
| RESEARCH ARTICLE

Beyond a Good Stay: How Service Quality and Customer Satisfaction Create Loyal Customers

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| ABSTRACT

This study examines how service quality based on the SERVQUAL model dimensions (Tangibles, Reliability, Responsiveness, Assurance, and Empathy) affects customer satisfaction and customer loyalty in the hotel industry. The study also evaluates the mediating role of customer satisfaction and potential differences between Albania and Montenegro. The study adopts a quantitative research design based on primary data collected from 467 hotel guests in Albania and Montenegro. Data were analyzed using IBM SPSS Statistics for descriptive purposes and SmartPLS to perform partial least squares structural equation modeling (PLS-SEM), including measurement and structural model assessment, mediation analysis, and multi-group analysis. The findings show that Reliability is the strongest factor affecting customer satisfaction and customer loyalty. Empathy, Assurance, and Tangibles also have a significant positive effect on customer satisfaction, while Assurance and Empathy have significant positive effects on customer loyalty. Responsiveness does not have a direct significant effect on either customer satisfaction and customer loyalty. Customer satisfaction has a strong positive effect on customer loyalty and significantly mediates the relationships between Tangibles, Reliability, Assurance and Empathy with customer loyalty. The multi-group analysis reveals no significant cross-country differences in the relationships between service quality dimensions and customer satisfaction, but significant differences emerge in several paths predicting customer loyalty. These findings highlight the importance of examining service quality dimensions separately and emphasize customer satisfaction as a key mechanism through which service quality contributes to hotel customer loyalty.

| KEYWORDS

Service Quality, Customer Satisfaction, Customer Loyalty, SERVQUAL, Hotel Industry

| ARTICLE INFORMATION

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1. Introduction

The tourism sector is among the fastest-growing industries worldwide, characterized by intense competition and increasing pressure on firms to attract and retain customers (Nyagadza et al., 2022; Rao & Sahu, 2013; Shyju et al., 2021; Zhang, 2022). This pressure is particularly visible in hospitality, where the volatility of consumer needs pushes hotels to continuously improve the quality of the service they deliver, since service quality is widely regarded as the primary driver of guest satisfaction and their repeated visits. A consistently high-quality service allows hospitality firms to differentiate themselves from competitors and to build customer loyalty over time.

Favorable perceptions of a hotel translate into positive word-of-mouth, repeated visits, and improved operating efficiency, which in turn raise revenues and profitability (Duncan & Elliott, 2002; Kandampully & Suhartanto, 2000; Khan et al., 2013; Malik et al., 2020; Yoon & Suh, 2004). In an era in which online reviews and social media shape customer perceptions before a stay even begins, hotels cannot afford to treat service quality as secondary; continuous attention to it reinforces both customer relationships and long-term competitive advantage (Butnaru & Lica, 2017; Koyuncu et al., 2014; Pereira-Moliner et al., 2016).

Montenegro's tourism sector has grown rapidly in recent years, positioning the country among the most visited destinations in the Western Balkans. According to the Montenegro Tourism Development Strategy 2022–2025 (Ministry of Economic Development of Montenegro, 2022), the direct and indirect contribution of travel and tourism to GDP reached 30.9% in 2019, with a 31.9% contribution to employment. Tourist arrivals rose from a level of 1,670,879 in 2021 to 2,183,975 in 2022, to 2,613,306 in 2023, to 2 606 854 and 2,728,564 respectively in 2024 and 2025. In the meantime, overnight stays grew from 9,872,573 in 2021 to 15 367 166 in 2025, experiencing however a slight decline of 1.5% in 2025 as compared to 2024 (MONSTAT, 2022, 2023, 2024, 2025, 2026).

Albania's tourism sector has similarly flourished in the post-pandemic period. A joint UNDP–Albanian Tourism Association report places the direct contribution of travel and tourism to GDP between 8.5% and 8.7%, rising to roughly 20% once indirect effects are included (United Nations Development Programme, 2022). International tourist arrivals have expanded considerably in recent years, and 2025 marked another record year for the country. According to the Institute of Statistics of the Republic of Albania (INSTAT, 2026), the number of foreign visitors exceeded 12 million in 2025. This continued expansion highlights the growing economic importance of tourism and the increasing demand placed on the country's hospitality sector.

The rapid expansion of tourism in Albania and Montenegro creates both opportunities and increasing competitive pressure for hotels in the two countries. As tourism demand grows, understanding how guests evaluate hotel services and how these evaluations translate into satisfaction and loyalty becomes increasingly relevant for both hotel management and destination competitiveness (Beqiri et al., 2014; Bulatović & Stranjančević, 2019; Burlea-Schiopoiu & Ozuni, 2021; Kosova & Sinaj, 2020; Popovic et al., 2018). Although the relationship between service quality, satisfaction, and loyalty has been widely investigated in hospitality research, the relative contribution of individual SERVQUAL dimensions may differ across tourism settings. Moreover, comparative evidence examining these relationships across neighboring Western Balkan tourism markets remains relatively limited.

This study aims to examine how the five SERVQUAL dimensions Tangibles, Reliability, Responsiveness, Assurance, and Empathy—contribute to Customer Satisfaction and Customer Loyalty in the hotel industry in Albania and Montenegro. Using primary data collected from 467 hotel guests, the study examines the direct effects of individual service quality dimensions on satisfaction and loyalty, as well as the mediating role of Customer Satisfaction in the relationship between these dimensions and Customer Loyalty. In addition, a multi-group analysis is conducted to explore whether the relationships in the proposed model differ between hotel guests surveyed in Albania and Montenegro.

