mouth (Algesheimer et al., 2005). Customer loyalty was measured using five items derived from previous studies (Bobâlcă et al., 2012). The measurement items are presented in Table 1. Package for Social Science (SPSS) version 25.0 for descriptive analysis and SmartPLS 3.3.7 were used in this research to assess the measurement and structural model to determine the relationships and the moderating effect. A two-stage procedure was used to assess the research model. The first stage was to test the convergent validity, discriminant validity, and composite reliability of the constructs and their measurement items. The next stage was to test the hypothesized relationships between the constructs.

Table 1. Measurement items

Item	Meaning	Author
1	2	3
	Empathy	Parasuraman et al. (1988)
EMP1	This hotel understands the specific needs of the customer	
EMP2	Has the customer's best interest at heart	
EMP3	Employees give the customer personal attention	
EMP4	Employees of the hotel understood your specific needs	
EMP5	Convenient business hours	
	Reliability	Parasuraman et al. (1988)
REL1	Service that is dependable	
REL2	Provides services on time as promised	
REL3	This hotel keeps records accurately	
REL4	When customers have problems, this hotel deals with them in good faith	

#### table 1 cont.

1	2	3
	Responsiveness	Parasuraman et al. (1988)
RESP1	This hotel employees tell the customer exactly when services will be	
	performed	
RESP2	Ready to respond to customers' requests	
RESP3	This hotel provides prompt service	
RESP4	Willing to help customers	
	Assurance	Parasuraman et al. (1988)
ASSUR1	I feel safe and secure while dealing with this hotel	
ASSUR2	Employees serve the customer in a polite manner	
ASSUR3	Customers can trust employees	
	Tangible qualities	Parasuraman et al. (1988)
TAN1	Visually appealing facilities	
TAN2	This hotel has modern equipment	
TAN3	The appearance of the physical facilities of this hotel is in keeping	
	with the type of services provided	
TAN4	Employees are well-dressed and appear neat	
	Customer loyalty	Bobâlcă et al. (2012)
CUSLT1	I use this hotel because I really like it	
CUSLT2	I am pleased to use this hotel instead of others	
CUSLT3	I like this hotel more than others	
CUSLT4	I feel more attached to this hotel than to others.	
CUSLT5	I am more interested in this hotel than others	
	Positive word-of-mouth	Algesheimer et al. (2005)
PWM1	I hardly miss an opportunity to say good things about this travel agency	
	to others.	
PWM2	I will actively encourage friends or relatives to buy and use this travel agency.	
PWM3	If friends or relatives were to search for such a service, I would definitely	
	recommend this travel agency.	

# 4. Research findings

# 4.1. Respondents' profile

The characteristics of the respondents in Table 2 reveal that 81% were male, while 19% were female, 25.63% were single, 58.59% were married, and 15.77% were others. 33.52% are within the age bracket of 41-50, while the remaining 66.48% is shared among 20-30 years, 31-40 years, and those over 50 years.

**Table 2.** Respondents' demographic profile

Demographic variable	Frequency	Percentage
Gender		
Male	287	81.00
Female	68	19.00
Marital status		
Single	91	25.63
Married	208	58.59
Others	56	15.77
Age		
20-30 Yrs.	36	10.14
31-40 Yrs.	102	28.73
41-50 Yrs.	119	33.52
Above 50 Yrs.	98	27.61
Years of patronizing		
1-5 Yrs.	89	25.07
6-11 Yrs.	115	32.39
11-16 Yrs.	97	27.32
Above 16 Yrs.	54	15.21

### 4.2. Measurement model

We followed the recent paper by Hair et al. (2020) and we first assessed the convergent validity by looking at the loadings, average variance extracted (AVE) and composite reliability (CR) with the cut-off values of 0.5 for AVE and 0.7 for CR. Although the loadings are suggested to be more than 0.7 if the AVEs are already higher than 0.5, then loadings which are between 0.5 and 0.7 are also acceptable (Ramayah et al., 2018). As shown in Table 3, the AVEs were all higher than 0.5, the CR was higher than 0.7, and all the loadings were greater than 0.7 except for item EMP1 (0.629) and accepted. We modeled service quality as a second order type II (reflective-reflective). We further assessed the AVE and the CR of the second order factor, which was represented by Assurance, Empathy, Tangible Qualities, Reliability, and Responsiveness (Figures 2-3). As can be seen in Tables 3 and 4, the AVE was greater than 0.5 and the CR was greater than 0.7, confirming the validity and reliability of the second order construct of service quality.

