THE EFFECT OF SERVICES CAPE ON CUSTOMER LOYALTY IN ETHIOPIAN HOTEL INDUSTRY

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ABSTRACT

Hotel industry as one of the service providers 'area is under rising competition to determine that their services are customer centered. The main objective of this study was to examine the effect of services cape on customer loyalty in Ethiopian hotel industry. Quantitative research design was used in this study to test the developed hypothesis. In order to collect primary data, a self-completed questionnaire was distributed for hotel customers' in Ethiopia. Primary data was collected from all those hotel customers' who visited and/or stayed at any of the selected star hotel in Addis Ababa, Ethiopia. 400 questionnaires were disseminated and 340 questionnaires were successfully gathered and returned and 321 (80.25%) usable questionnaires were ready for data analysis. *The collected data was analyzed by using statistical package for social science (SPSS) version 16.00. The result of this study showed that services cape has a significant positive effecton customer loyalty in Ethiopian hotel industry. Specifically, ambient and design dimensions of Services cape has a significant and positive effect on customer loyalty in the Ethiopian hotel industry. It is recommended that hotel managers need to highly consider hotel services cape and its dimensions in order to achieve loyalty of customers.*

Key words: Ambient, Customer loyalty, Design,Services cape, and Social factors

1. **Introduction**

As one of the service suppliers the hotel industry is under fostering imperativeness to present that their services are consumer interest satisfying and that constant enhancement is being provided. Now a days to gain competitive advantage, different hotels are placing more focus Services cape elements. In recent years customers are becoming more aware of their expectations and demand higher standards of hotel services. In a similar way, hotels are also trying to let know their customers that they are customer focused by writing it bold in their vision and mission statements. If customers perceive the Services cape as unsatisfactory, they may be, quicker to take their businesses elsewhere. Hotels therefore, need to be more responsive to the changing demands and expectations of customers' by providing pleasant Services cape.

In an unsparing hotel business environment attracting and maintaining customer loyalty is a very significant strategy for sustaining competitive advantage. In fact hotel industry is characterized by aggressive competition, maintaining customers' loyalty is the main responsibility of hotels. In order to achieve loyalty of customers', hotels should know the most influential factors of customer loyalty. Nevertheless, there was no enough and detailed research that identified the antecedents of customer loyalty and to revealed the links between these factors and customer loyalty particularly in Ethiopian hotel industry. Therefore, this study is undertaken to explain the effect of Services cape on customer loyalty in the Ethiopian hotel industry.

Research concerning the effect of Services cape on customer loyalty in Ethiopian context is limited. Existing literature reveals that only a few studies observed the effect of Services cape on customer loyalty in developing countries. And most are descriptive reports which cannot demonstrate the effect of Services cape on customer loyalty. This study is an attempt to study customer's perceived Services cape and its effect on customer loyalty. Therefore, it would be both theoretical and managerial interests to study the effect of perceived Services cape on customer loyalty in the Ethiopian hotel industry.

Since hotels are expected to deliver pleasant Services cape experience to achieve loyalty of customers', the different factors that can contribute to customer loyalty in Ethiopian hotel industry need to be studied in detail. In order to compete in a highly profitable and competitive hotel industry, hotels should concentrate on sustaining lasting relationship with customers and expected to please customers (Banga, Kumar, & Goyal, 2013).

As it is indicated on the study of Simpeh *et al* (2011), a positive relationship was reported between the spatial layout of the hotel which is one aspect of Services cape and patronage by customers. It was again found in this study that other parts of Services cape such as signs, symbols and artifacts were positively associated with customer patronage. According to the study of Countryman & Jang (2006), three of the Services cape elements such as color, lighting, and style were meaningfully associated to the overall impression of a hotel lobby. In addition, it was found that the Services cape components contributed meaningfully in each representation of customer behavior (Ariffin *et al*, 2011). Therefore, services organizations, should give high emphasis to Services cape elements to be competitive. The main reason for the existence of many profitable organizations is their customers'; therefore it is mandatory to create long term relationship to gain customer loyalty.

2.   Need of the Study

It is necessary to evaluate consistently the physical environment of hotels in Ethiopia to attract domestic and international customers in a pleasing way. One time Services cape failure has a negative impact on the development and growth of this industry. Furthermore, studying the effect of Services cape on customer loyalty in the area of hotel industry by using domestic and international customers' has prime importance to critically evaluate the success of hotels in Ethiopia. Moreover, the identification of the determinants of Services cape should be a fundamental interest for service management researchers and practitioners, as it is necessary to be able to identify and enhance Services cape from the customers' perspectives especially in the hotel industry.