The remainder of the study is organized as follows. Section 2 reviews the relevant literature and develops the study hypotheses and conceptual model. Section 3 describes the research methodology, sample, measures, and data analysis procedures. Section 4 presents and discusses the empirical findings, including the measurement and structural models, mediation analysis, and multi-group comparison. Section 5 outlines the theoretical and managerial implications, while Sections 6 and 7 present the conclusion, limitations, and directions for future research.

2. Literature review and hypothesis development

2.1. Conceptualizing service quality: The SERVQUAL framework

Numerous frameworks have been proposed to measure service quality, each highlighting a different set of dimensions and determinants of customer perception (Caro & Garcia, 2007; Cronin & Taylor, 1992; Dabholkar, 1996; Dabholkar et al., 2000; Endeshaw, 2021; Fatima et al., 2019; Frochot & Hughes, 2000; Gounaris, 2005; Grönroos, 1984; Haywood-Farmer, 1988; Jabnoun & Khalifa, 2005; Mattsson, 1992; Sower et al., 2001; Spreng & Mackoy, 1996; Vandamme & Leunis, 1993). Several have been adapted specifically for hospitality, including LODGESERV (Knutson et al., 1990), the Lodging Quality Index (Getty & Getty, 2003), and HOLSERV (Wong Ooi Mei et al., 1999), alongside hotel-specific applications of general models (Akan, 1995; Akbaba, 2006; Choi & Chu, 2001; Ekinci et al., 2003; Nyagadza et al., 2022; Oberoi & Hales, 1990; Rao & Sahu, 2013; Saleh & Ryan, 1991; Shyju et al., 2021; Zhang, 2022).

The majority of these frameworks build on SERVQUAL, developed by Parasuraman et al. (1985, 1988). Their 1985 conceptual paper, based on executive interviews and consumer focus groups, identified five gaps that shape perceived service quality: (1) the gap between consumer expectations and management's perception of those expectations; (2) the gap between management's perception of expectations and the service quality specifications actually set; (3) the gap between those specifications and the service that is delivered; (4) the gap between what is delivered and what is communicated to consumers about the service; and (5) the resulting gap between consumer expectations and consumer perceptions of the service received. The same focus groups showed that, regardless of service type, consumers tend to judge quality against a common set of criteria, originally grouped into ten dimensions: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer, and tangibles.

In 1988, Parasuraman et al. refined this instrument using data from retail banking, credit cards, long-distance telephone service, and appliance repair, reducing 97 paired expectation–perception items to 22 items loading onto five underlying dimensions: tangibles, reliability, responsiveness, assurance, and empathy. This SERVQUAL instrument was subsequently validated for reliability and construct validity across a wide range of service and retail settings.

Later research has both extended and criticized SERVQUAL. Conceptual objections concern the use of difference scores (perceptions minus expectations) to operationalize quality, the ambiguity of the expectations construct, and the instrument's transferability across industries. As several authors argue, these SERVQUAL weaknesses lead to operational problems such as dimensions inconsistency, low reliability, and weak validity, while it is applied in certain studies (Carman, 1990; Bhat, 2012; Cronin & Taylor, 1992; Jian et al., 2000; Paulin & Pierrin, 1996; Smith, 1995; Teas, 1993; Van Dyke et al., 1999; Williams, 1998). Despite these critiques, SERVQUAL remains the leading measure of service quality in hospitality research and continues to be validated in contemporary hotel studies (Ali et al., 2021; Akbar et al., 2010; Chand, 2010; Hossain, 2012; Mashita et al., 2025; Mey et al., 2006; Mohamad et al., 2019; Nguyen et al., 2015; Nyagadza et al., 2022; Rao & Sahu, 2013; Shyju et al., 2021; Thi et al., 2020; Zhang, 2022).

2.2 The five dimensions of service quality in the hotel context

SERVQUAL evaluates service quality along five dimensions, which the literature has repeatedly linked, with varying strength, to customer satisfaction and loyalty in hospitality settings.

Tangibles

Tangibles refer to the physical evidence of the service, including facilities, equipment, and staff appearance. Several studies confirm their importance in shaping customer satisfaction (Ali et al., 2021; Devi Juwaheer, 2004; Hossain, 2012; Nguyen et al., 2015; Zhang, 2022), although tangibles alone appear insufficient to guarantee high perceived service quality. Other studies find their effect on satisfaction inconsistent or non-significant once reliability and empathy are accounted for (Ekinci et al., 2003; Markovic & Raspor, 2010).

Reliability

Reliability, the ability to perform the promised service dependably and accurately, is consistently found to be among the strongest predictors of both satisfaction and loyalty, since it builds guest confidence and trust in the hotel brand (Ali et al., 2021; Markovic & Raspor, 2010).

Responsiveness

Responsiveness, the willingness to help customers and provide prompt service, shapes perceptions of overall service quality and satisfaction, and is associated with a higher likelihood of returned visits (Kandampully & Suhartanto, 2000; Zhang, 2022).

Assurance

Assurance reflects employees' knowledge and courtesy and their capacity to inspire trust and confidence. Guests expect staff to have the competence needed to meet their needs. Assurance is positively associated with both satisfaction and loyalty (Ali et al., 2021; Nguyen et al., 2015; Rao & Sahu, 2013).

Empathy

Empathy, the caring and individualized attention given to customers, is repeatedly linked to satisfaction and loyalty (Ali et al., 2021; Hossain, 2012; Nguyen et al., 2015; Rao & Sahu, 2013), and some studies identify it as the dimension most strongly related to customer satisfaction (Ekinci et al., 2003). Recent qualitative work extends this list of experiential drivers to include cleanliness and the quality of technological touchpoints, such as booking platforms and self-service kiosks, reflecting the growing digitalization of the guest journey (Anderson, 2025).