Table 3. Model first order construct validity and reliability result

Construct	Item	Loadings	CR	AVE	$\mathbb{R}^2$	$F^2$
Assurance	ASSUR1	0.934	0.949	0.860		
	ASSUR2	0.916				
	ASSUR3	0.933				
Customer loyalty	CUSLT1	0.766	0.887	0.611	0.474	
	CUSLT2	0.789				
	CUSLT3	0.789				
	CUSLT4	0.829				
	CUSTL5	0.730				
Empathy	EMP1	0.629	0.938	0.790		
	EMP2	0.857				
	EMP3	0.875				
	EMP4	0.894				
	EMP5	0.893				
Positive word-of-mouth	PWM1	0.843	0.886	0.721		0.054
	PWM2	0.812				
	PWM3	0.892				
Reliability	REL1	0.841	0.909	0.713		
	REL2	0.835				
	REL3	0.891				
	REL4	0.810				
Responsiveness	RESP1	0.929	0.96	0.858		
-	RESP2	0.919				
	RESP3	0.921				
	RESP4	0.935				
	RESP5	0.715				
Tangible qualities	TAN1	0.797	0.953	0.835		
•	TAN2	0.768				
	TAN3	0.785				
	TAN4	0.787				

Table 4. Service quality second order construct validity and reliability

Construct	Item	Loadings	CR	AVE
Service quality	Assurance	0.838	0.871	0.58
	Empathy	0.767		
	Reliability	0.565		
	Responsiveness	0.721		
	Tangible qualities	0.876		

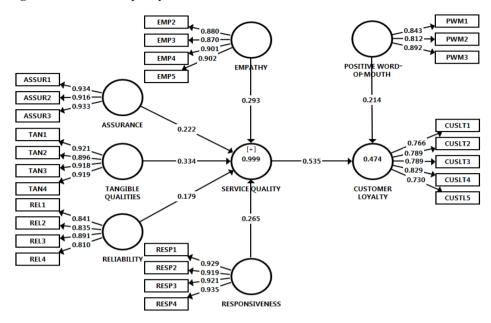
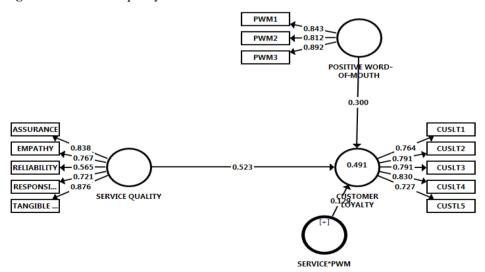


Figure 2. The service quality first-order measurement model

Figure 3. The service quality second-order measurement model



HTMT ratios were used to assess the discriminant validity as suggested by Franke and Sarstedt (2019). We also developed the table for reporting following the guidelines given by Ramayah et al. (2018) as shown in Table 5. All the HTMT ratios were lower than the 0.85 criterion. As such, we can conclude that the measures used in our study are distinct.

Construct	ASSUR	CUSL	EMP	PWM	REL	RESP	SERQ	TANG
ASSUR								
CUSL	0.635							
EMP	0.632	0.598						
PWM	0.498	0.668	0.498					
REL	0.328	0.337	0.222	0.526				
RESP	0.472	0.475	0.396	0.501	0.808			
SERQ	0.831	0.726	0.809	0.72	0.736	0.841		
TAN	0.787	0.743	0.687	0.664	0.328	0.495	0.876	

**Table 5.** The result of discriminant validity testing (HTMT)

The researchers ran a bootstrap with 1,000 resamples to generate the standard errors, t-values, p-values, and the bootstrapped confidence intervals (Hair et al., 2020). Service quality explained 47.40% (R2 = 0.474, Q2 = 0.284) of the variance in customer loyalty. Customer loyalty (p 0.01) was positively related to service quality (= 0.523). This gives support for H1.