Provision pleasant physical environment for both domestic and international customers is the basic requirement for the growth of the hotel industry. To study the level of Services cape which is provided by Ethiopian star category hotels by their customers' is important in different ways. So, the main reason that initiates the researcher to conduct this research is that there are little researches which are conducted on this topic independently and in detail before to indicate the effect of Services cape on customer loyalty in Ethiopia, particularly in the hotel industry.

The study was also intended to focus on the effect of Services cape on customer loyalty in the Ethiopian hotel industry from customers' perspectives. The main function of the physical environment or Services cape in service encounters is to encourage purchase behavior in service organizations. Though, if clients are deterred by other customers attracted to a facility or their interactions with other clients or workers, the Services cape may impede organizational goals (Hightower & Shariat, 2009). According to the above mentioned study, Services cape elements of style or design, particularly, have its own significance in

contributing to customer behavior in various ways. So, it is reasonable to study customers' perception of Services cape and its effect on customer loyalty in the Ethiopian hotel industry.

The earlier studies on measurement of customer evaluation of the effect of Services cape on customer loyalty were few in the hotel industry, more so in the Ethiopian context. Also a number of studies have been conducted on the measurement of Services cape of hotels independently. However, evaluating the perceived Services cape of each hotel might not give much input unless a study is made at industry level. The present study of hotel industry perceived Services cape and its effect on customer loyalty would help fill the relevant gaps in the literature and advance the study hotel industry forward.

It is very important to explore which factors of Services cape or physical environment such as ambient, design, and social factors have a considerable effect on customers' satisfaction and customer loyalty in the Ethiopian hotel industry. In view of the fact that only a few studies have been conducted among hotel customers in Ethiopia, this paper critically examined their satisfaction and behavioral intentions in the hotel industry. The study of Bitner (1992) pointed out that the significance of the physical environmental factors in food service industries should not be ignored because it can confer the image of the organization to customers prior to the interaction between customers and service providers take place.

3. Review Of Literature
3.1 Services cape

As it is argued by Valentínand & Gamez (2010), the happening high consumers' crowding negatively affects the consumers' assessment of service provision. Consumers in many cases are involved to a high level of social concentration as there is the opportunity of getting pleasing experience and happy relationships with other customers' (Valentínand & Gamez, 2010). On the other hand, another important aspect of the customer's experience during service provision, involves the presence of contact personnel, technically speaking, employees who are primarily interacts with the customers' (Hoffman & Bateson, 2011). Most of the time, customers will evaluate the quality of service based on the people providing the service (Lovelock *et al*, 2011).

The study of Bitner (1992) indicated that Services cape in service providing organizations play a major role in determining consumer expectations, distinguishing service organizations, enhancing customer and employee goals, and affecting the behavior of consumer experience. In addition, investment should be undertaken by service providing organizations on physical environmental components to meet or exceed customer needs and flexibility of service provision (Choi, Heo & Kim, 2012). Similarly, one of the most important characteristics of the main product is the place where customers' can buy or consume products and at the same time particularly the atmosphere of the place is more powerful than the main product during consumer purchase decision (Kotler, 1973).

The study of Bitner (1992) noted that the effect of physical environmental factors on consumers' behavioral intentions in consumption environment is under the supervision of management. Even though, Valentínand & Gamez (2010) demonstrated that there are other physical environmental factors in consumption setting like social, cultural, psychological realms that are out of the control of organization management. Service firms are expected to manage the Services cape elements properly because it plays vital role in packaging the service, facilitating the service delivery process, socializing customers and employees and differentiating the firm from its competitors (Hoffman & Bateson, 2011).

The study of Bitner (1992) demonstrated that the fundamental physical environment components are mainly represented by signs, symbols, and artifacts. Nevertheless, Bitner described these factors as general signs, like way out and department signs, which are normally considered in similar approach by all consumers' and workers within a particular setting. Moreover, According to Mudie & Pirrie (2006), the physical environment provides fundamental tangible and intangible clues that help potential clients, customers, employees, stakeholders and opinion- formers recognize a service's character and ideology.