2.3. The conceptual foundations of customer satisfaction and customer loyalty

Customer satisfaction is generally understood, following the expectancy–disconfirmation paradigm underlying SERVQUAL itself, as the overall contented feeling a customer experiences when a hotel stay fulfils or exceeds their expectations (Parasuraman et al., 1985, 1988; Phillips et al., 2017). More recent theories treat satisfaction less as a purely cognitive judgment and more as an affective response to the consumption experience, reflecting the degree to which the encounter induces positive feelings in the customer (So et al., 2025).

Customer loyalty on the other hand, is typically conceptualized as having both attitudinal and behavioral components, a favorable disposition toward the hotel (intention to return, willingness to recommend, positive word-of-mouth) combined with actual repeat-purchase behavior (Kandampully & Suhartanto, 2000; So et al., 2025). In the hotel industry specifically, loyalty is commercially significant because it lowers acquisition costs, supports premium pricing, and generates favorable word-of-mouth that stimulates new demand (Anderson, 2025; Duncan & Elliott, 2002; Yoon & Suh, 2004).

2.4. The Relationships (Direct and Indirect) among service quality, customer satisfaction and customer loyalty

The literature converges on three related propositions that jointly describe how service quality translates into customer loyalty in the hotel industry: 1) a direct effect of service quality on satisfaction, 2) a direct effect of service quality on loyalty, and 3) an indirect effect of service quality on loyalty that operates through satisfaction. Each of these propositions is developed below and forms the basis of the hypotheses tested in this study.

2.4.1. Service quality and customer satisfaction (H1)

Empirical studies across service settings consistently find that higher perceived service quality, whether measured overall or through the five SERVQUAL dimensions, raises customer satisfaction (Ali & Raza, 2017; Agyapong, 2011; Balinado et al., 2021; Hussain et al., 2015; Naik et al., 2010). In hospitality specifically, this relationship is well established. Service quality is a significant predictor of guest satisfaction across a range of national contexts, including Jordan, Vietnam, Bangladesh, Pakistan, Malaysia, and the wider Western Balkans (Ali et al., 2021; Al Khattab & Aldehayyat, 2011; Markovic & Raspor, 2010; Mohamad et al., 2019; Hossain, 2012; Nguyen et al., 2015). Studies conducted in Albania and Montenegro directly confirm this pattern (Beqiri et al., 2014; Kosova & Sinaj, 2020; Bulatović & Stranjančević, 2019). Based on such arguments the following hypothesis is raised:

H1: Service quality (SERVQUAL dimensions) have significant positive effects on Customer Satisfaction in the hotel industry.

H1a: Tangibles have a significant positive effect on Customer Satisfaction.

H1b: Reliability has a significant positive effect on Customer Satisfaction.

H1c: Responsiveness has a significant positive effect on Customer Satisfaction.

H1d: Assurance has a significant positive effect on Customer Satisfaction.

H1e: Empathy has a significant positive effect on Customer Satisfaction.

2.4.2. Service quality and customer loyalty (H2)

A second, distinct stream of research examines whether service quality also exerts a direct effect on loyalty, independent of its effect through satisfaction. Zeithaml et al. (1996) behavioral-consequences model proposes that favorable quality assessments generate favorable behavioral intentions, including repeated visits and recommendation, directly. Empirical support for a direct service quality to loyalty path is found as well in hotel and hospitality research (Chang et al., 2014; Chen & Chen, 2010; Gursoy et al., 2014; Nyagadza et al., 2022; Thi et al., 2020; Zhang, 2022), and in a recent meta-analytic structural equation model spanning 153 tourism and hospitality studies, where the direct path from perceived service quality to loyalty is confirmed as statistically significant, alongside its indirect path through satisfaction (So et al., 2025). Accordingly, the following hypothesis is proposed:

H2: Service quality (SERVQUAL dimensions) has significant positive effects on Customer Loyalty in the hotel industry.

H2a: Tangibles have a significant positive effect on Customer Loyalty.

H2b: Reliability has a significant positive effect on Customer Loyalty.

H2c: Responsiveness has a significant positive effect on Customer Loyalty.

H2d: Assurance has a significant positive effect on Customer Loyalty.

H2e: Empathy has a significant positive effect on Customer Loyalty.

2.4.3. Customer satisfaction and customer loyalty (H3)

Customer Satisfaction is widely recognized as an important antecedent of Customer Loyalty in the hospitality industry. Satisfied hotel guests are more likely to revisit the hotel, recommend it to others, and develop favorable behavioral intentions toward the service provider. Kandampully and Suhartanto (2000) identified customer satisfaction as an important foundation of hotel loyalty, while Liat et al. (2014) reported a significant positive relationship between satisfaction and loyalty in the Malaysian hotel industry. More recent evidence from resort hotels also confirms that higher Customer Satisfaction is associated with stronger Customer Loyalty (Yeong et al., 2022). Based on these theoretical and empirical arguments, the following hypothesis is proposed:

H3: Customer Satisfaction has a significant positive effect on Customer Loyalty.

2.4.4. The Mediating Role of Customer Satisfaction (H4)

A third body of work argues that service quality's influence on loyalty operates substantially, or even primarily, through the satisfaction it generates. The theoretical rationale draws on an evaluative sequence in which consumers first form judgments about service quality, that translate into a global affective evaluation, satisfaction, which then guides repurchase and recommendation behavior (Bagozzi, 1992; Olsen, 2002). This mediated sequence has been documented across a wide range of service contexts (Caruana, 2002; Chiou & Droge, 2006), and specifically within the hospitality one. Reliability and empathy shape satisfaction, which in turn drives loyalty (Chi & Qu, 2008; Lee, 2009; Kim & Park, 2019; Mohamad et al., 2019; Rasoolimanesh et al., 2019; Thi et al., 2020; Yoon & Uysal, 2005).