Also, we test the moderating effect by using the two-stage approach method (Chin et al., 2003; Henseler and Chin, 2010). The interaction of Service quality and Positive word-of-mouth on customer loyalty (= 0.129, p 0.019) was significant at the p 0.019 level. The study supports H2 as shown in Table 6. The researchers also plotted the interaction to see how the moderator changed the strength of the relationship between the independent and the dependent variables. The interaction plot is presented in Figure 5. As can be seen from Figure 5, the significant positive relationship between service quality and customer loyalty was stronger when positive word-of-mouth was strong compared to when it was weak. The direction of effect was as hypothesized in H2. This further shows the significance of the positive word-of-mouth in strengthening the relationship between service quality and customer loyalty.

**Table 6.** Hypotheses

No.	Path analysis	Std. Beta	Std. error	T Stat	P values	Decision
H1	Service quality -> Customer loyalty	0.523	0.047	11.23	0.000	supported
H2	Service*PWM -> Customer loyalty	0.129	0.062	2.073	0.019	supported

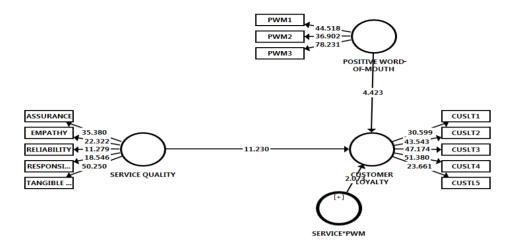
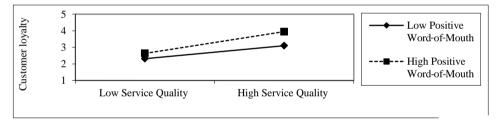


Figure 4. The Service Quality Second-Order measurement model

Figure 5. The moderating effect of positive word-of-mouth



### 5. Conclusions

From the results of the study, service quality produced a positive and significant link with customer loyalty. It can be argued that, in line with the submission of Priyo et al. (2019), the Nigerian hospitality sector should continue to provide qualitative service to satisfy the needs of their customers in order to make them loyal to the business. This finding is consistent with previous studies by Kanyama et al. (2022), Ngugen et al. (2020), Hadi et al. (2019), Nduka et al. (2017), and Adeniyi and Ogunnaike (2013), but contrary to the studies of Andri et al. (2022), Gopi and Samat (2020), where the results established no significant relationship between service quality and customer loyalty.

The moderating effect of positive word-of-mouth on the relationship between service quality and customer loyalty: A PLS Approach in the Nigerian hospitality industry was investigated in this study. The result of the study showed that service quality influences customer loyalty and word-of-mouth moderates the relationship between service quality and customer loyalty. The outcome of this study is not only unique to the Nigerian hospitality sector; it is similar to other studies in emerging countries, which found that service quality is significantly related to customer loyalty. However, no study in the Nigerian hospitality industry has used word-of-mouth as a moderating variable, applying the PLS approach.

Following the outcome of this study, it is recommended that hospitality firms treat their customers satisfactorily; this will go a long way towards enabling them to give positive recommendations to other customers, which will help in retaining current and acquiring new customers.

The regulatory agencies in charge of the hospitality sector should come up with a robust institutional framework that will strengthen the hospitality and tourism sub-sector and make the sector attractive to both local and foreign investors who want to venture into establishing new hotels and tourist sites.

The study clearly shows the importance of service quality and word-of-mouth as a strong determinant of customer loyalty in hospitality firms in emerging markets like Nigeria. This outcome of the study encourages hotel operators to ensure that customers can get good value for their money. As a result of this study, hotel managers, owners, and marketing researchers are encouraged to assist hospitality businesses in improving the ways they provide services to customers.

While this study adds to the existing literature in service marketing, word-of-mouth, and marketing management, it does so in a unique way. One of the study's disadvantages is that it is limited to one Nigerian state and one service industry (hotels). The second constraint is that the sample size is too small. As a result, the study's findings cannot be extrapolated to the entire population, and the service quality model should be tested against other service-dominant businesses to ensure its external validity. However, this study provides some preliminary information about the relationship between service quality, word-of-mouth, and customer loyalty. Future research should build on this model and provide additional insights into the nature of these relationships in various contexts and industries. Also, future studies may adopt qualitative data and data collected through longitudinal study design.

#### Disclosure statement

No potential conflict of interest was reported by the author(s).

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