The study of Simpeh *et al* (2011) also presented empirical evidence that the Services cape variables such as ambient conditions, spatial layout, signs, symbols, and artifacts are very important strategy in attracting clients for the hotel industry. The results of Choi, Heo & Kim (2012, also revealed that Services cape elements for service rendering organizations are very important and basically required by customers'. Similarly, the human activities are basically affected by the physical evidence and the service providing organizations physical environment highly affects consumer and employee behaviors (Bitner, 1992).

According to Mudie & Pirrie (2006) service setting of an organization is used to illustrate the tangible physical environment in which a service is experienced. Batra (2014) examined that Services cape in hospitality industry includes different factors such as the appearance of physical facilities both interior and exterior, furniture, spacious rooms, seating area, crockery, equipment's, signage, parking, surrounding environment, layout, air quality, temperature, personnel and communication materials. According to the study of Study Shashikala & Suresh (2013), seven Services cape dimensions considered i.e., ambient factor, aesthetic factor, layout, variety, cleanliness, signs, symbols & artifacts, and social factor are all relevant in shopping mall context and capable of inducing significant variations in consumer loyalty.

Hightower & Shariat (2009) identified an initial assessment instrument that supports the research model across ten industries. As it is described on the model which is derived from the marketing and environmental psychology literatures, conceptualizes that the Services cape as containing three components sets (1) ambient, (2) design, and (3) social factors. This kind of conceptualizing physical environment into three dimensions is the best way in international service firm. On the other hand, particularly in international service settings, customers' consider the physical environment in multiple levels, at the same time: one as an overall assessment level of the physical environment, two at the dimension level and three at the sub dimension level like functional, aesthetic, customers, and employees (Hightower & Shariat, 2009).

3.2 Customer Loyalty

According to the study of Bagram & Khan (2012) in this competitive world, many profit making organizations seek to make their customers' more loyal. Moreover, competition is the major problem for hospitality industry in today's unstable business environment and the mechanism is to have loyal customer' through profitable relationship with them (Dhillon, 2013). Besides, according to the study of Dick & Basu (1994) customer loyalty is described as the strength of the association between an individual's relative attitude and repeat patronage. Additionally, according to East *et al* (2005) customer loyalty is also expressed as an attitude toward the loyalty object or as repeat patronage behavior.

According to the study of Gremler & Brown (1999), when customers become loyal their effect on the company is beyond the immediate result. Today, it is fundamental to establish enduring partnerships with customers' through identifying and meeting their needs when companies provide similar products like hotels (Aksu, 2006). Establishment of lasting relationship with target customers' is one of the major

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requirements for building customer loyalty. Customer loyalty construct is measured by employing single item or combinations of items. The study of East *et al* (2005) found that singular measure of customer loyalty is better than combination measures of customer loyalty.

The most important and comprehensive definition of customer loyalty is given by Oliver (1999), in which customer loyalty is defined as "a deeply held commitment to re-purchase a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior". In addition, according to the study of (Gremler and Brown, 1996, p. 173) as it is cited in Gremler & Brown (1999) service loyalty can be defined as the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises.

Research of Malik, Yaqoob & Aslam (2012) also demonstrated that it is not only enough to retain customers but also attract new and try to make them loyal customers is very important.

In many literatures customer loyalty is used interchangeably with other expressions like behavioral intentions and service loyalty. The research findings of Jones & Taylor (2005), confirmed that service loyalty is similar to loyalty in interpersonal relationships. On the other hand, According to Kandampully & Suhartanto (2000) customer loyalty is considered as the major factor for profit making firm's success like hotel industry.

The study of Gremler & Brown (1999) indicated that loyal customers are more than just purchasers and generates benefit for firms. Moreover, Malik, Yaqoob & Aslam (2012), in their study also concluded that in hospitality business like hotels and restaurants, customer loyalty is the most significant factor. Furthermore, the study of Prakasam (2010) in hotel industry confirmed that effective marketing strategies need to be planned by hoteliers to attract and retain more and more customers, by satisfying them during their first visit, and then developing customer loyalty. Besides, the hotel industry needs to concentrate on maintaining customer's loyalty (Ehsan *et al*, 2011). The study of Javalgi and Moberg (1997) also indicated that loyalty with its high repeat patronage and high relative attitude would clearly be the ultimate goal for marketers.