Recent evidence strengthens the case for this mediating mechanism. In Ghana's hotel industry, satisfaction (together with delight) was found to mediate the effect of service quality on loyalty (Anabila et al., 2022), while a study of AI-enabled service attributes in Thai coastal chain hotels found satisfaction to mediate their effect on loyalty (Chotisarn & Phuthong, 2025). The most authoritative evidence comes from So et al. (2025) meta-analytic structural equation model, published in *Cornell Hospitality Quarterly*, which pooled 153 studies (87,286 respondents) drawn from eight top-tier tourism and hospitality journals (2006–2020). The study tested two possible models. In the first one, satisfaction was the only route by which service quality affected loyalty (full mediation), while in the second, service quality could also affect loyalty directly, in addition to working through satisfaction (partial mediation). The full-mediation model fit the data best overall, but the partial-mediation model also held up well, since the direct path remained significant. In both models, however, the indirect path (service quality → satisfaction → loyalty) was significant, and in most cases

it was even stronger than the direct path. This shows that satisfaction is the main mechanism through which service quality builds customer loyalty. Drawing on the above mentioned reasoning, the following hypothesis is proposed:

H4: Customer Satisfaction mediates the relationships between service quality (SERVQUAL dimensions) and Customer Loyalty.

H4a: Customer Satisfaction mediates the relationship between Tangibles and Customer Loyalty.

H4b: Customer Satisfaction mediates the relationship between Reliability and Customer Loyalty.

H4c: Customer Satisfaction mediates the relationship between Responsiveness and Customer Loyalty.

H4d: Customer Satisfaction mediates the relationship between Assurance and Customer Loyalty.

H4e: Customer Satisfaction mediates the relationship between Empathy and Customer Loyalty.

In line with the hypotheses developed above, the conceptual model in Figure 1 examines service quality (SERVQUAL dimensions) Tangibles, Reliability, Responsiveness, Assurance, and Empathy as separate antecedents of Customer Satisfaction and Customer Loyalty. The model includes the direct effects of each SERVQUAL dimension on Customer Satisfaction (H1a–H1e) and Customer Loyalty (H2a–H2e), the direct effect of Customer Satisfaction on Customer Loyalty (H3), and the indirect effects of the five SERVQUAL dimensions on Customer Loyalty through Customer Satisfaction (H4a–H4e).

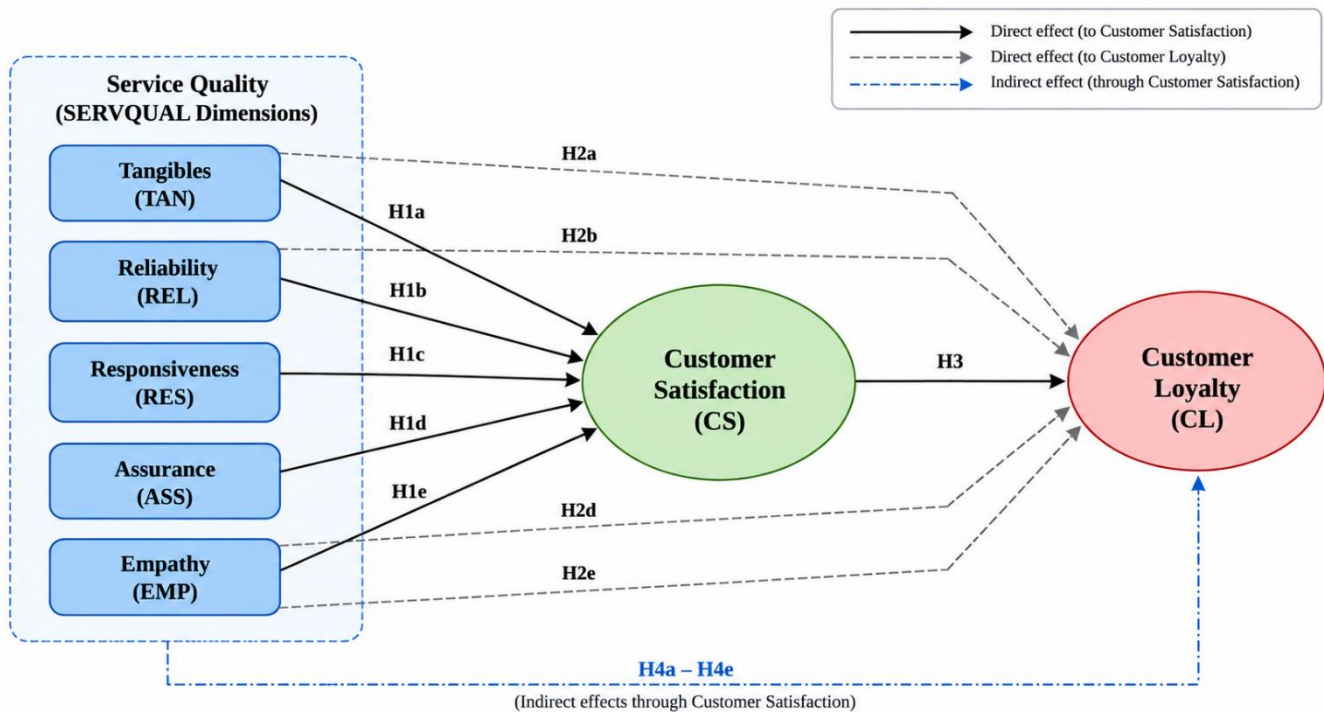


Figure 1. Conceptual framework of the study

3. Methodology

3.1. Research Design, Sample and Data Collection

To examine the relationship between service quality, customer satisfaction and customer loyalty in the hotel industry, this study adopted a quantitative research approach based on primary data collected from hotel guests. The research was carried out in Albania and Montenegro, two neighboring Western Balkans countries characterized by a strong tourism orientation and growing hospitality market. The data were collected from four tourist destinations: Shkodra and Saranda in Albania, and Budva and Ulcinj in Montenegro. The inclusion of destinations from both countries provides an appropriate setting for examining service quality, and how service quality can affect customer satisfaction and loyalty.