3.3 Services cape and its relationship with customer loyalty
When the significance of consumers' repurchases intentions towards the physical environment enhances, study associated with the Services cape, physical evidence has been accomplished in various service industries like hotels (Bitner, 1992; Wakefield & Blodgett, 1996). Additionally, the study of Ariffin, Bibon & Abdullah (2011) pointed out that style element of the physical environment primarily has its own implication for customer behavior in different ways. In addition, the study of Hooper, Coughlan & Mullen (n.d.) confirmed that design element of the physical environment contribute significantly for consumers' purchase intentions.

The research findings of Choi, Heo & Kim (2012) revealed that the sub-factors of the physical environment, namely, surrounding elements, functionality, aesthetics, and convenience, had positive effects on brand loyalty. Furthermore, Services cape has significant effects on loyalty intention where the customers will approach overwhelming store environment that influence their purchasing behavior (Alias, Roslin & Shariff, 2013). Furthermore, according to Bitner (1992), the service provider should consider the ambient condition elements such as lighting, music, noise, color, temperature and scent in the design of the environment given that they can play a significant role in achieving desired behavioral responses on the part of customers'.

From the five physical environment components such as layouts, style, color, lighting; and furnishings; color, lighting, and style were found to be considerably related to the overall feeling of hotel customers' (Countryman & Jang, 2006). Additionally, this author indicated that of the three identified factors of Services cape, color was the most important one in shaping the feeling of hotel customers'. Similarly, the research findings of Alsaqre, Mohamed & Jaafar (2010) demonstrated that the three dimensions of physical environment in hotels such as design, equipment, and ambient conditions have significant effect on customers behavioral intentions, of which, the design of hotels has the highest effect.

The study of Harris & Ezeh (2008) by using descriptive quantitative research design primarily which is survey research method reported that only five Services cape variables such as cleanliness, implicit communicators, furnishing, customer orientation and   physical attractiveness were found to be significantly and directly related to loyalty intentions via the enter method of multiple regression analysis. As it is indicated on the study of Ariffin, Bibon & Abdullah (2011), the physical environment dimensions such as design, color, lighting, and restaurant layout, among others, were measured and it was confirmed that these elements should be considered in the formation of customer behavior in restaurants. Furthermore, as it is revealed by Bitner (1992), positive perception of Services capes or physical environment factors is likely to influence approach behaviors like attraction, staying, spending money, and returning.

The study of Hightower, Brand & Bourdeau (2006) clearly demonstrated that the physical environment has a direct correlation to customers' behavioral intensions. When tangible and intangible factors of physical environment interact with each other, perfect service experience will certainly be created and be an outstanding one for the customers in hotel industry (Ariffin & Aziz, 2012). Moreover, within the supermarket noise, lighting, colors, symbols and signs as well as function environment such as layout and equipment are greatly affect the customers' moods and attitudes (Cicenaite & Maciejewska, 2012).

The results of Voon (2011) indicated that the effect of physical environment factors on customer satisfaction and loyalty was reasonably smaller except for fast food restaurants. In addition, according to the result of Ruiz, Castro & Díaz (2012), in creating service experiences, service value in hotel industry is greatly influenced by the Services cape provision followed by service quality. Conversely, the study findings of Alsaqre, Mohamed & Jaafar (2010) argued that Services cape positively affects perceived service quality which is related to customers' repurchase intentions. On the other hand, the kind of feeling which is initiated by external pleasing environments like the Services cape strongly influences customer loyalty intentions (Wakefield & Blodgett, 1996).

According to the study of Hightower (2010) the physical environment has a positive effect on customer loyalty in service encounters around the world and across many industries. On the other hand physical environment factors have a positive effect on post purchase stage of customer loyalty (Hoffman & Turley, 2002). Moreover, the physical environmental components such as space and function, lighting, color, music, and non-musical sound have significant influences on the behavioral responses of customers (Lin, 2004). Additionally, as it is visibly stated on the study of Heidea, Laerdala & Gronhaugb (2007), ambience and design issues can significantly affect customers' behavioral intentions.

Services cape components such as space and function, lighting, color, music, and non-musical sound are significant factors that customers will apply to direct their beliefs, attitude, and expectations of a given service provider (Lin, 2004). Furthermore, according to the findings of Chebat & Michon (2003), shopper perceptions have significant effect on customers' mood in retail industry. Besides, the physical environmental factors explain the approach behavior of customers' such as searching the supermarket

again and again, spending more time on browsing the products of the supermarket which, as a result, refer to an increased number of items bought (Cicenaite & Maciejewska, 2012).

In service rendering organizations, perceived physical environment positively affect the levels behavioral intentions of customers (**Tripathi&**Siddiqui, 2007). Besides, customers' behavioral intentions and purchasing behavior are strongly influenced by physical environmental factors (Alias, Roslin & Shariff, 2013). Other research support this result as the physical environment variables such as ambience of the hotels, spatial layout and signs, symbols and artifacts were positively related with customers repurchase intentions Simpeh *et al* (2011).

The study of Noor, Omar & Mahphoth (2011) by using five factors such as ambient conditions, spatial layout, functionality, signs, symbols and artifacts and cleanliness and its relationship towards consumer feelings on physical environment and their behavior to re-patronage, indicated that there is significant relationship between customer feeling on physical environment and their behavioral intention. And also, the study of Keillor, Hult & Kandemir (2004) by using regression analysis clearly demonstrated that physical environment has significant positive consequence on customer loyalty.

In competitive hotel industry environment, hotels are highly expected to present quality and pleasant Services cape components so as to assure maximum satisfaction of customers that will direct to repeat purchase intentions and positive word-of-mouth communication influences (Heerden, Botha & Durieux, 2009). Related researches indicates that, high quality perceived physical environment can be considered as an important indicator for customer satisfaction, as satisfaction affects repurchase behavior of customers' (Wakefield & Blodgett, 1996).

The study results of Leonardo (2010) indicated that only few elements of Services cape such as music and staff competence have positive significant influence on consumers' behavioral intention where as other variables like ambient and costumer orientation have negative effect on customers' loyalty intention. On the other hand, the empirical study of Alsaqre, Mohamed &Jaafar (2010) showed that the Services cape or the physical evidence of hotels is one of the most important driving forces for consumers' preference and positive word-of-mouth communications to other customers'.

According to Kotler (1973), customers respond to more than simply the tangible product or service in which this author proposed that atmospherics be considered as an important marketing tool. As it is mentioned by this author, the atmosphere of a place influences customers' purchase behavior in three ways: as an attention-creating medium such as use of colors, noise to make it stand out, as a message-creating medium like communicating with the intended audience, level of concern for customers and as an affect-creating medium like use of colors, sounds to create or heighten an appetite for certain goods, services or customer experiences.

The study of Ryu & Han (2010), showed the Services cape dimensions like facility aesthetics, lighting, layout, and social factors had significant effects on disconfirmation which in turn disconfirmation had direct influences on customer satisfaction and customer loyalty. Moreover, the study result of Lam *et al* (2011) proved that Services cape has a significant influence on customer satisfaction which in turn affects customers' repurchase intention. The finding of Lee &Kim (2014) revealed that cleanliness dimension of Services cape had a considerably direct impact on consumers' satisfaction and an indirect impact on loyalty and reuse.

It is noted that the research findings of Ramapuram & Batra (2005), also demonstrated that there is correlation between restaurant physical environment and consumers behavioral intentions. According

to the study of Lee &Kim (2014) layout dimension of Services cape was also found to be an important factor for service quality and satisfaction. As it is pointed out by Wakefield & Blodgett (1994), a well-designed layout has a direct influence on a consumers' quality perception and an indirect effect on the customer's desire to return.

4. OBJECTIVE OF THE STUDY

The main objective of this study was to examine the effect of perceived Services capeon customer loyalty in Ethiopian Hotel industry. Specifically, this study aimed to describe the effect Services cape dimensions on customer loyalty in Ethiopian Hotel industry.

5. HYPOTHESIS OF THE STUDY

This study has the following hypothesis.

H1: overall Services cape will have a positive effect on customer loyalty in the Ethiopian hotel industry.

H1a: Ambient will have a positive effect on and customer loyalty in the Ethiopian hotel industry.

H1b: Design will have a positive effect on and customer loyalty in the Ethiopian hotel industry.

H1c: Social factors will have a positive and effect on and customer loyalty in the Ethiopian hotel

6. RESEARCH METHODOLOGY

Primary data was gathered from all those customers' who visited the hotel at least once and/or stayed at 3-star, 4-star, and 5-star hotels by using convenience sampling approach. Specifically, four 5-star hotels, seven 4-star hotels and ten 3-star hotels were selected randomly from the entire population of star hotels. In this study three dimensions of Services cape such as ambient, design, and social factors were used. After permission was obtained from star hotel managers, 400 questionnaires were distributed to star hotel customers'. Of these 400 distributed questionnaires, 340 questionnaires were successfully collected and returned. Out of distributed questionnaires, 321 (80.25%) usable questionnaires obtained and ready for data analysis. Therefore, results and discussions are based on 321 customers' responses. Statistical package for social science (SPSS) version 16.00were used to analyze the collected data.