Data were collected through a structured questionnaire administered to tourists who had stayed in hotels and used hotel services in the selected destinations. The study is focused on guests' perception of different aspects of service quality, together with their overall satisfaction and loyalty toward the hotel. Following the data collection process, a total of 467 valid responses were retained for empirical analysis. The questionnaire was divided into four sections. The first section collected sociodemographic data including gender, age, education, reason for visiting, and residency. The second section measured the five explanatory constructs of the service quality as explained by the SERVQUAL model Tangibles (TAN), Reliability (REL), Responsiveness (RES), Assurance (ASS), and Empathy (EMP). The third section assessed customer satisfaction (CS). The fourth section assessed customer loyalty (CL). The study constructs were measured using a five-point Likert scale, with higher scores reflecting stronger agreement. This structure provided

the basis for examining how individual dimensions of service quality influence customer satisfaction and loyalty, as well as whether satisfaction serves as a mechanism through which service quality contributes to customer loyalty.

3.2. Measures

Service quality was measured based on the SERVQUAL framework developed by Parasuraman et al. (1988), which conceptualizes service quality through five dimensions: Tangibles, Reliability, Responsiveness, Assurance, and Empathy. The measurement items were adapted to the hotel context. Customer Satisfaction and Customer Loyalty were included as separate constructs based on Boriçi et al. (2024). Tangibles were measured using seven items related to physical and visible aspects of hotel services, including "The hotel has modern looking equipment" and "The hotel's physical facilities are visually appealing". Reliability was measured using seven items, with items such as "The hotel provides its services at the time it promises to do so" and "Staff of the hotel are dependable in handling customers' service problems". Responsiveness was measured using four items addressing issues such as "Staff at the hotel are ready to respond to customers' requests" and "Staff at the hotel give prompt service to customers". Assurance was measured using four items, including items like "Guests feel safe and secure in their stay at the hotel" and "Customers can trust the employees of the hotel". Empathy was assessed through five items such as "The hotel gives its customers individualized attention" and "Staff of the hotel understand the specific needs of their customers".

Customer Satisfaction was measured using four items reflecting guests' overall evaluation of their hotel experience, with items such as "The staying experience at that hotel made me satisfied" and "The hotel meets my expectations". Customer Loyalty was measured using four items aiming to capture revisit and recommendation intentions, such as "There is high likelihood to return in this hotel in the future again" and "I would recommend this hotel to my friends".

3.3. Data analysis

Data analysis was conducted using IBM SPSS Statistics and SmartPLS. SPSS was used to analyze respondents' demographics and create the database, while SmartPLS was used to perform partial least squares structural equation modeling (PLS-SEM) and assess the measurement and structural models. Construct reliability and convergent validity were evaluated using factor loadings, Cronbach's alpha, composite reliability (CR), and average variance extracted (AVE). The structural model was then examined through path coefficients and R^2 values, with the significance of the relationships assessed using bootstrapping with 5,000 resamples. Finally, the mediating role of Customer Satisfaction in the relationships between the five SERVQUAL dimensions and Customer Loyalty was tested through specific indirect effects.

Table 1. Descriptive data of respondents' profile (N = 467)

Variable	Frequency	%
Gender		
Male	266	57.0
Female	201	43.0
Age		
Under 20	35	7.5
20-30	115	24.6
30-40	110	23.6
40-50	109	23.3
Above 50	98	21.0
Education		
Elementary school	35	7.5
High school	193	41.3
Bachelor diploma	143	30.6
Master's degree or higher	96	20.6
Reason for visiting		
Leisure	358	76.7
Business	69	14.8
Other	40	8.6
Residency		
Domestic	125	26.8
Western Balkans	224	48.0
OECD	118	25.3
Country		
Albania	224	48.0
Montenegro	243	52.0

4. Results and Discussion

4.1. Respondents' Profile

Table 1 presents the demographic and travel-related characteristics of the respondents. The final sample consisted of 467 hotel guests, of whom 57.0% were male and 43.0% were female. Respondents were relatively evenly distributed across the different age groups, with the largest proportion aged 20–30 (24.6%). Regarding education, high school graduates represented the largest group (41.3%), followed by respondents with a bachelor's degree (30.6%). Most participants travelled for leisure purposes (76.7%), while 48.0% were residents of Western Balkan countries. The sample was also well balanced between the two countries, with 48.0% of respondents surveyed in Albania and 52.0% in Montenegro.

Table 2. Results of measurement model

Construct	FL	CA	CR	AVE
Tangibles (TAN)		0.876	0.904	0.577
TAN1	0.824			
TAN2	0.778			
TAN3	0.747			
TAN4	0.816			
TAN5	0.615			
TAN6	0.745			
TAN7	0.771			
Reliability (REL)		0.892	0.916	0.609
REL1	0.690			
REL2	0.770			
REL3	0.824			
REL4	0.801			
REL5	0.789			
REL6	0.796			
REL7	0.777			
Responsiveness (RES)		0.848	0.898	0.687
RES1	0.840			
RES2	0.779			
RES3	0.880			
RES4	0.814			
Assurance (ASS)		0.858	0.904	0.701
ASS1	0.822			
ASS2	0.819			
ASS3	0.830			
ASS4	0.876			
Empathy (EMP)		0.891	0.920	0.697
EMP1	0.850			
EMP2	0.821			
EMP3	0.864			
EMP4	0.863			
EMP5	0.773			
Customer Satisfaction (CS)		0.925	0.947	0.817
CS1	0.883			
CS2	0.880			
CS3	0.911			
CS4	0.940			
Customer Loyalty (CL)		0.926	0.948	0.819
CL1	0.912			
CL2	0.898			
CL3	0.877			
CL4	0.933			