7. RESULTS AND DISCUSSIONS
7.1. RESULTS OF DEMOGRAPHIC FACTORS
The following tables showed some of the demographic factors of questionnaire respondents.

As it is indicated in the following table, more of the respondents are male (59.8%) followed by female (40.2%). As it is demonstrated in table 4.8 most of the respondents have postgraduate level of education (50.5%) followed by degree qualification (47%) and 2.5% respondents are diploma holders. In terms of nationality, local (Ethiopian) respondents were the largest group (50.8%), followed by African respondents (19.6%), European respondents (10.9%), American respondents (9.7%), Australian respondents (4.4%), Asian respondents (3.7%) and Arabian (0.9%). In terms of purpose of visiting, most of the respondents have visited the hotel for entertainment and leisure (60.1%) followed by for training and conference participation (21.8%), for business travel (8.1%), tourist (4.7%), family matters (3.7%) and game in towns (1.6%).

		Frequency	Percentage (%)
Gender of respondents	Female	129	40.2
	Male	192	59.8
Education Qualification of respondents	Postgraduate	50.5	50.5
	Degree	47.0	47.0
	Diploma	2.5	2.5
Nationality of respondents	Local	163	50.8
	Foreigners	158	49.2
Purpose of visiting of respondents	Entertainment and Leisure	193	60.1
	Training and Conference Participation	70	21.8
	Business Travel	26	8.1
	Tourist	15	4.7
	Game and Family Matters	17	5.3

Table 1: Demographic factors result

7.2 Main Findings
7.2.1 Correlation analysis between Services cape dimensions and customer loyalty

As it is indicated in the following table ambient dimension of Services cape has moderate and significant correlation with customer loyalty (0.522). There is also a moderate and significant relationship between design and customer loyalty with a correlation of 0.484. Moreover, there is no significant relationship between social factor dimension and customer loyalty in the Ethiopian hotel industry (0.032).

Table 2:Correlation between Services cape dimensions and customer loyalty

	Ambient	Design	Sociial Factor	Customer Loyalty
Ambient	1			
Design		1		
Social Factor			1	
Customer Loyalty	.522**	.484**	.032	1

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

7.2.2 Correlation analysis between Services cape and customer loyalty

The following table indicates that Services cape has moderate and significant association withcustomer loyalty (0.599) and customer satisfaction (0.566). Moreover, customer satisfaction has a high and significant relationship with customer loyalty (0.730).

Table 3: Correlation amongServices cape, customer satisfaction and customer loyalty

	Services cape	Customer Satisfaction	Customer Loyalty
Customer Loyalty	.599**	.730**	1

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

7.2.3 Result of regression analysis

Hypothesis 2: overall Services cape will have a positive effect on customer loyalty in the Ethiopian hotel industry.

The F value 178.307 was high for overall Services cape and customer loyalty at the 1% level of significance (p<0.01) so that the developed model was important to explain customer loyalty. In addition, the beta coefficient was also highly significant and overall Services cape has considerable correlation with customer loyalty (.599). As it is indicated on the model summary table of regression analysis result, 35.7% of customer loyalty variance was significantly predicted by overall Services cape in the Ethiopian hotel industry. Therefore, it was confirmed that Services cape explained customer loyalty meaningfully and the developed hypothesis was supported. In general, the results indicated that overall Services cape has a positive and significant effect on customer loyalty in the Ethiopian hotel industry.

Table 4: Regression analysis result between Services cape and customer loyalty: Model Summary result

Model	R	Adjusted R Square
1	.599	.357

a. Predictors: (Constant), Services cape

Table 5: ANOVA Result for Services cape and customer loyalty

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	15.669	1	15.669	178.307	.000
Residual	28.032	319	.088		
Total	43.700	320			

a. Predictors: (Constant), Services cape
b. Dependent Variable: Customer Loyalty

Table 6: Beta Coefficients Result for Services cape and customer loyalty

Model	Unstandardized Coefficients		Standardized Coefficients		
1	B	Std. Error	Beta	T	Sig.
(Constant) Services cape	4.044 .383	.017 .029	.599	244.4381 3.353	.000 .000

Dependent Variable: Customer Loyalty

Under hypothesis one, three sub-hypothesis were established to assess the impact of Services cape elements on customer loyalty in the Ethiopian hotel industry. Particularly, these hypotheses stated that ambience, design and social factor dimensions of Services cape will have a positive and significant effect or not on customer loyalty in the Ethiopian hotel industry. The hypotheses are the following.