Note. FL: Factor loadings; CA: Cronbach's alpha; CR: composite reliability; AVE: average variance extracted

4.2. Measurement Model Assessment

The measurement model was assessed to evaluate the reliability and convergent validity of the constructs included in the study. Following Hair et al. (2019) suggestions, the assessment considered indicator loadings, internal consistency reliability, and convergent validity. As shown in Table 2, most outer loadings exceeded the recommended value of 0.70, ranging from 0.615 to 0.940. Two indicators, TAN5 (0.615) and REL1 (0.690), showed lower loadings; however, they were retained because the corresponding constructs demonstrated satisfactory internal consistency and convergent validity. Cronbach's alpha values ranged from 0.848 to 0.926, while composite reliability values ranged from 0.898 to 0.948, exceeding the recommended threshold of 0.70 (Hair et al., 2019).

Convergent validity was assessed using Average Variance Extracted (AVE). All AVE values exceeded the recommended threshold of 0.50 (Fornell & Larcker, 1981), ranging from 0.577 for Tangibles to 0.819 for Customer Loyalty. These results indicate satisfactory reliability and convergent validity for all constructs included in the model.

4.3. Structural Model and Direct Effects

Following the assessment of the measurement model, the structural model was examined to evaluate the hypothesized relationships among the five SERVQUAL dimensions, Customer Satisfaction, and Customer Loyalty as presented in Table 3. The significance of the path coefficients was assessed using a bootstrapping procedure with 5,000 resamples. The model explained a substantial proportion of variance in both endogenous constructs, with an R^2 value of 0.825 for Customer Satisfaction and 0.878 for Customer Loyalty, indicating strong explanatory power.

Table 3. Structural model and direct effects

Hypothesis	Relationship	β	t-value	p-value	Decision
H1a	TAN → CS	0.087	2.116	0.017*	Supported
H1b	REL → CS	0.466	9.188	<0.001**	Supported
H1c	RES → CS	0.076	1.557	0.060	Not supported
H1d	ASS → CS	0.086	2.042	0.021*	Supported
H1e	EMP → CS	0.254	6.045	<0.001**	Supported
H2a	TAN → CL	-0.017	0.492	0.311	Not supported
H2b	REL → CL	0.340	5.940	<0.001**	Supported
H2c	RES → CL	-0.015	0.320	0.374	Not supported
H2d	ASS → CL	0.099	2.570	0.005**	Supported
H2e	EMP → CL	0.079	1.906	0.028*	Supported
H3	CS → CL	0.498	11.575	<0.001**	Supported

Note. β = standardized path coefficient. * $p < 0.05$; ** $p < 0.01$.

As shown in Table 3, four of the five SERVQUAL dimensions had significant positive effects on Customer Satisfaction. Reliability emerged as the strongest predictor of Customer Satisfaction ($\beta = 0.466$, $p < 0.001$), followed by Empathy ($\beta = 0.254$, $p < 0.001$). Tangibles ($\beta = 0.087$, $p = 0.017$) and Assurance ($\beta = 0.086$, $p = 0.021$) also showed significant positive effects, although their contributions were comparatively smaller. In contrast, Responsiveness did not significantly influence Customer Satisfaction ($\beta = 0.076$, $p = 0.060$).

Regarding Customer Loyalty, Reliability showed the strongest direct effect among the SERVQUAL dimensions ($\beta = 0.340$, $p < 0.001$). Assurance ($\beta = 0.099$, $p = 0.005$) and Empathy ($\beta = 0.079$, $p = 0.028$) also had significant positive effects on loyalty. Tangibles ($\beta = -0.017$, $p = 0.311$) and Responsiveness ($\beta = -0.015$, $p = 0.374$) did not highlight a significant direct relationship with Customer Loyalty.

Among the effects tested, Customer Satisfaction had a strong and statistically significant positive effect on Customer Loyalty ($\beta = 0.498$, $p < 0.001$). This finding indicates that the more a guest is satisfied with the overall stay in the hotel the more they demonstrate loyalty toward the hotel.

4.4. Mediating Role of Customer Satisfaction

After assessment of the direct relationships, mediation analysis was performed (Table 4). The mediating role of Customer Satisfaction was examined by assessing the specific indirect effects of the five SERVQUAL dimensions on Customer Loyalty. The significance of the indirect effects was assessed using the bootstrapping procedure with 5,000 resamples.

The findings presented in Table 4 show that Customer Satisfaction significantly mediates the relationships between four of the five SERVQUAL dimensions and Customer Loyalty. The strongest indirect effect was observed for Reliability ($\beta = 0.232$, $p < 0.001$), followed by Empathy ($\beta = 0.127$, $p < 0.001$). Significant indirect effects were also found for Tangibles ($\beta = 0.043$, $p = 0.016$) and Assurance ($\beta = 0.043$, $p = 0.023$). In contrast, the indirect effect of Responsiveness on Customer Loyalty through Customer Satisfaction was not statistically significant ($\beta = 0.038$, $p = 0.055$). It is worth mentioning the role of Customer Satisfaction in the

relationship between Tangibles and Customer Loyalty. While Tangibles did not show a significant direct relationship on Customer Loyalty, its indirect effect through Customer Satisfaction was significant. This suggests that the physical aspects of hotel service contribute to loyalty primarily by enhancing guests' satisfaction rather than by directly generating loyalty. For Reliability, Assurance, and Empathy, both direct and indirect effects were significant, indicating that these dimensions contribute to Customer Loyalty both directly and through Customer Satisfaction.