H1a: Ambient will have a positive effect on customer loyalty in the Ethiopian hotel industry.

H1b: Design will have a positive effect on customer loyalty in the Ethiopian hotel industry.

H1c: Social factors will have a positive effect on customer loyalty in the Ethiopian hotel industry.

To test these hypotheses, enter regression analysis method was run and the results were presented in the following tables. The F value for model one (119.175) and model 2 (163.064) which was high and statistically significant at the 1% level of significance for ambient and design dimensions of Services cape (p=0.000). Additionally, the standardized beta coefficient value for the ambient (.522) and for design (0.484) is also highly significant. Based on the F value and Beta result, it was confirmed that both ambient and design elements explained substantial amount of customer loyalty variation. As it was clearly demonstrated on the model summary, 27.0% customer loyalty variance was explained by ambient dimension and 23.3% of customer loyalty variation was also predicted by design dimensions in the Ethiopian hotel industry. Moreover, 50.3% of customer loyalty variation was also determined by both ambient and design dimensions. Hence, ambient and design elements were significant predictors of customer loyalty in the Ethiopian hotel industry and both hypotheses (H2b and H2c) were supported in this study. On the other hand, the F value change (.640) and standardized beta coefficient for the social factor dimension of Services cape was not significant (p=0.424). Consequently, the customer loyalty variation was not considerably explained by social factors and hypothesis H2c was not accepted in this study.

Table 7: Regression analysis result for ambient, design, social factor dimensions and customer loyalty: Model Summary result

Model	R	Adjusted R Square	R Square Change	F Change	Sig. F Change
1	.522[a]	.270	.272	119.175	.000
2	.712[b]	.503	.234	163.064	.000
3	.712[c]	.503	.001	.640	.424

  a. Predictors: (Constant), Ambient
  b. Predictors: (Constant), Ambient, Design
  c. Predictors: (Constant), Ambient, Design , Social factor

Table 9: ANOVA Result for ambient, design, social factor and customer loyalty

Model	Sum of Squares	Df	Mean Square	F	Sig.
12 Regression Residual Total	11.886 31.815 43.700	1 319 320	11.886 .100	119.175	.000[a]
2 Regression Residual Total	22.126 21.574 43.700	2 318 320	11.063 .068	163.064	.000[b]
3 Regression Residual Total	22.169 21.531 43.700	3 317 320	7.390 .068	108.800	.000[c]

    a.   Predictors: (Constant), Ambient
    b.   Predictors: (Constant), Ambient, Design
    c.   Predictors: (Constant), Ambient, Design , Social factor
    d.   Dependent Variable: Customer Loyalty

Table 10: Beta Coefficients Result for ambient, design, social factor and customer loyalty

Model	Unstandardized Coefficients		Standardized Coefficients		
1	B	Std. Error	Beta	T	Sig.
(Constant) Ambient	4.044 .193	.018 .018	.522	229.4461 0.917	.000 .000
2 (Constant) Ambient Design	4.044 .193 .179	.015 .015 .015	.522 .484	278.191 13.236 12.286	.000 .000 .000
3 (Constant) Ambient Design Social Factor	4.044 .193 .179 .012	.015 .015 .015 .015	.522 .484 .032	278.191 13.236 12.286 .800	.000 .000 .000 .424

Dependent Variable: Customer Loyalty

8. Discussion of Results

The main objective of this research was to determine the effect of Services cape on customer loyalty in the Ethiopian hotel industry. Many researchers argued that Services cape was also a multidimensional construct and as a result led to the formulation of sub hypotheses. As it was observed from the factor analysis result of this study, Services cape had three main dimensions such as ambient, design and social factors. So, the second objective of this research helps to understand the effect of Services cape on

customer loyalty. In order to achieve this objective Hypothesis two (H2) was developed. Additionally, three sub hypotheses (H2a, H2b and H2c) were developed to identify which dimension of Services cape has a significant effect on customer loyalty in the Ethiopian hotel industry.