Table 4. Specific indirect effects through customer satisfaction

Hypothesis	Indirect relationship	β	t-value	p-value	Decision
H4a	TAN $\rightarrow$ CS $\rightarrow$ CL	0.043	2.141	0.016*	Supported
H4b	REL $\rightarrow$ CS $\rightarrow$ CL	0.232	6.566	<0.001**	Supported
H4c	RES $\rightarrow$ CS $\rightarrow$ CL	0.038	1.598	0.055	Not supported
H4d	ASS $\rightarrow$ CS $\rightarrow$ CL	0.043	2.003	0.023*	Supported
H4e	EMP $\rightarrow$ CS $\rightarrow$ CL	0.127	5.126	<0.001**	Supported

Note. β = standardized indirect effect. * $p < 0.05$; ** $p < 0.01$.

4.5. Multi-Group Analysis

To further explore whether the relationships in the proposed model differ between the two countries, a multi-group analysis (PLS-MGA) was conducted comparing respondents from Albania ($n = 224$) and Montenegro ($n = 243$). The analysis revealed significant cross-country differences in four structural relationships, while the remaining paths did not differ significantly between the two groups.

Table 5. Multi-Group Analysis: Albania vs. Montenegro

Relationship	Albania β	Montenegro β	Difference (AL-ME)	p-value	Decision
TAN $\rightarrow$ CS	0.028	0.152	-0.124	0.065	Not significant
REL $\rightarrow$ CS	0.519	0.426	0.093	0.182	Not significant
RES $\rightarrow$ CS	0.044	0.080	-0.036	0.360	Not significant
ASS $\rightarrow$ CS	0.105	0.076	0.029	0.363	Not significant
EMP $\rightarrow$ CS	0.261	0.252	0.009	0.460	Not significant
TAN $\rightarrow$ CL	-0.055	-0.007	-0.048	0.232	Not significant
REL $\rightarrow$ CL	0.535	0.167	0.368	<0.001**	Significant
RES $\rightarrow$ CL	-0.148	0.091	-0.240	0.003**	Significant
ASS $\rightarrow$ CL	0.227	-0.008	0.234	<0.001**	Significant
EMP $\rightarrow$ CL	0.060	0.108	-0.048	0.269	Not significant
CS $\rightarrow$ CL	0.363	0.634	-0.271	0.001**	Significant

Note. β = standardized path coefficient. Difference represents the difference in path coefficients between Albania and Montenegro (AL-ME). * $p < 0.05$; ** $p < 0.01$.

The findings presented in Table 5 indicate that the effects of the SERVQUAL dimensions on Customer Satisfaction were relatively consistent across Albania and Montenegro, as none of the cross-country differences reached statistical significance. In contrast, several differences emerged in the relationships predicting Customer Loyalty. The effect of Reliability on Customer Loyalty was substantially stronger in Albania ($\beta = 0.535$) than in Montenegro ($\beta = 0.167$; $p < 0.001$). Similarly, Assurance showed a stronger relationship with loyalty in Albania ($\beta = 0.227$) than in Montenegro ($\beta = -0.008$; $p < 0.001$). A significant difference was also identified for Responsiveness ($p = 0.003$), with a negative coefficient in Albania ($\beta = -0.148$) and a positive coefficient in Montenegro ($\beta = 0.091$).

A notable cross-country difference was also observed in the relationship between Customer Satisfaction and Customer Loyalty. Although satisfaction was positively associated with loyalty in both groups, its effect was considerably stronger in Montenegro ($\beta = 0.634$) than in Albania ($\beta = 0.363$), with the difference being statistically significant ($p = 0.001$). This suggests that satisfaction may play a particularly important role in translating positive hotel experiences into customer loyalty among tourists surveyed in Montenegro.

4.6. Discussion

The findings of this study provide a more differentiated understanding of how service quality dimensions of the SERVQUAL framework explain customer satisfaction and customer loyalty in the hotel industry. This supports the literature by suggesting SERVQUAL dimensions may vary across context and customer groups (Nguyen et al., 2015; Ladhari, 2009).

Among the service quality dimensions, Reliability emerged as the strongest factor predicting Customer Satisfaction ($\beta = 0.466$), followed by Empathy ($\beta = 0.254$). Tangibles and Assurance also had significant positive effects, although their contributions were

considerably smaller, whereas Responsiveness did not significantly influence satisfaction. Reliability is particularly important in the hotel industry because it reflects the ability of the hotel to deliver promised services accurately and in the promised way. Since guests during their stay in the hotel experience different services, consistency between what is promised and what is actually delivered is very important for their overall satisfaction. Earlier hospitality research studies similarly highlighted Reliability as an important factor of perceived hotel service quality (Markovic & Raspor, 2010), while Nguyen et al. (2015) also found a significant relationship between Reliability and Customer Satisfaction in Vietnamese hotels.

Empathy was the second strongest factor having an effect on Customer Satisfaction. This suggests that guests value how the hotel responds to their individual needs. This result is in line with previous studies, confirming that empathy contributes to hotel satisfaction (Ezeh et al., 2022; Nguyen et al., 2015). As results highlighted Tangibles had a modest significant effect on Customer Satisfaction ($\beta = 0.087$). This differs from Nguyen et al. (2015), who found no significant effect of tangibles on satisfaction. By contrast, Responsiveness was found not to have a significant effect on hotel guest satisfaction. Similarly, Ezeh et al. (2022) also reported an insignificant effect of responsiveness on hotel guest satisfaction. This does not necessarily mean that prompt services are not important, but this may indicate that guests feel that offering prompt services is a basic acceptable level.

When testing the effect of service quality factors affecting customer loyalty, Reliability resulted having the strongest direct effect on loyalty ($\beta = 0.340$), while Assurance ($\beta = 0.099$) and Empathy ($\beta = 0.079$) also showed significant positive effects. In contrast, Tangibles and Responsiveness had no significant direct effects on loyalty. These findings suggest that loyalty is associated more strongly with dependable services, trust, and personalized treatment than with physical characteristics alone.

Customer Satisfaction had a strong positive and significant direct effect on Customer Loyalty. The results are consistent with Liat et al. (2014), who demonstrated a significant positive relationship between customer satisfaction and loyalty, and with the longstanding argument of Kandampully and Suhartanto (2000) that satisfaction is an important foundation for hotel loyalty. Recent evidence supports this relationship on a study among Malaysian resort-hotel guests (Yeong et al., 2022).

The mediation results provide an important extension to the direct relationships explained. Customer Satisfaction significantly mediated the effects of Tangibles, Reliability, Assurance, and Empathy on Customer Loyalty, whereas the indirect effect of Responsiveness was not significant. This finding is consistent with Anabila et al. (2022), who demonstrated that Customer Satisfaction effectively mediates the relationship between service quality and Customer Loyalty among hotel customers in Ghana. The cross-country findings add another relevant dimension to the results. No statistically significant differences were identified in the relationships between the five SERVQUAL dimensions and Customer Satisfaction, suggesting a relatively similar process through which service-quality attributes contribute to satisfaction across the two destinations. However, significant differences emerged for several relationships with Customer Loyalty. Reliability and Assurance exerted stronger effects on loyalty in Albania, while the effect of Customer Satisfaction on Customer Loyalty was considerably stronger in Montenegro. Responsiveness also differed significantly between the two groups, although its coefficients were comparatively modest and moved in opposite directions. Overall, the findings indicate that customer loyalty in the hotel industry is shaped not only by the direct effects of specific service quality dimensions, but also by the mediating role of customer satisfaction and by differences in how these relationships operate across national contexts.

5. Theoretical and managerial implications

The findings of this study provide several theoretical and practical implications. From a theoretical perspective, the results reinforce the importance of examining the SERVQUAL dimensions separately rather than treating service quality as a single overall construct. The findings show that Tangibles, Reliability, Responsiveness, Assurance, and Empathy do not contribute equally to Customer Satisfaction and Customer Loyalty. Moreover, the mediating role of Customer Satisfaction demonstrates that some dimensions of service quality may influence loyalty indirectly, even when their direct effect is not significant. The cross-country analysis further extends this perspective by showing that while the relationships between SERVQUAL dimensions and satisfaction are relatively consistent across Albania and Montenegro, the mechanisms leading to Customer Loyalty may differ between the two national contexts.

From a managerial perspective, the findings suggest that hotel managers should pay particular attention to reliability, which emerged as the most influential service quality dimension for both satisfaction and loyalty. Hotels should therefore ensure that promised services are delivered accurately, consistently, and on time. At the same time, the significant role of empathy highlights the importance of personalized attention and understanding guests' individual needs. The strong relationship between Customer Satisfaction and Customer Loyalty further indicates that investments in service improvements should ultimately be evaluated in terms of their contribution to the overall guest experience. Finally, the differences identified between Albania and Montenegro suggest that hotel managers should avoid assuming that the same service strategies will generate identical loyalty outcomes across markets.

6. Conclusion

This study examined the relationships between service quality using the five SERVQUAL dimensions, Customer Satisfaction, and Customer Loyalty in the hotel industry. The findings demonstrate that service quality dimensions play different roles in shaping customer outcomes. Reliability emerged as the most influential dimension, while empathy, assurance, and tangibles also

contributed to customer satisfaction or customer loyalty to varying degrees. Responsiveness, however, did not show significant direct effects on either outcome.

An important contribution of the study is the confirmation of customer satisfaction as a mechanism through which service quality can translate into customer loyalty. Satisfaction mediated the effects of tangibles, reliability, assurance, and empathy on loyalty, emphasizing that favorable evaluations of individual service attributes become particularly valuable when they contribute to a satisfying overall hotel experience. Furthermore, the comparison between Albania and Montenegro revealed that although the formation of customer satisfaction was relatively similar across the two countries, several relationships leading to customer loyalty differed significantly. Overall, the findings emphasize that understanding hotel customer behavior requires consideration not only of individual service quality dimensions, but also of the mechanisms and contextual conditions through which they contribute to loyalty.

7. Limitations and future research

Despite its scientific and managerial contribution, this study has some limitations. First, although the sample of 467 hotel guests was sufficient for the analyses conducted, it was limited to four tourism destinations in Albania and Montenegro. Consequently, the findings should not be generalized to the entire hotel sector of either country. Future studies could expand the geographical scope by including other Western Balkans countries, such as Bosnia and Herzegovina, Serbia, North Macedonia, and Kosovo, allowing for broader cross-country comparisons of how service quality translates into satisfaction and loyalty.

Second, the present model focuses on the five SERVQUAL dimensions, customer satisfaction, and customer loyalty. Hotel guests' behavioral responses may also be influenced by other factors not included in the model, such as perceived value, price fairness, hotel image, trust, previous experience, destination image, or perceived authenticity. Future research could therefore extend the model by incorporating additional antecedents, mediators, or moderators to provide a more comprehensive explanation of customer loyalty.

Finally, future research could examine whether these relationships vary across different forms of tourism and accommodation contexts. For example, comparisons between coastal and urban tourism, leisure and business tourism, seasonal and year-round destinations, or traditional hotels and alternative accommodation could reveal whether customers prioritize different dimensions of service quality depending on the nature of their trip. It would also be valuable to compare different hotel categories and market segments, as expectations toward service quality may differ considerably between budget, mid-range, and luxury accommodation. Such extensions would provide a better understanding of when and under what conditions individual SERVQUAL dimensions become particularly important for satisfaction and loyalty.

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