The correlation analysis 1indicated that Services cape has a significant correlation with customer loyalty (β= 0.599) at the 1% significance level. The regression analysis result also proved that the model was important to explain the variance of customer loyalty. The adjusted R square of the model summary result indicated that 35.7% of customer loyalty variance was explained by overall Services cape in the Ethiopian hotel industry. Regression analysis was also conducted between Services cape dimensions and customer loyalty to describe the impact of each dimension on customer loyalty. As a result customer loyalty has a significant correlation with ambient (β= 0.522) and design (β= 0.484) dimensions. However, there was no significant association between social factors and customer loyalty in the Ethiopian hotel industry since its beta coefficient (0.032) was not significant at the 1% significance level. As it is inferred in the above table, 27% of customer loyalty variance was explained by ambient dimension only whereas 50.3% of customer loyalty variation was explained by ambient and design dimensions of perceived Services cape. Consequently, it is observed that Services cape and its dimensions (ambient and social factors) have a significant influence on customer loyalty in the Ethiopian hotel industry.

In this study it was proposed that Services cape and its dimensions (ambient, design and social factors) have a positive and significant effect on customer loyalty in the Ethiopian hotel industry. The result of the study confirmed that Services cape has a positive and significant effect on customer loyalty. Moreover, its dimensions (ambient and design) have a positive and significant effect on customer loyalty. On the other hand, it was determined that customer loyalty variation was not explained by social factor dimension in the Ethiopian hotel industry. The result of the study implies that an improvement in the Services cape or physical environment of hotels will improve the loyalty of customers' in the Ethiopian hotel industry. Particularly, an improvement of ambient and design dimensions of Services cape will increase customer loyalty of customers. This meant that an increase in the value of the Services cape elements would result in an increase in customer loyalty.

The main findings of the study showed that Services cape has a positive and significant effect on customer loyalty in the Ethiopian hotel industry. This result is in line with the study of Hightower (2010) and Wakefield & Blodgett (1996) that indicates the physical environment has a positive effect on customer loyalty. The study findings also similar with Hightower, Brand & Bourdeau (2006) that clearly demonstrated the physical environment has a direct correlation to customers' behavioral intensions. Moreover, this supports the study of Bitner (1992) in which ambient condition of Services cape play a significant role in achieving desired behavioral responses. Additionally, this study result is consistent with the findings of Simpeh *et al* (2011) in which the physical environment variables such as ambience of the hotels, spatial layout and signs, symbols and artifacts were positively related with customers repurchase intentions. On the other hand, this study agrees with the results of Wu (2009) who indicated that social factor dimension was not a significant predictor of customer loyalty in hotel industry. Therefore, it is concluded that this study results are consistent with other study findings in hotel industry.

9. Conclusions and Implications

The general objective of the study was to examine the effect of perceived service quality and Services cape on customer loyalty in the Ethiopian Hotel industry. Specifically, the study intended to identify the effect of perceived service quality and Services cape on customer loyalty

The study observed that Services cape significantly predicted customer loyalty in the Ethiopian hotel industry. Hotel managers and employees need to create pleasant environment to attract customers', excellent and appropriate lighting and temperature at hotels, appropriate music and acceptable background noise level to have disturbance free environment for their customers'. Moreover, hotels are highly required and needed to create more clean and neat physical environment or Services cape so as to guarantee customers' to spend more at the hotel. Hotels are also required to have pleasant facilities in order to achieve customer satisfaction and customer loyalty.

The industry need to have well-designed hotels including well-designed restrooms for their customers'. Design is one of the most important factors that international tourists will consider during their selection. The existence of well-designed hotels and restrooms will guarantee the international tourists to spend more of their time at the selected hotel. Moreover, hotels interior and exterior layout need to be pleasing and attractive so as to achieve customer satisfaction and customer loyalty. The overall Services cape of hotels should be improved in the Ethiopian hotel industry since it is the major determinant of loyalty and satisfaction of customers'. Therefore, it is the responsibility of hotel owners and managers to highly improve hotel physical environment so as to enhancecustomer satisfaction and customer loyalty. Particularly, hotels are expected to create pleasant environment, attractive design and layout. Overall, the Ethiopian hotel industry should make the physical environment more enjoyable that pleases customers'.

The paper added value to the previous researches in different ways. First, this study clearly specified that Services cape has a significant positive effecton customer loyalty in the Ethiopian hotel industry. Second, ambient and design dimensions of Services cape have also a significant effecton customer loyalty. Therefore, for the improvement of hotel industry customer loyalty, managers are expected to enhance Services cape and its dimensions.

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